

Covid-19 construction briefing #13

We've seen a further sizeable increase this week in projects confirmed open or restarting and a fall in delayed projects. The value of open projects has increased by £5bn. The total number is now 3,100 with a value of £101bn.

The gains have been mainly shared by the Residential and Commercial sectors. While the residential changes have been shared throughout the UK, changes in the Commercial sector have almost entirely occurred in London. We have started to see an increase in open and restarted residential projects in Scotland, we expect this to increase and spread to more sectors over the next few weeks.

Restarted projects have increased by £5bn and total £50bn. The value of delayed projects has reduced by £6bn and now totals £25bn.

We are hopeful that the planning system may be showing tentative signs of recovery, as indicators have started to strengthen slightly. However decision updates and new contracts remain significantly below pre-crisis levels.

Our research findings this week have collected concerns over the lack of new projects, difficulties progressing planning applications, project delays, and attempts by main contractors to renegotiate contracts down with sub-contractors.

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.**

There will not be a briefing next week; the next publication will be on the 3 July.

Economic conditions

After the excitement of last week's April GDP announcement, over the last few days some initial economic data for May has been published.

The ONS' labour market publication for May showed a relatively stable unemployment rate at 3.9%, unchanged from the previous quarter. It provided further evidence that the government's support schemes avoided widespread redundancies over the lockdown. However most of the other indicators suggest the labour market has weakened significantly.

- The number of people on payrolls fell by 612,000 between March and May
- Total number of hours worked fell by 8% on a quarter to quarter basis
- The change in average weekly earnings fell from 2.7% in March to 1.7% in April.

The ONS also published price inflation for May. CPI fell again, down 0.3% to 0.5% in May. This is the lowest headline inflation rate since June 2016 and follows falls in March and April to 1.3% and 0.8% respectively. Lived inflation (the goods that people are buying) is still trending significantly higher than this.

The risk of negative inflation will increase the pressure on the Bank of England to reduce the base rate below zero; a step it has been resistant to making before now.

Brexit was also back this week as the UK formally notified the EU that it would not be seeking an extension to the leaving date of the 31 January 2021. With a chasm between the positions of the two sides, a return to the uncertainty of 2019 is highly likely over the remainder of the year. With the government successfully burying its merger of the Department For International Development with the Foreign Office this week by performing a predictable U-turn on providing free school meals through the summer holidays, similar tactics can be expected over the coming months to distract attention away from further bad news.

The Bank of England announced £100bn of further quantitative easing (taking the total to £300bn since the start of the crisis) as it seeks to maintain market liquidity needed to ensure bond rates remain low, financing the increases to government debt. In the USA, the Federal Reserve also announced an increase to its corporate bond buying programme. This indicates that central banks believe the crisis still has a long way to run as we move out of lockdown.

Research findings

Our findings through our research is broadly consistent with previous weeks. We continue to confirm that most contacts we speak to confirm that all their sites are back up and running. Firms operating in Scotland continue to gear up for further openings over the coming weeks.

In the press there have been a number of stories on companies making redundancies and reporting negative financial results.

Through our research we continue to receive reports on:

- Projects under construction delayed due to lower site productivity. Most are being pushed back by 6 months.
- Continued difficulties progressing planning applications due to difficulties contacting council staff.
- Lack of new contracts being issued and approved
- Reports of attempts by main contractors to renegotiate contract prices down with sub-contractors; we have had reports of requests of 7-10% reductions being requested

We have not had any new information about shortages of materials this week; we are hopeful that the shortages have decreased significantly.

Construction project information

Over the course of the week we've seen another large increase in projects confirmed open or restarting. The value of open projects has increased by £5.2bn, from £96.0bn to £101.3bn (£73.0bn to £78.3bn excluding Hinkley Point). The number of projects has increased by 308 to 3,085.

The gains have been mainly shared by the Residential and Commercial sectors, with the Industrial and Education sectors showing smaller increases. While the residential changes have been shared throughout the UK, changes in the Commercial sector have almost entirely occurred in London. Across the rest of the UK, commercial sectors are lagging compared to London.

