Covid-19 construction briefing #6

This week has seen a £23bn increase in active construction projects. The value of open projects now stands at £40bn, excluding the single large £23bn project of Hinkley Point. We have also separated active projects into two streams: those confirmed open and those restarted. The restarted value is £11bn (412 by number) and the confirmed open value is £29bn (1,135 by number). The volume of restarted projects will continue to increase over the coming weeks as housebuilders that have confirmed they will return to site carry out their plans.

There has been a small decrease in the value of delayed projects by £2bn to £67bn. We continue to pick up delayed projects with smaller values, and as a result the number of delayed projects has increased from 4,600 to 4,900.

In the planning environment, new applications and decision updates continue to strengthen. However, the number of new contract awards and tenders remain weak, falling by 60% and 45% respectively from pre-crisis levels.

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 projected confirmed as open, planning information and delayed project volumes.**

Economic conditions

This week saw the publication of several countries' GDP figures for 2020 Q1. Accumulated Eurozone GDP fell by 3.8% on a quarterly basis, with major countries results as follows:

- France -5.8%
- Spain -5.2%
- Italy -4.7%

Meanwhile the USA's GDP contracted by 1.2% in Q1. The impact is lower in the USA due to the later spread and less severe restriction measures put in place. Over in the UK, we must wait until the 12 May for the publication of March and Q1's GDP. In most cases, outturn results are more severe than forecasters' predictions.

In other UK news this week, retailers suffered a historic slide in sales from the scale of the forced closures due to the pandemic. The CBI's survey found that 71% of retailers experienced a drop in sales this month compared to the same time last year, with just 16% reporting an increase in sales. This results in a net balance of -55%, matching the low in December 2008. Other key findings of the survey include:

- 39% reported they had shut down completely
- 44% have temporarily laid off staff
- 8% have made permanent job cuts

Alarmingly, 96% of retailers reported cash flow difficulties with a third saying they were struggling to access external finance.

A report from Resolution Foundation found that women, low-paid workers, younger employees and parents are being hit particularly hard by the Covid-19 pandemic.

They calculated that women make up a majority of 'key workers', which means they run a greater risk of exposure to the virus as they're not isolating. Key workers are also more often low-paid.

Evidence of construction activity

We continue to gather evidence on the ground through our research team's efforts. There remains a very wide range of experiences reported to us, from site closures and openings, to the biggest factors affecting operation, to shortages of materials, and to productivity.

Some construction companies continue to report all sites remaining closed, to others reporting a large variation in the proportion of sites open, to a few companies stating that all their sites remaining open. Over the course of the week many of the major housebuilders have announced a reopening of sites, we expect this to continue to increase over the coming weeks. There remain health and safety concerns in London especially due to the need to use public transport to travel to work and the difficulties working in more close quarters in urban areas.

We also find a wide variety of views on the shortages of construction products and materials. Some companies successfully stockpiled materials in the weeks before the lockdown measures being put in place. Others that didn't are experiencing significant difficulties sourcing products, with long lead times. Many report that the closure of builders' merchants is causing widespread supply issues.

We continue to collect evidence on shortages of materials. In addition to the wide range of products in short supply reported last week, this week we have found the following:

- Shortages of plasterboard, plaster and paint is a recurring theme
- Long lead times for steel, and shortages in ancillaries
- Difficulties procuring stone and concrete

We are also attempting to gauge the change in site productivity where social distancing measures have been implemented. Our findings in this area are sparse so far. We have found two distinct groups of responses – some respondents state their sites are unaffected, whereas others are stating very large productivity impacts: drops of 50-75%. It is likely that it is too early to fully tell the impact, and more data will emerge as new processes and activities become more normalised.

We have also not noticed any significant increases to the price of construction materials, other than very large increases in the price of all forms of PPE. Where some companies have been required to change suppliers, with prices increasing by a reported 10% in these cases.

Construction project information

This week the value of delayed projects has decreased from £69bn to £67bn. However, we continue to pick up additional delayed projects with smaller values, as the number of delayed projects has increased from 4,600 to 4,900.

