

Covid-19 construction briefing #10

This week has seen a further small increase in open projects and a fall in delayed projects. Total open projects have increased and in value by £2.2bn. We now have identified 2,200 open projects with a value of £79bn (£56bn excluding Hinkley Point). Once again most the increase has occurred in the residential sector.

Restarted projects have increased by £1.3bn and now total £33bn. Delayed projects have decreased by £3.6bn and now total £47bn.

In the planning system, over the last few weeks new tenders have recovered somewhat to approximately 30% lower than pre-crisis levels rather than 40% through March and April. Contract awards remain at -60%. New applications remain stable but decision updates are weakening slightly.

This week our research findings have focused around concerns over delays in projects under construction, with on-site productivity and breach of contracts major issues. We have some evidence to support the slight pickup in tenders we have observed as staff return from furlough. Hopefully this will lead to increases in new projects over the coming weeks.

We provide an update to last week’s briefing on:

- conditions in the UK economy,
- observations on activity in the construction industry, and
- insights drawn from our planning data including projects confirmed as open, planning information and delayed project volumes.

Economic conditions

There was little new economic news this week, with the media focused on political developments. The European Union unveiled a proposed €750bn recovery fund with the aim of supporting member states as they come out of lockdown.

The Treasury published its comparison of forecasts for the UK economy which compares independent economic forecasters’ estimates of major economic parameters. Summary information for GDP, inflation, unemployment and government borrowing are summarised in the table below.

Table 1: Summary of HM Treasury forecast comparison

	2020			2021		
	Average	Min	Max	Average	Min	Max
GDP growth	-7.9%	-12.9%	1.2%	6.0%	0.8%	10.3%
CPI inflation	1.0%	0.2%	2.5%	1.7%	0.4%	2.6%
Unemployment Q4	7.3%	4.0%	10.5%	5.9%	4.0%	9.1%
Public Sector Net Borrowing (£bn)	240	53	320	139	56	233

Research findings

This week, the much of our research has captured information over the delays in project completion due to the lockdown and productivity reductions under social distancing rules. Several respondents said they were concerned about the difficulties maintaining productivity and achieving contract milestones. We also picked up a number of projects with new later completion dates. On average project completions are being put back by approximately 6 months.

We also picked up information, both through our research and the media, of the on-site activities being undertaken to support social distancing: more spacious rest and welfare areas, the streamlining and introduction of one-way systems for site movement, and the adoption of thermal cameras to monitor workers' temperatures.

While many companies have now returned to site, we continue to find a number of firms where all sites and offices remain closed.

There were several media articles that the shortage of construction materials and products continues to ease, though we have not picked up any new evidence this week.

We are starting to collect tentative evidence that as previously furloughed staff are now returning to work, new tenders are back underway. We are hopeful that the exceptionally weak contracts and tender information since the start of the crisis will be starting to improve (from our planning information it appears new tenders may be starting to increase). We will be looking for this in our data over coming weeks.

Construction project information

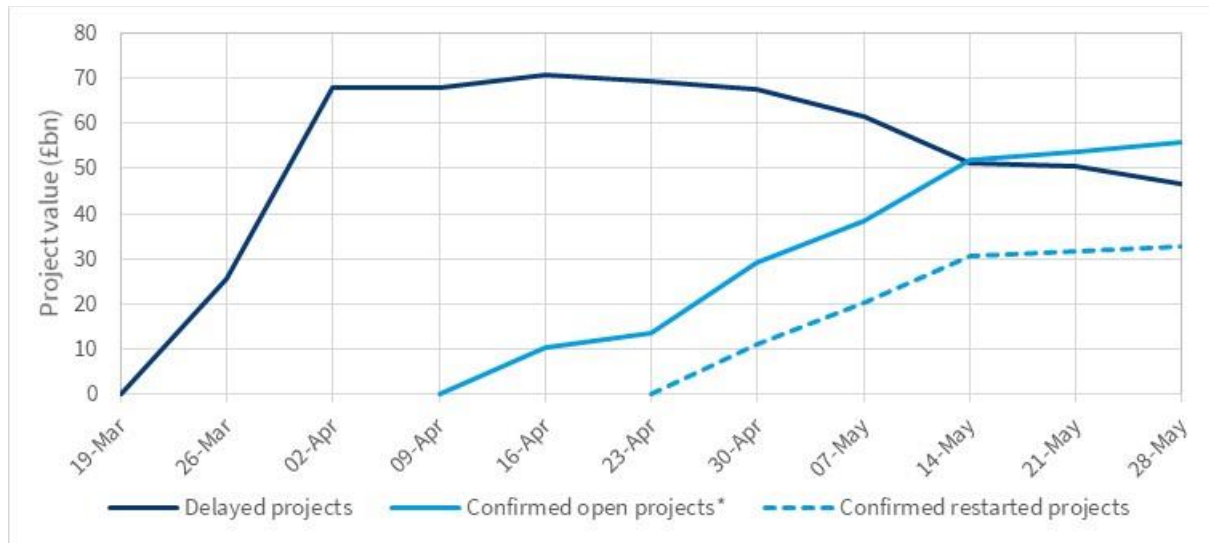
This week the value of projects confirmed open or restarting has increased by small amount (£2.2bn), from £76.8 to 78.9bn (£53.8bn to £55.9bn excluding Hinkley Point). Once again most the increase has occurred in the residential sector.

