



Glenigan

Construction Activity and Forecasts to 2024

About us

Established in 1973, Glenigan are the trusted provider of construction industry data, analysis, forecasting, company and project intelligence.

- Our clients include companies involved in the design and realisation of construction projects, suppliers of materials and services to the industry and organisations monitoring construction activity.
- We have over 20,000 users, and are used by the majority of the top contractors in the UK.
- We are a part of Byggfakta Group, the European leader in construction information services.

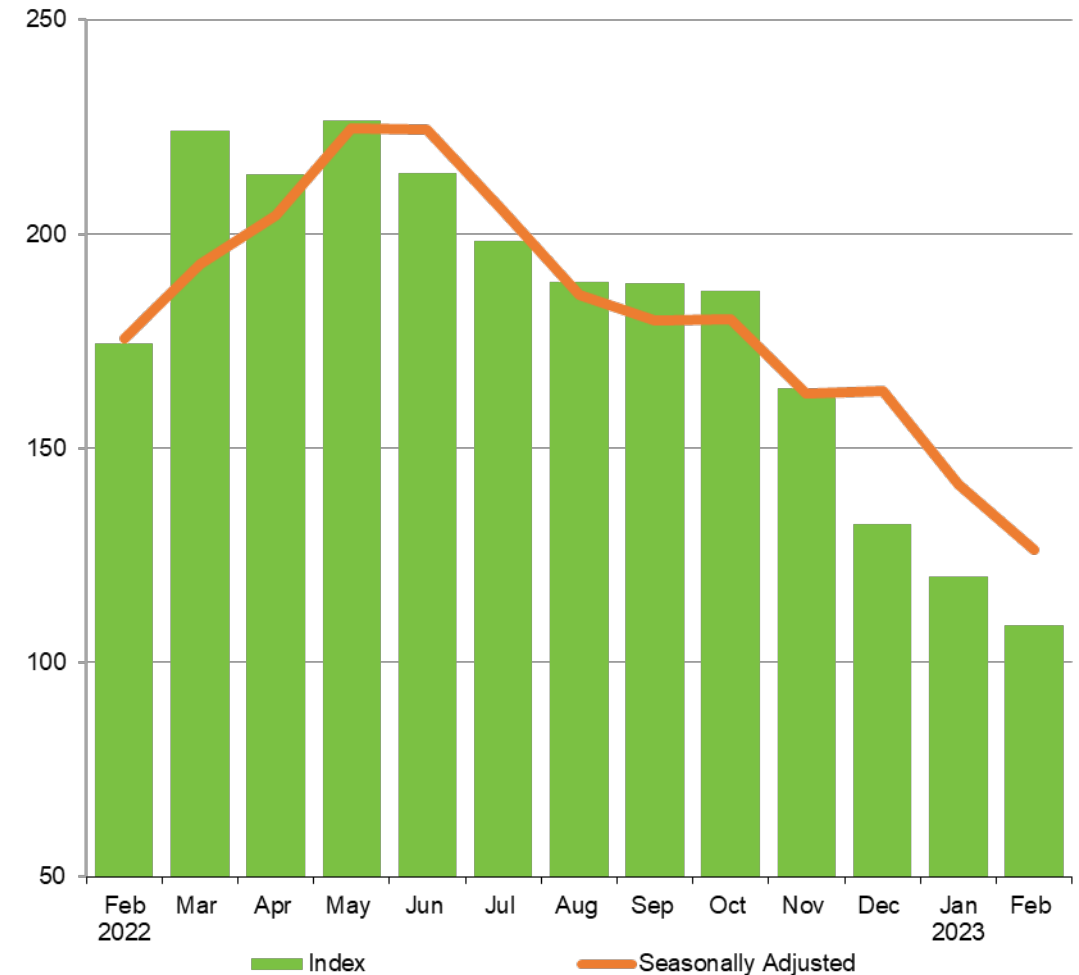


Update – Three months to February

- The sharp fall in starts during December to February reflects fallout from the mini-budget and increased economic uncertainty
- Starts sharply down on previous quarter and a year ago.
- Residential starts experience sharpest decline on a year ago reflecting change in housing market conditions.
- Recent softening in development pipeline contributing to the decline
- Civil engineering relative bright spot

