

Covid-19 construction briefing #11

This week the increase in open projects and the fall in delayed projects has accelerated. Total open projects have increased in value by £10bn. We have now identified 2,600 open projects with a value of £89bn (£66bn excluding Hinkley Point). The increase has been shared across more sectors than recent weeks, with Residential, Infrastructure, Commercial and Hotel and Leisure sectors seeing significant changes. However, most changes have again been in London.

Restarted projects have increased by £8bn and now total £41bn. Delayed projects have decreased by £10.5bn and now total £36bn.

There remain concerns over the strength of the planning system. While 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 at somewhat sub-normal levels, but decision updates have weakened.

Through our research findings we continue to pick up significant amounts of restarting projects. However, there is increasing news of redundancies, company insolvencies, and either voluntary or requested discounted of prices. The fears over on-site productivity continue.

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

Further information on the economy's performance in May was released this week. With April's GDP figures released next Friday, the waiting will be over to discover the depth of the contraction due to lockdown.

A raft of Markit/CIPS PMI surveys were released for the UK and other countries over the course of the week. They showed a recovery from the unprecedented falls in April, however they almost all universally remained in contraction, so activity continued to reduce, albeit at a much slower rate.

Most significantly of the PMI surveys, the UK Construction Industry recovered somewhat in May but still saw its third-worst month in history, rising from its record low of 8.2 in April to 28.9 in May. This means the industry disappointingly experienced a further serious contraction in May but to a lesser extent than in April.

Other news this week included the publication of Nationwide's house price index for May. Monthly prices fell by 1.7%, and annual growth slowed to 1.8%.

With consumer spending falling by nearly 20% in April, retailers have been discounting heavily. According to the British Retail Consortium, shop prices dropped by 2.4% in May, following a fall of 1.7% in April.

As reported in previous weeks, the crisis has seen a record level of debt repayment. Bank of England data showed credit card lending falling by 7.8% compared to 2019. The annual growth rate fell to -0.4%, the weakest level since August 2012. Households also repaid £7.4bn of consumer credit in April, which is the largest repayment on record.

With increasing signs that the economic pain is being shared unequally and is borne by poorer citizens, there is a risk that the UK will emerge from the crisis a more inequitable country that will find it difficult to regain previous activity. With a regionally managed, track, trace and isolate infrastructure not up and running, and the UK government building on its stellar record of among highest death rates in the world by refusing to support a WFO initiative to encourage the sharing of Covid-19 treatments and produce patent-free treatments, subsequent waves of infection and further turmoil over the coming months are looking possible.

Research findings

This week we collected a significant amount of information suggesting further site re-openings; backed up by this week's project data. A significant number of companies announced they are reopening sites over the next few weeks. In addition, TFL recommenced work on major infrastructure projects, and the construction of Hinkley Point power station reached a major milestone, completing the 49,000-tonne base for the second reactor on schedule with reduced numbers on site and social distancing restrictions.

There however remain significant fears for the future. In May, 35 construction companies entered administration in May, up from 9 in April. And more manufacturers are considering redundancies and/or the mothballing of some facilities due to the fall in demand.

We have picked up a small number of projects that have been delayed due to shortages of materials. We have also identified a number of reports of either requested or voluntarily discounting across sub-contractors and architects.

There is also some information that innovations to help with the on-site productivity issue may be starting to come through: Taylor Wimpey have offered their self-commissioned face shield to the industry to aid with PPE concerns.

Construction project information

This week the value of projects confirmed open or restarting has increased significantly by £10.0bn, from £78.9 to £88.9bn (£55.9bn to £65.9bn excluding Hinkley Point). While once again most the increase has occurred in the residential sector, the Infrastructure, Commercial and Hotel and Leisure sectors have also seen increases over £1bn. London has seen the vast majority of the total change. The number of projects has increased by 271 to 2,574.

Of the above, restarted projects now number 1,226 and total £40.8bn. This week we have seen an increase of 196 projects with a value of £8.0bn.

The value of delayed projects has reduced by £10.5bn, a fall of 482 projects. We currently have 3,749 projects delayed with a value of £36.3bn.

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 per day. However, decision updates remain more depressed than previously at around 2,000-2,500 per day compared to 3,500-4,000 per day previously.

Contract awards and new tenders remain very subdued compared to Q1 2020. Tenders remain at approximately 30% below pre-crisis levels and contract awards at -60%.

Confirmed projects remaining open

Confirmed open projects have increased significantly over the last week. We have confirmed an additional 271 projects with a total value of £10.0bn. Total open projects now stand at £88.9bn, up from £78.9bn last week (from £55.9bn to £65.9bn excluding Hinkley Point). The number of projects has increased from 2,203 to 2,474.

While the Residential sector again has had the largest increase this week of £3.7bn, the changes have been shared more fairly with other sectors. The next largest increases are in the Infrastructure sector (£3.3bn), Commercial sector (£1.4bn), and the Hotel and Leisure sector (1.1bn). We have seen lower increases in the sectors where there were fewer delays, with the Medical, Industrial and Education sectors increasing by £0.0bn, £0.1bn and £0.3bn respectively.