Of the above, restarted projects now number 1,030 and total £32.8bn. This week we have seen an increase of 19 projects with a value of £1.3bn.

The value of delayed projects has reduced by £3.6bn. We currently have 4,231 projects delayed with a value of £46.7bn.

The graph below shows the value of delayed, confirmed open and restarted projects over time.

Figure 1: Value of delayed, open* and restarted projects (£bn)



*excluding Hinkley Point £23bn

Planning activity

New planning applications remain fairly robust at levels around 1,700 per day compared to pre-Covid levels of around 2,100. However, decision updates have deteriorated somewhat over the last fortnight to around 2,500-3,000 per day compared to 3,500-4,000 per day previously.

Contract awards and new tenders remain very subdued. The volume of tenders received seems to be recovering very slightly: in the second half of March and April tenders fell by 40% compared to pre-crisis levels; in May they have recovered to around 30% below. This is backed up by our anecdotal research findings this week. Contract awards however continue to stagnate at around 60% below normal levels.

Confirmed projects remaining open

The projects we have confirmed remaining open have increased by a further small amount over the week by £2.2bn, from £76.8bn to £78.9bn (£53.8bn to £55.9bn excluding Hinkley Point). This is an increase in the number of projects of 46; from 2,157 to 2,203.

£1.5bn of the total change this week has occurred in the Residential sector. London saw an increase of £0.8bn and the South West saw an increase of £0.4bn. The Commercial and Retail sector also saw an increase of £0.5bn, with London accounting for £0.3bn of the total.

The table below shows the value of projects confirmed open by sector and region. In order to give an indication of relative activity levels, we have shaded the values in the table which have significantly more projects confirmed open (in green) or less (in red) compared to normal activity levels. Hinkley Point has been excluded from the data.

The most confirmed open projects continues to be in the Medical sector, followed by the Residential sector. The Industrial sector continues to have the smallest open projects, followed by the Hotel and Leisure sector. Across the UK, London has by a margin the highest number of open projects whereas the lowest levels of open projects are in the East Midlands and Yorkshire.

Table 2: Value of projects confirmed as open by sector and region

Confirmed open projects value (£m)	Commercial & Retail	Education	Hotel, Leisure & Sport	Industrial	Infrastructure	Medical & Health	Residential	All sectors
East Midlands	115	275	4	76	120	5	2,203	2,797
East of England	36	647	92	203	289	45	3,104	4,418
London	3,881	1,081	965	15	3,182	523	6,995	16,642
North East	52	114	37	276	85	18	1,230	1,811
North West	201	418	579	75	321	725	4,228	6,547
Scotland	40	58	0	1	3,155	333	1,018	4,604
South East	154	552	265	171	441	258	4,801	6,640
South West	49	167	103	69	77	5	3,130	3,600
Wales	18	280	100	8	100	294	726	1,526
West Midlands	123	320	86	17	798	424	2,624	4,392
Yorkshire & Humber	142	223	30	82	102	61	2,186	2,826
Great Britain	4,811	4,157	2,260	1,018	8,688	2,695	32,300	55,929

We present a table of major construction companies' confirmed open projects by number and value below.

Table 3: Major construction companies confirmed open projects

Contractor	Number of projects	Value (£bn)	Contractor	Number of projects	Value (£bn)
Barratt & David Wilson Homes	250	5.4	Multiplex	6	1.7
Persimmon	253	4.7	Laing O'Rourke	7	1.7
Taylor Wimpey	186	3.3	Countryside Properties	73	1.7
Siemens PLC	2	3.0	Bouygues	18	1.6
Sir Robert McAlpine Limited	36	3.0	Lendlease	7	1.4
Vistry Group	152	2.4	Morgan Sindall	76	1.4
Bellway Homes	149	2.3	Balfour Beatty	9	1.2
Redrow Homes	95	2.1	Crest Nicholson Plc	50	1.1
Mace	18	2.0	BAM	21	1.0
Wates	64	1.8	Costain	2	0.9

Sub-sector analysis

We have repeated our analysis at the sub-sector level that we completed for delayed projects in April, but for projects that are open. We have found the following:

- **Residential sector:** most of the projects open are in the private residential sector. The volume of open Housing Association and Local Authority projects is significantly lower in comparison.
- **Infrastructure:** Power and Utility, Water, Enabling Works and Air sub-sectors have seen the largest amount of confirmed open projects.