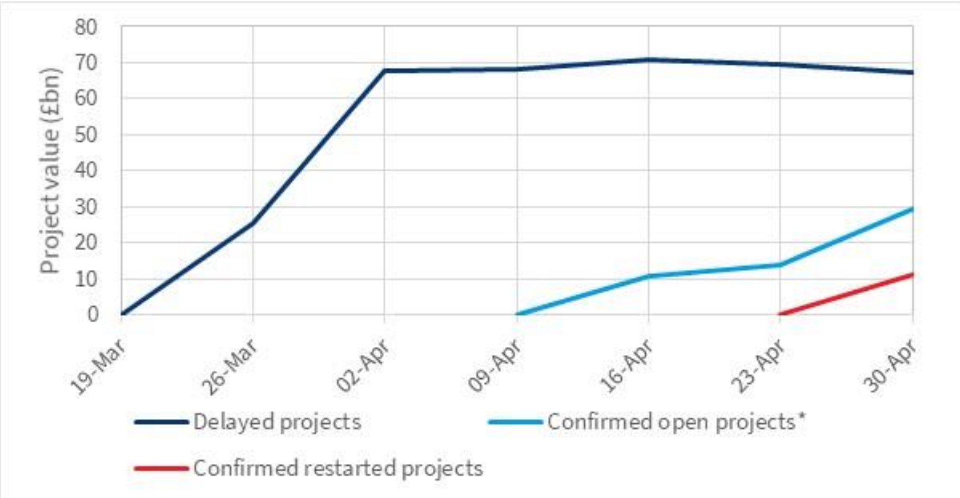
The value of open projects has increased significantly this week from £37bn to £63bn (£14bn to £40bn excluding Hinkley Point). We have now divided this value into projects remaining open and projects reopening.

The value of projects remaining open has increased significantly over the last week, from £13.5bn to £29.3bn (£36.6bn to £52.3bn including Hinkley Point). The number of projects has also increased from 507 to 1,135.

As we mention above, this week we have commenced reporting projects returning to site. We currently have identified £11.0bn projects by value, 412 by number. This value will significantly increase over the coming weeks as housebuilders return to closed sites.

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

As in previous weeks we continue to receive both new projects and decision updates from the planning process. Over the last fortnight activity has picked up somewhat. While new applications remain towards the lower end of average volumes, the volume of decision updates have increased significantly. Whether this is a single spike in the data or it turns into a continued trend remains to be seen. Nevertheless, there remains a consistent feed of new projects into the planning pipeline.

The volume of contract awards and tenders continue to suffer. Up until the middle of March, new contract awards for 2020 were averaging 200-250 per week. Since then volumes have dropped to 100 per week – a fall of 60%.

Before mid-March new tenders reported for 2020 were averaging around 100-150 per week. However, since then volumes have dropped to 60-80 per week – a fall of 45%.

Confirmation of projects remaining open

In the last week we have separated the projects confirmed open into those returning to site (restarted projects) and those that have remained open. The total value of open sites (including restarted) stands at £63bn (including the Hinkley Point project of £23bn).

Our data on projects remaining open has increased significantly over the last week, from £13.5bn to £29.3bn (£36.6bn to £52.3bn including Hinkley Point). The number of projects has also increased from 507 to 1,135.

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 remaining open skews the data somewhat. The value of Infrastructure projects remains lower than expected in many other regions of the UK. While the value of confirmed open projects remains lower than normal market sizes in the Industrial and Commercial sectors, and to a lesser extent the Hotel and Leisure sector.

In London we have identified a larger than expected value of projects in the Commercial and Hotel and Leisure sectors, however the fewer number of projects confirmed open in other sectors results in confirmed open projects being lower than the rest of the UK. This is to be expected since London has experienced the largest amount of delayed projects apart from Scotland.