London has dominated the changes this week with an increase of £6.0bn, with increases mainly in the Infrastructure and Commercial sectors. The next largest regions are the North West and Scotland with increases of £0.8bn and £0.7bn.

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 (relative to the sector size) continue 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 by a significant margin whereas the lowest levels of open projects remain in the East Midlands and Yorkshire.

Table 1: 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	2,355	2,950
East of England	38	647	95	203	289	45	3,455	4,773
London	5,306	1,109	1,947	15	5,889	523	7,815	22,604
North East	62	141	65	331	108	18	1,559	2,283
North West	203	420	589	90	460	725	4,834	7,321
Scotland	49	214	9	33	3,292	393	1,375	5,364
South East	154	566	265	206	603	258	5,006	7,058
South West	49	167	129	69	162	5	3,405	3,986
Wales	18	288	100	8	100	294	726	1,534
West Midlands	123	367	86	18	800	424	2,780	4,597
Yorkshire & Humber	142	224	28	82	152	61	2,637	3,325
Great Britain	6,259	4,440	3,316	1,156	11,993	2,755	36,003	65,922

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

Table 2: 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	Mace	18	2.0
Persimmon	253	4.7	Wates	64	1.8
Taylor Wimpey	187	3.3	Laing O'Rourke	8	1.7
Sir Robert McAlpine Limited	37	3.0	Countryside Properties	73	1.7
Siemens PLC	2	3.0	Bouygues	19	1.6
Multiplex	7	2.6	Morgan Sindall	77	1.5
Vistry Group	153	2.4	Keepmoat Homes	55	1.2
Bellway Homes	149	2.3	Balfour Beatty	9	1.2
Lendlease	8	2.1	Crest Nicholson Plc	50	1.1
Redrow Homes	95	2.1	BAM	22	1.0

Projects returning to site

We have seen a large increase in restarted projects of £8.0bn this week. The total now stands at £40.8bn, up from £32.8bn last week. The number of restarted projects has increased by 196, from 1,030 to 1,226.

As with the open projects, the changes this week are spread across sectors, with Residential increasing by £2.7bn, Infrastructure £2.3bn, Commercial £1.3bn and Hotel and Leisure £1.0bn. The Education, Industrial and Medical sectors have seen only small or negligible increases though these sectors have been less impacted by delays.

Most restarts have again centred around London with £5.1bn of restarts this week. Other regions saw smaller increases of less than £1bn.

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 Commercial and Hotel and Leisure sectors have caught up slightly this week. 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 by a long way, followed by Scotland and the North East of England, with the rest of the UK at lower levels. The East Midlands, Yorkshire, Wales and the West Midlands have the lowest amount of restarted projects relative to their size.

Table 3: 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	1,032	1,130
East of England	0	346	3	128	0	0	2,345	2,823
London	2,867	545	1,654	0	4,614	290	6,359	16,329
North East	62	57	28	325	86	0	1,075	1,633
North West	5	70	410	5	224	18	2,717	3,448
Scotland	49	211	9	32	3,292	60	1,444	5,097
South East	93	105	116	115	34	2	3,520	3,986
South West	47	8	0	3	85	0	2,244	2,386
Wales	17	62	0	0	89	0	441	609
West Midlands	0	25	0	0	0	0	1,759	1,784
Yorkshire & Humber	92	27	18	2	71	7	1,352	1,569
Great Britain	3,317	1,466	2,238	611	8,513	377	24,302	40,825

Delayed projects

This week we have seen a fall in delayed projects of £10.5bn. The total value of delayed projects is now £36.3bn, down from £46.7bn last week. The number of projects delayed have decreased by 482, from 4,231 to 3,749.

As in previous weeks the Residential sector has seen the largest fall in delays, with £4.0bn of reduction, however similarly as above other sectors have seen larger falls, including the Infrastructure (£3.2bn), Commercial (£1.6bn) and Hotel and Leisure (£1.0bn) sectors.

London saw the largest fall with £6.2bn, which was concentrated in the Infrastructure and Commercial sectors. Scotland also saw a fall of £1.2bn, and other regions decreased by smaller values.

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, however it is slowly catching up with the rest of the UK. Even with the large number of residential sector projects returning to site, the sector remains the most impacted, now closely followed by the Commercial and Retail sector. The Medical and Industrial sectors remain the least impacted by the delays.

Table 4: 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	26	1,443	2,192
East of England	254	249	112	140	262	15	1,390	2,422
London	2,730	396	348	97	469	82	2,065	6,186
North East	31	94	34	13	38	2	614	824
North West	247	155	263	87	192	49	1,460	2,453
Scotland	844	1,064	609	241	4,331	36	5,099	12,224
South East	199	270	146	211	430	45	1,958	3,260
South West	150	188	177	118	111	57	1,154	1,957
Wales	17	93	28	80	75	13	343	649
West Midlands	164	170	161	265	608	10	1,058	2,437
Yorkshire & Humber	167	42	70	151	153	43	1,004	1,630
Great Britain	4,898	2,819	2,054	1,730	6,788	378	17,598	36,265

Next steps

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