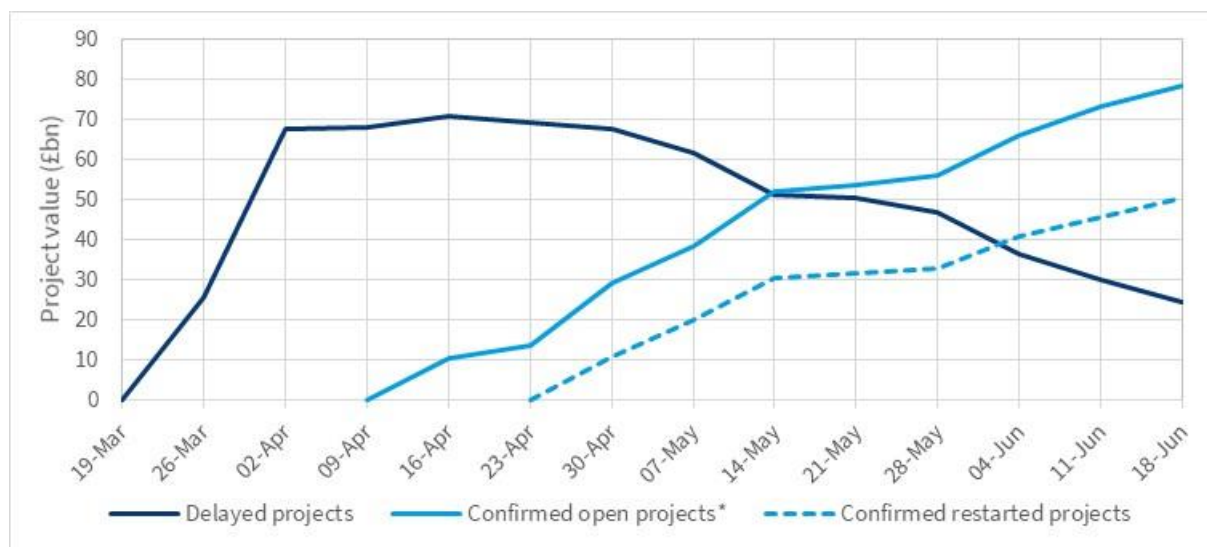
We have started to see an increase in open and restarted residential projects in Scotland, we expect this to increase and spread to more sectors over the next few weeks.

Of the above, restarted projects now number 1,791 and total £50.3bn. This week we have seen an increase of 283 projects with a value of £4.5bn.

The value of delayed projects has reduced by £5.6bn, a fall of 920 projects (we have updated many small value projects). We currently have 2,429 projects delayed with a value of £24.5bn. The Commercial, Residential and Infrastructure sector have the most remaining delays relative to their sizes.

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

In some positive news, both new applications and decision updates have started to strengthen over the last fortnight. It is too early to say whether it is a trend, as decision updates have been concerningly weak over May and June.

Tenders continue to strengthen slowly, although they remain below pre-crisis levels, having moved from -40% in April, to -30% in May. In June they have been closer to -20%.

Contract awards are also on a very slow upward path. They are now closer to 50% below pre-crisis levels compared to -60% over March, April and May.

We are hopeful that this is the start of a pick-up in planning activity, however it is undoubtedly too early yet to be considered a trend, and activity remains greatly reduced compared to previous levels, especially in contract awards and decision updates.

Confirmed projects remaining open

We have seen a further significant increase in confirmed open projects this week: an additional 308 projects with a value of £5.2bn. Total open projects now stand at £101.3bn, up from £96.0bn last week (from £73.0bn to £78.3bn excluding Hinkley Point). The number of projects has increased from 2,777 to 3,085.

The changes this week have been shared mainly between the Residential sector (+£2.1bn) and Commercial sector (+£1.3bn). Two less impacted sectors, Industrial and Education have also seen some not-insignificant changes, increasing by £0.7bn and £0.6bn respectively. Other sectors have seen negligible changes.

Again this week, in the Residential sector the changes have been spread across the UK. Scotland has started to see some openings (+0.6bn) and we expect this to continue over the coming weeks as more housebuilders return to site.

Changes in the Commercial sector have been mostly focused in London with £1.1bn of newly confirmed open projects. In the rest of the UK (i.e. excluding London) the Commercial sectors are lagging.