Starts	Against a Year Ago	Against Previous Quarter	
		Not Seasonally Adjusted	Seasonally Adjusted
Underlying (all)	-38%	-34%	-22%
Residential	-41%	-33%	-28%
Non-Residential	-37%	-35%	-18%
Civil Engineering	-12%	-33%	-8%

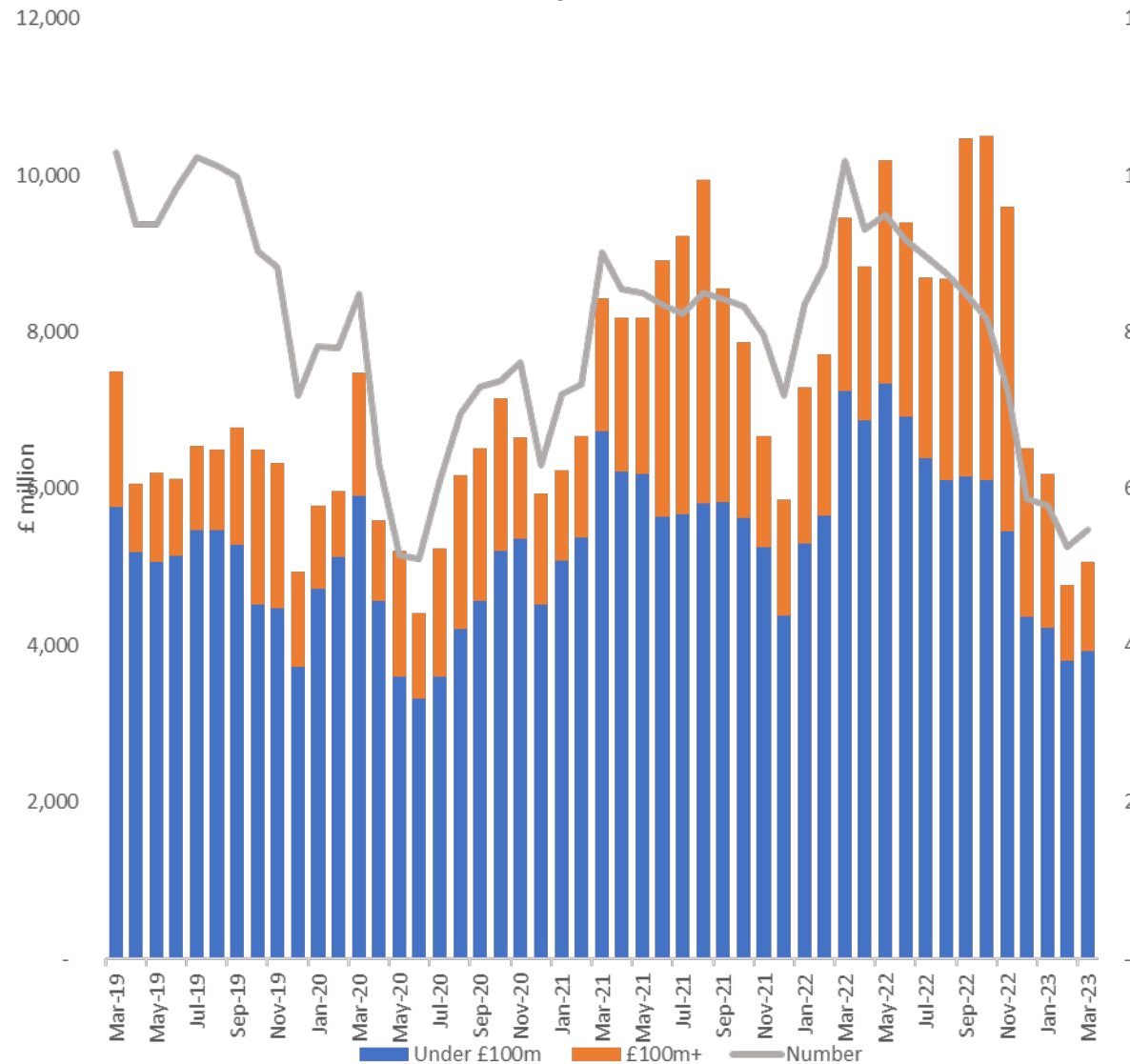
Glenigan Index: March 2023



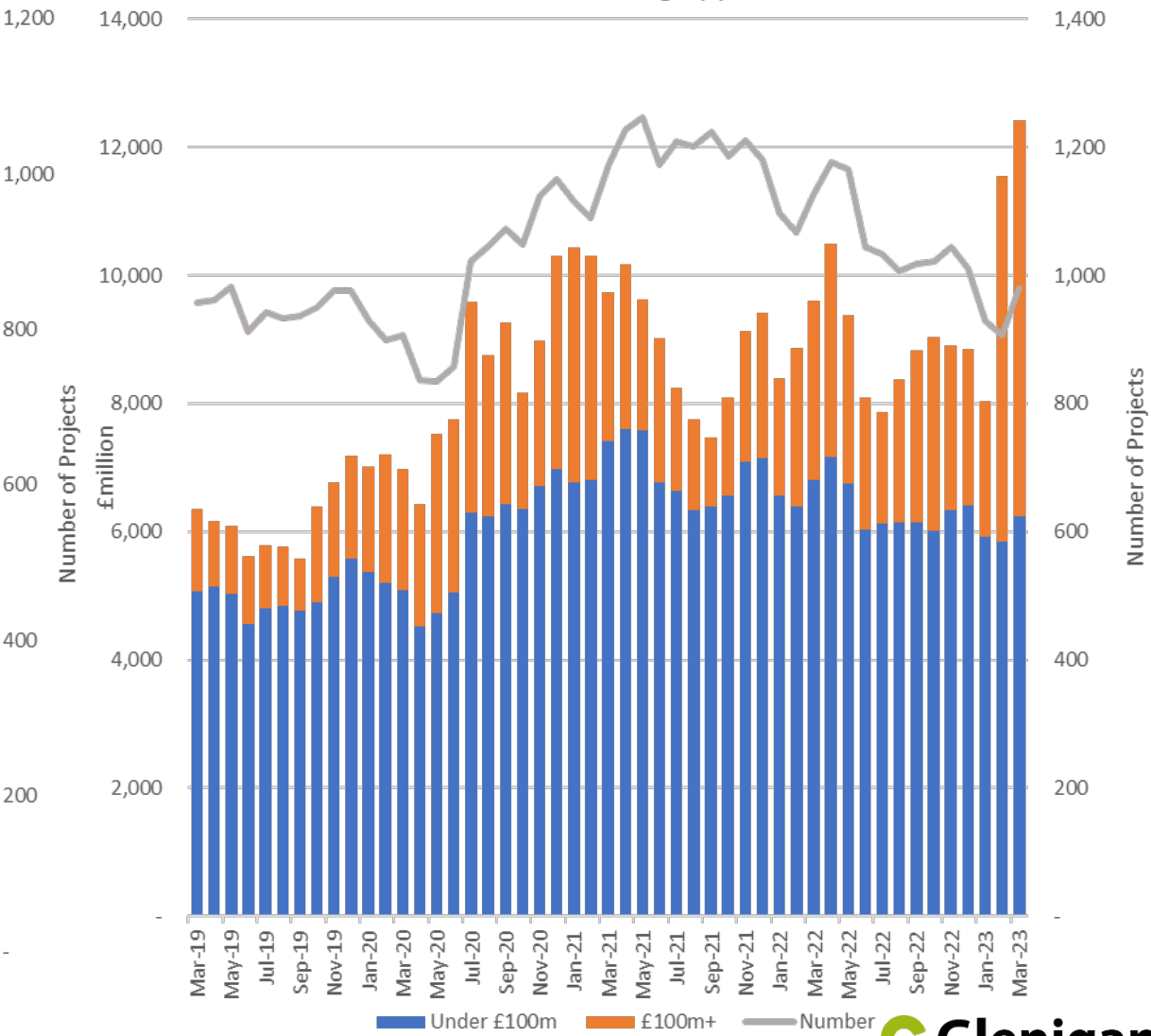
Note: For the Index, 2006 = 100
Source: Glenigan