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	114	124	4	58	115	5	546	**966**
East of England	33	635	2	163	288	45	882	**2,047**
London	1,826	680	826	0	1,619	517	2,071	**7,539**
North East	52	87	10	270	22	18	648	**1,106**
North West	122	413	190	75	315	660	1,897	**3,673**
Scotland	40	58	0	1	3,143	333	464	**4,039**
South East	66	479	263	47	414	242	1,596	**3,106**
South West	49	153	103	37	23,075	3	1,154	**24,575**
Wales	0	233	0	8	2	294	545	**1,082**
West Midlands	123	321	86	9	663	424	993	**2,618**
Yorkshire & Humber	50	206	0	80	99	54	1,059	**1,548**
Great Britain	**2,475**	**3,409**	**1,483**	**749**	**29,757**	**2,599**	**11,856**	**52,327**

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)
Persimmon	251	4.6	Lovell	42	0.7
Siemens PLC	2	3.0	Kier	36	0.7
Vistry Group	150	2.3	Volker Fitzpatrick	25	0.7
Sir Robert McAlpine Limited	32	2.0	Russells Construction	17	0.5
Wates	64	1.8	Costain	1	0.5
Bouygues	18	1.6	ISG	8	0.4
Multiplex	5	1.5	Renaker Build Limited	2	0.4
Morgan Sindall	76	1.4	LM JV	2	0.3
Balfour Beatty	7	1.1	Fusion JV	1	0.3
BAM	19	1.0	Mount Anvil Construction	1	0.2
Laing O'Rourke	6	0.9	Mace	2	0.2
Willmott Dixon	51	0.7	John Sisk Limited	2	0.2
Galliford Try	36	0.7			

Projects returning to site

As we mention above, this week we have commenced reporting projects returning to site. We currently have identified £11.0bn projects by value, 412 by number. This value will significantly increase over the coming weeks as housebuilders return to closed sites.

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 at this level.

Conversely to the projects confirmed open, we have a large volume of projects returning to site in London. While the largest value in London is in the residential, by relative market size the largest restarts have been in the Hotel and Leisure, Infrastructure and Medical sectors.

For the whole of the UK, at the sector level the most projects restarting are in the residential sector, whereas relatively fewer projects are restarting in other sectors, most apparently in the Commercial, Industrial and Infrastructure sectors.

Table 3: Value of projects restarted 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	86	0	0	0	0	0	412	**498**
East of England	0	346	0	0	0	0	595	**941**
London	159	121	555	0	444	284	1,786	**3,349**
North East	52	61	0	270	0	0	527	**910**
North West	0	64	30	0	150	18	714	**976**
Scotland	40	57	0	0	119	0	429	**645**
South East	6	40	115	0	0	2	1,003	**1,166**
South West	47	8	0	3	0	0	722	**780**
Wales	0	20	0	0	0	0	266	**286**
West Midlands	0	0	0	0	0	0	836	**836**
Yorkshire & Humber	0	10	0	0	19	0	539	**568**
Great Britain	**389**	**727**	**700**	**273**	**735**	**304**	**7,829**	**10,957**

Delayed projects: impact by sector and region

This week we have seen a further drop in delayed projects. The current total value of delayed projects is £67.4bn; 4,865 by number. This compares to £69.3bn by value and 4,557 by number last week.

While we have seen a large movement by value from delayed projects into restarted projects over the course of the week, we continue to pick up newly delayed projects. These are relatively small by value but larger by number, evidenced by the increase in the number of projects from 4,600 to 4,900. Most likely this is due to the lag between smaller sites closing and our research team being able to confirm each project.

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 significantly more projects delayed (in red) or less (in green) compared to normal activity levels.

As with previous weeks, London and Scotland remains the most impacted. The Residential sector has the greatest volume of delays, with Industrial sector is the least impacted.

The table below shows the total value of delayed projects by sector and region.

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	101	106	91	328	116	12	2,212	**2,965**
East of England	190	231	111	140	249	10	3,595	**4,526**
London	5,719	839	1,401	91	5,034	83	7,441	**20,607**
North East	27	30	58	68	124	1	1,311	**1,618**
North West	326	137	641	114	479	46	4,924	**6,666**
Scotland	851	1,176	617	227	4,594	96	6,190	**13,752**
South East	279	270	106	358	486	43	4,840	**6,382**
South West	127	175	91	167	197	51	2,970	**3,778**
Wales	27	146	9	80	150	13	609	**1,034**
West Midlands	162	194	122	349	81	10	2,225	**3,144**
Yorkshire & Humber	234	57	97	151	203	15	2,093	**2,851**
Great Britain	**8,042**	**3,373**	**3,345**	**2,076**	**11,727**	**381**	**38,486**	**67,430**

Next steps

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