The table below shows the value of projects confirmed open by sector and region. We have shaded the values in the table which have significantly fewer projects open (in red), moderately fewer open (in orange) and the most open (in green) 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. Other sectors are a distance behind. The Industrial sector continues to have the smallest level of open projects (though it has been the least impacted by delays), followed by the Hotel and Leisure sector. Across the UK, London remains 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	166	284	19	315	166	17	2,993	3,959
East of England	140	723	95	262	295	48	3,954	5,517
London	6,860	1,202	2,033	49	6,161	534	8,235	25,075
North East	62	139	65	331	108	18	1,824	2,547
North West	340	420	578	116	2,376	754	5,336	9,920
Scotland	119	549	122	55	3,507	393	2,574	7,319
South East	187	622	335	233	609	261	5,852	8,098
South West	67	264	129	136	170	11	3,897	4,674
Wales	23	362	115	25	107	294	864	1,790
West Midlands	154	442	127	221	827	430	3,290	5,491
Yorkshire & Humber	154	224	28	82	161	64	3,013	3,726
Great Britain	8,274	5,267	3,645	1,849	14,505	2,829	41,888	78,257

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	252	5.5	Redrow Homes	95	2.0
Persimmon	253	4.7	Mace	20	2.0
Taylor Wimpey	187	3.3	Laing O'Rourke	8	1.7
Sir Robert McAlpine Limited	37	3.0	Balfour Beatty	12	1.7
Siemens PLC	2	3.0	Bouygues	20	1.7
Multiplex	10	2.9	Countryside Properties	73	1.7
Lendlease	17	2.6	Morgan Sindall	79	1.5
Wates	65	2.4	Doosan/Wood/KBR/Morgan Sindall	1	1.5
Bellway Homes	149	2.3	Keepmoat Homes	65	1.3
Redrow Homes	95	2.1	Crest Nicholson Plc	50	1.1

Projects returning to site

We have seen a further large increase of 283 restarted projects worth £4.5bn this week. The total now stands at £50.3bn, up from £45.7bn last week. The number of restarted projects has increased from 1,508 to 1,791.

As we mention above the Residential sector has seen the most returns of £2.1bn, shared across the UK. The next largest increase is in the Commercial Sector with £1.3bn, almost entirely in London. Education has seen £0.7bn of restarts and other sectors have seen little change.

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

The Residential sector continues to have the greatest amount of projects returning to site by a distance, both by absolute value and relative size. 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	88	19	15	4	27	12	1,629	1,794
East of England	104	421	3	128	4	2	2,837	3,500
London	4,361	644	1,727	4	4,858	301	6,919	18,814
North East	62	55	28	325	86	0	1,436	1,992
North West	145	69	440	15	227	47	3,309	4,252
Scotland	96	531	33	32	3,483	60	2,094	6,330
South East	126	161	166	177	116	6	4,347	5,098
South West	65	106	26	70	88	7	2,802	3,163
Wales	22	144	0	17	96	0	544	823
West Midlands	31	144	41	5	29	6	2,181	2,437
Yorkshire & Humber	103	28	18	2	80	10	1,774	2,014
Great Britain	5,204	2,337	2,497	778	9,112	452	29,884	50,263

Delayed projects

This week we have seen a fall in delayed projects of £5.6bn. The total value of delayed projects is now £24.5bn, down from £30.0bn last week. We have updated a large number of smaller projects this week so the number of projects delayed have decreased significantly by 920, from 3,349 to 2,429.

As in previous weeks and as reported above the Residential sector has seen the largest fall in delays, with a reduction of £2.3bn, spread across the UK. The Commercial sector has fallen by £1.1bn occurring almost entirely in London. Industrial and Education have seen reductions of £0.7bn and £0.6bn respectively. Other sectors have seen smaller falls in delays.

The table below shows the value of delayed projects 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. All other regions are now broadly similar in terms of remaining delays. The South East, East of England and London are marginally behind. The areas with the lowest amount of delays relative to their size are Yorkshire, the North East, the North West, the East Midlands, Yorkshire and Wales.

The Residential, Commercial and Infrastructure sectors have the most remaining delays relative to their sizes, at all about the same level. 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	92	37	88	66	62	14	671	1,029
East of England	147	155	104	79	259	9	819	1,570
London	1,252	290	255	62	142	71	1,516	3,587
North East	31	93	31	11	38	2	289	495
North West	108	129	206	93	163	25	902	1,625
Scotland	592	722	538	200	3,794	8	3,743	9,598
South East	317	181	94	502	427	40	939	2,501
South West	129	63	147	50	102	51	641	1,184
Wales	6	18	10	62	67	13	202	379
West Midlands	67	90	101	49	581	4	440	1,331
Yorkshire & Humber	127	41	63	153	147	40	572	1,142
Great Britain	2,867	1,820	1,638	1,329	5,782	276	10,742	24,453

Next steps

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