Project Starts & Approvals

Project Starts

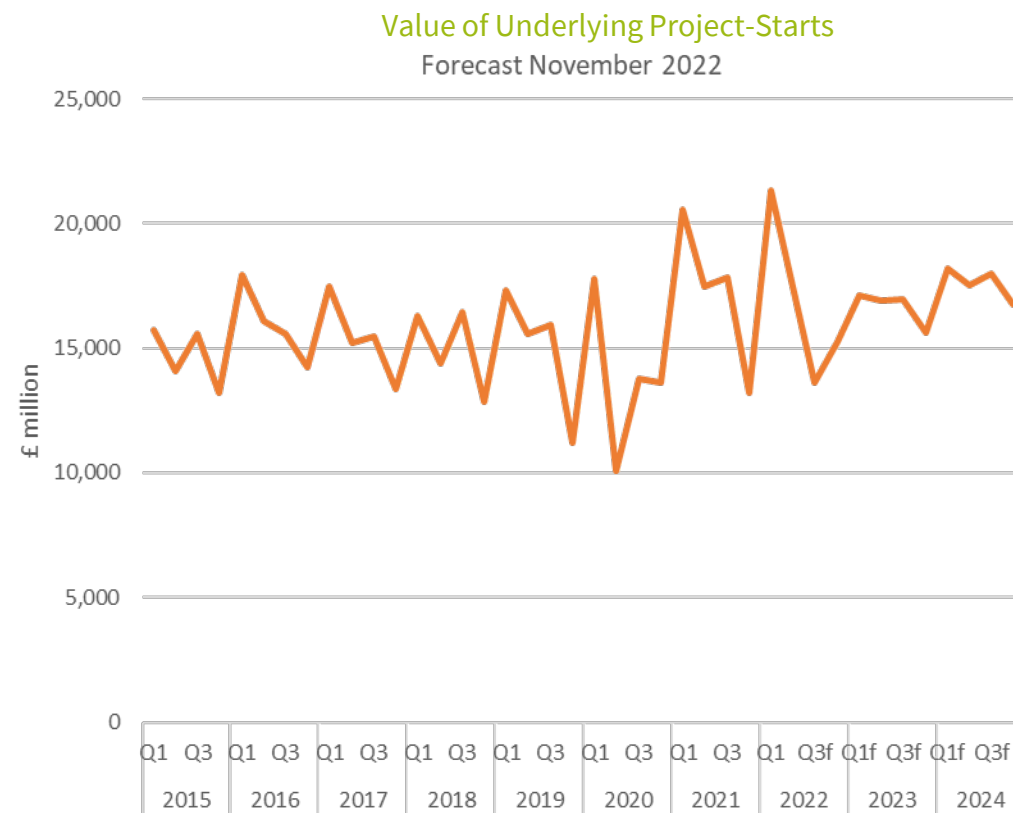


Detailed Planning approvals



Market Activity & Planning Pipeline

- Weakening planning applications
 - Major projects steady
 - Number of (large) planning approvals during the first quarter 13% lower than a year ago
- Material & labour issues constraining supply
 - Rising construction costs
 - Disruption of development plans
 - Growing insolvency risks
- Construction project starts weakening as UK economy stalls
 - Private residential slows as housing transactions and prices fall
 - Private non-residential sectors curbed by weaker business investment, but logistic demand supporting industrial sector
 - Structural change in commercial property generating refurbishment opportunities
 - Increased public sector investment in Education & Health
 - Civil engineering investment government priority