- **Medical sector:** Public hospitals, somewhat unsurprisingly, dominates the open projects in the medical sector. Other sub-sectors with significant amounts of open sites are the Private Hospitals and the Hospices, Nursing and Psychiatric Home sub-sectors.
- **Education:** State Colleges and Universities have the highest proportion of open projects, whereas the State Primary Schools and Nurseries sub-sectors have the lowest.
- **Commercial and Retail:** Offices have a high proportion of open projects in the Commercial and Retail sector.
- **Leisure:** Arenas and Stadia is the principal sector that has seen confirmed open projects, though this was the largest sub-sector within the Leisure and Hotels sector affected by delays.
- **Civic and Public:** Courts, Civic Centres and Town Halls is the sub-sector that has seen by far the most confirmed open projects, though this was the largest sub-sector within the sector affected by delays.

Projects returning to site

We have seen an increase in restarted projects of £1.3bn this week. The total now stands at £32.8bn, up from £31.5bn last week. The number of restarted projects has increased by 19, from 1,030 to 1,011.

Almost all projects returning to site are in the Residential sector, with £1.2bn of the £1.3bn increase. Of this, projects in London totalled £0.8bn, followed by the South West with £0.3bn.

The table below shows the value of projects returning to site by sector and region. In order to give an indication of relative activity levels, we have shaded the values in the table which have significantly more projects restarted (in green) or less (in red) compared to normal activity levels. Given the lack of returning sites in many sectors within UK regions, we have not shaded any of the information in red at this level.

Once again, the Residential sector has by far the most projects returning to site, followed by the Infrastructure sector. The Industrial sector remains the sector with least restarted projects relative to its size, though it does have the lowest amount of delays. London has the highest level of restarted projects, followed by Scotland and the North East of England, with the rest of the UK at lower levels. Yorkshire and the East Midlands have the lowest amount of restarted projects relative to their size.

Table 4: Value of projects restarted by sector and region

Restarted projects value (£m)	Commercial & Retail	Education	Hotel, Leisure & Sport	Industrial	Infrastructure	Medical & Health	Residential	All sectors
East Midlands	86	10	0	2	1	0	923	1,021
East of England	0	346	0	128	0	0	1,995	2,469
London	1,286	492	672	0	2,795	290	5,732	11,267
North East	52	28	0	270	63	0	889	1,302
North West	5	69	410	0	90	18	2,464	3,057
Scotland	40	56	0	0	3,155	0	895	4,145
South East	93	100	116	115	18	2	3,353	3,797
South West	47	8	0	3	0	0	2,059	2,116
Wales	17	62	0	0	89	0	441	609
West Midlands	0	25	0	0	0	0	1,666	1,691
Yorkshire & Humber	92	27	18	2	21	7	1,170	1,336
Great Britain	1,717	1,223	1,216	520	6,250	316	21,600	32,842

Delayed projects

This week we have seen a fall in delayed projects of £3.6bn. The total value of delayed projects is now £46.7bn, down from £50.3bn last week. The number of projects delayed have decreased by 4, from 4,235 to 4,231, as we continue to pick up small numbers of low value projects.

The Residential sector has seen the largest fall in delays, with £2.2bn of reduction this week. The North West has £1.3bn of the total and London £0.9bn. Infrastructure sector also saw a large fall of £1.4bn, though this was dominated by a single project – the £1.2bn TFL Silvertown Tunnel project in London. Other sectors have seen minimal changes.

The table below shows the value of projects returning to site by sector and region. Similarly to the tables above we have shaded the values in the table which have more projects significantly delayed (in red), moderately more delayed (in orange) or less delayed (in green) compared to normal activity levels.

Scotland remains the outlier in terms of remaining delays. Even with the large number of residential sector projects returning to site, the sector remains the most impacted, closely followed by the Commercial and Retail sector. The Medical and Industrial sectors remain the least impacted by the delays.

Table 5: Value of Covid-19 delayed projects by sector and region

Covid-19 delayed project value (£m)	Commercial & Retail	Education	Hotel, Leisure & Sport	Industrial	Infrastructure	Medical & Health	Residential	All sectors
East Midlands	94	81	106	326	116	25	1,592	2,340
East of England	256	262	115	140	261	15	1,742	2,792
London	4,352	453	1,335	91	3,080	81	2,949	12,341
North East	41	121	61	68	61	2	933	1,287
North West	250	138	280	116	327	48	1,850	3,010
Scotland	856	1,220	619	271	4,538	96	5,786	13,387
South East	198	279	146	247	519	45	2,193	3,628
South West	150	188	150	168	196	52	1,797	2,701
Wales	17	104	28	80	75	13	343	661
West Midlands	164	215	161	315	608	10	1,151	2,625
Yorkshire & Humber	167	37	68	151	203	40	1,232	1,897
Great Britain	6,547	3,116	3,070	1,974	9,987	427	21,602	46,724

Next steps

We will continue to provide weekly updates, including themes we uncover as further information becomes available.