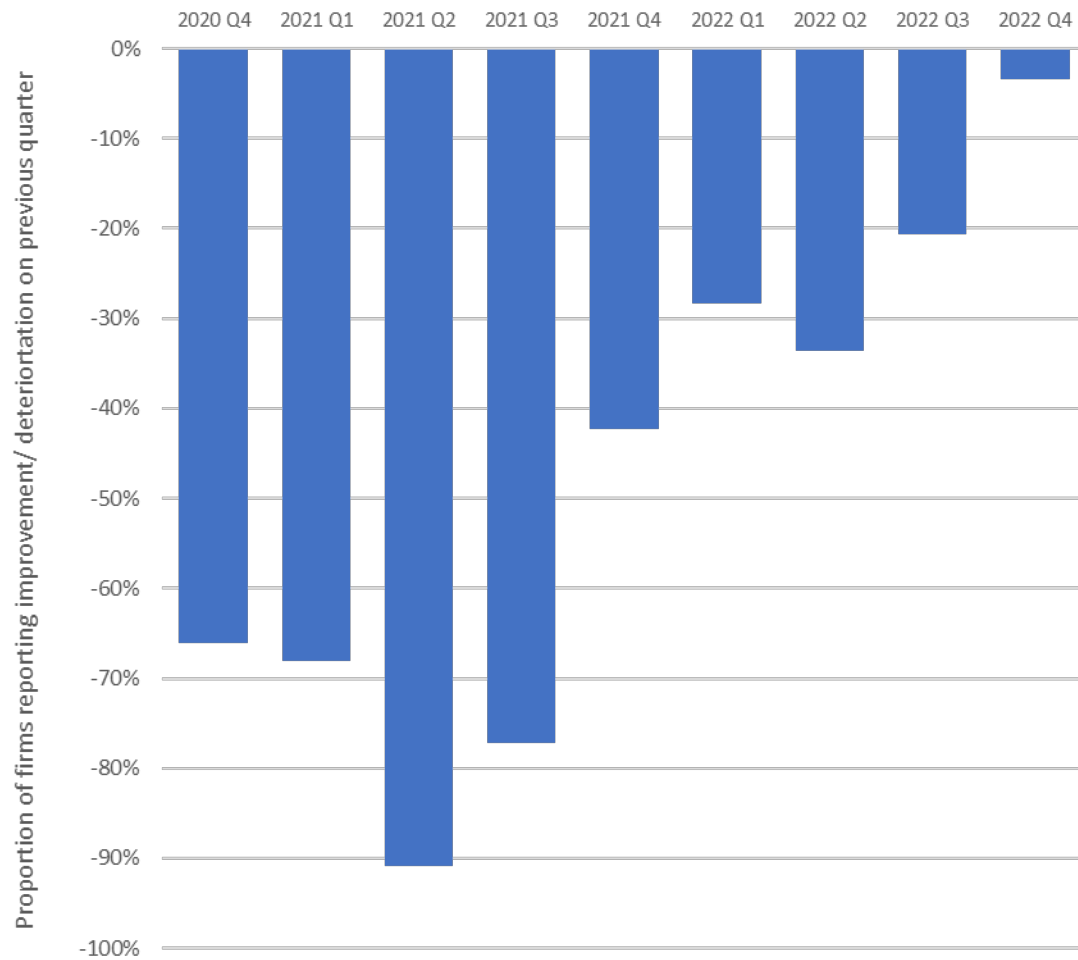


Source: Glenigan

	2021	2022f	2023f	2024f
£ million	69,070	67,690	66,626	70,470
Growth	25%	-2%	-2%	6%

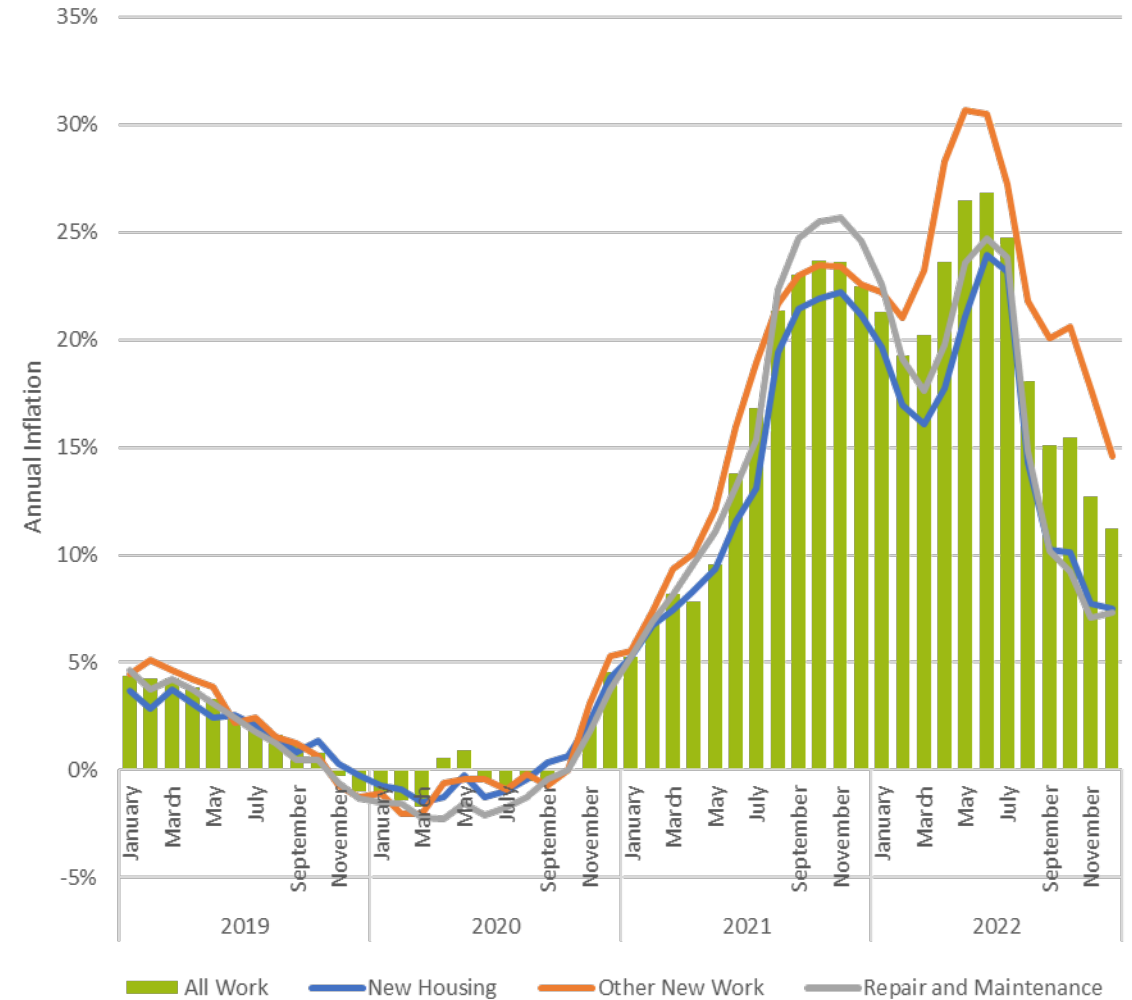
Materials – Limited availability & rising costs

Roofing Materials Availability



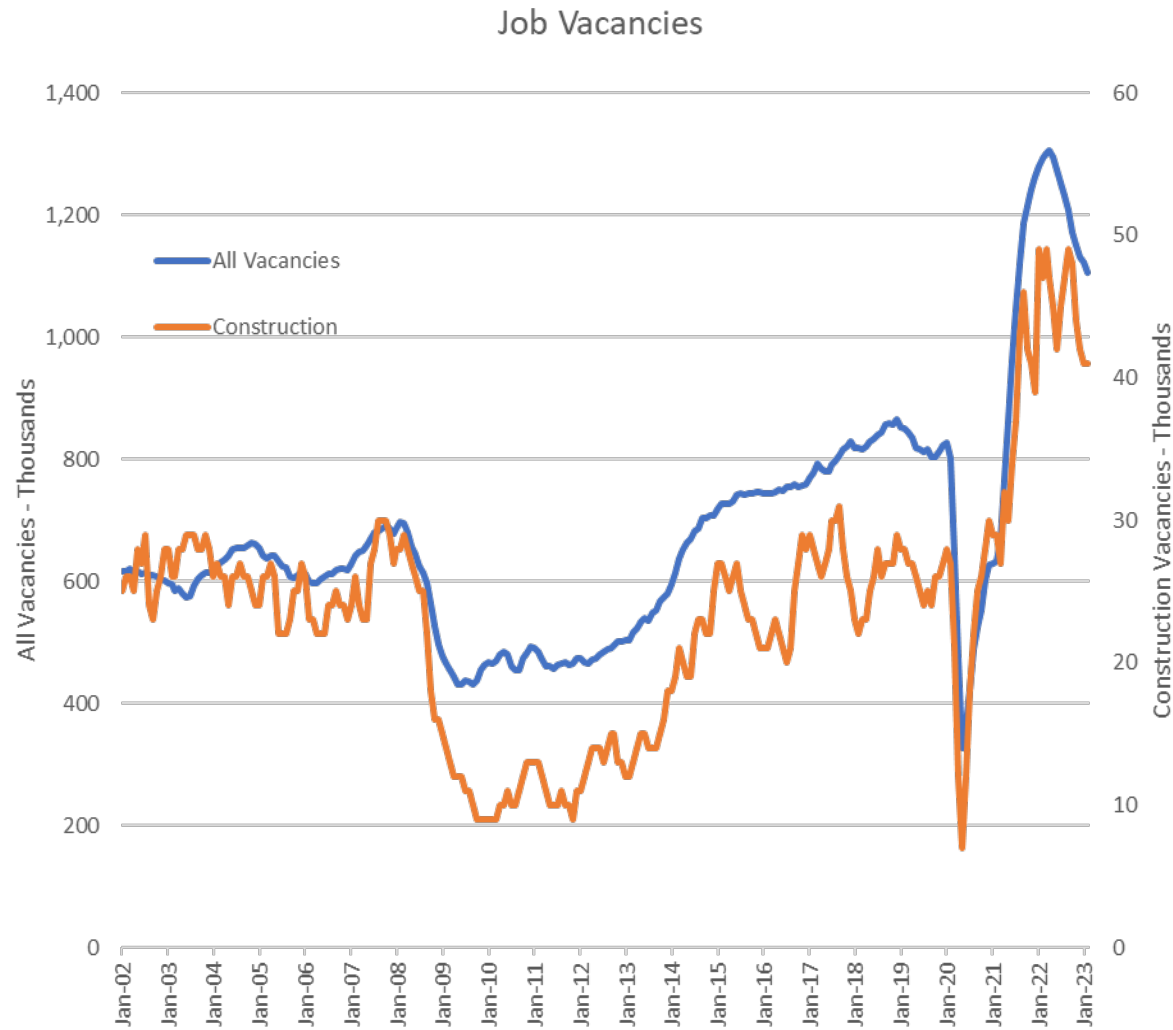
Source: NFRC Survey

Construction Material Inflation

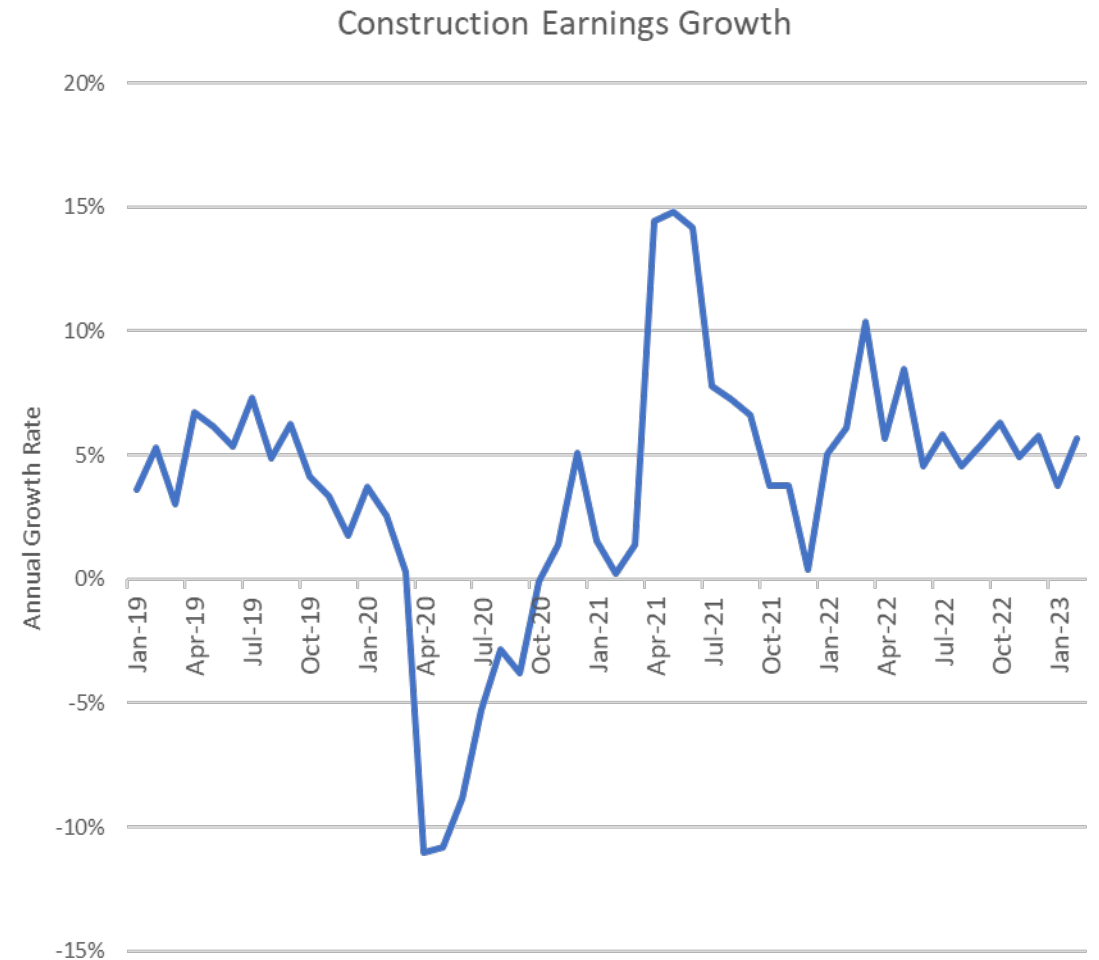


Source: ONS/BEIS

Labour costs – Limited availability but no spike in wage costs



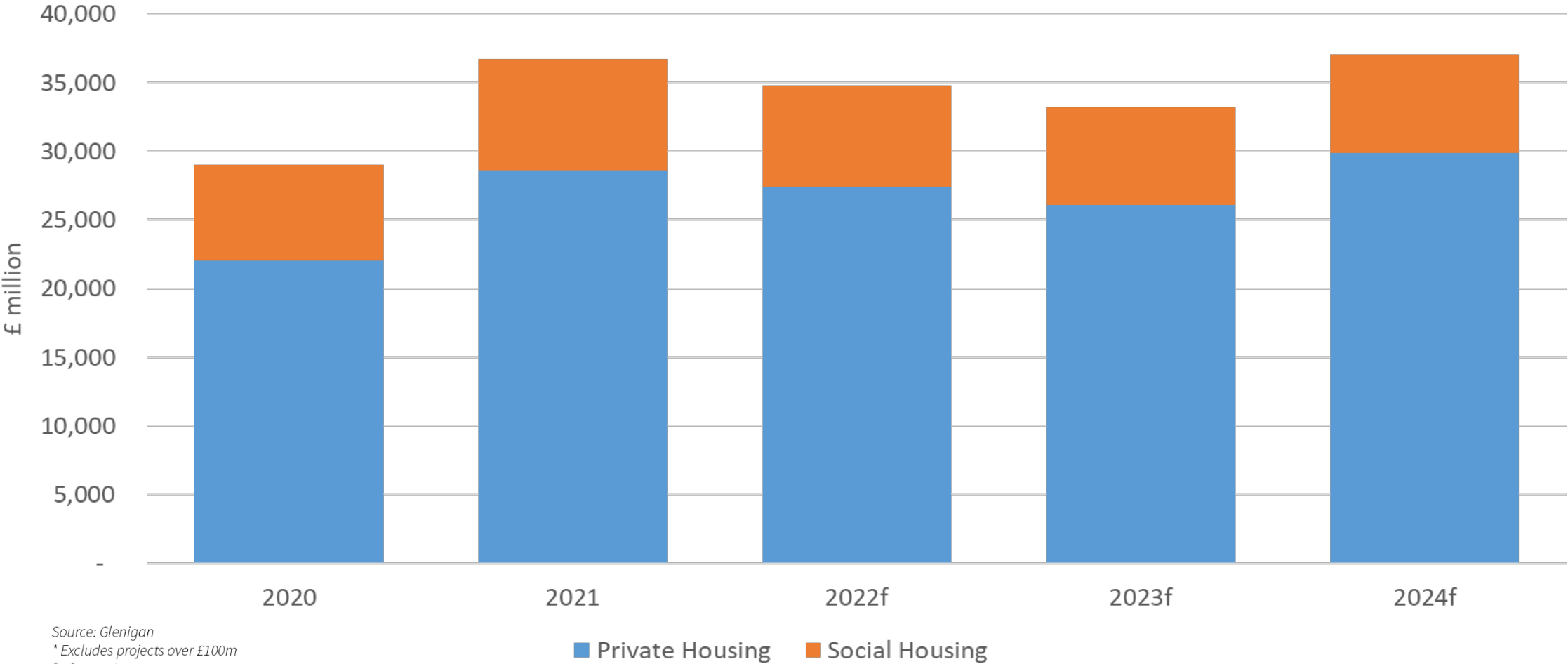
Source: Office of National Statistics



Source: Office for National Statistics

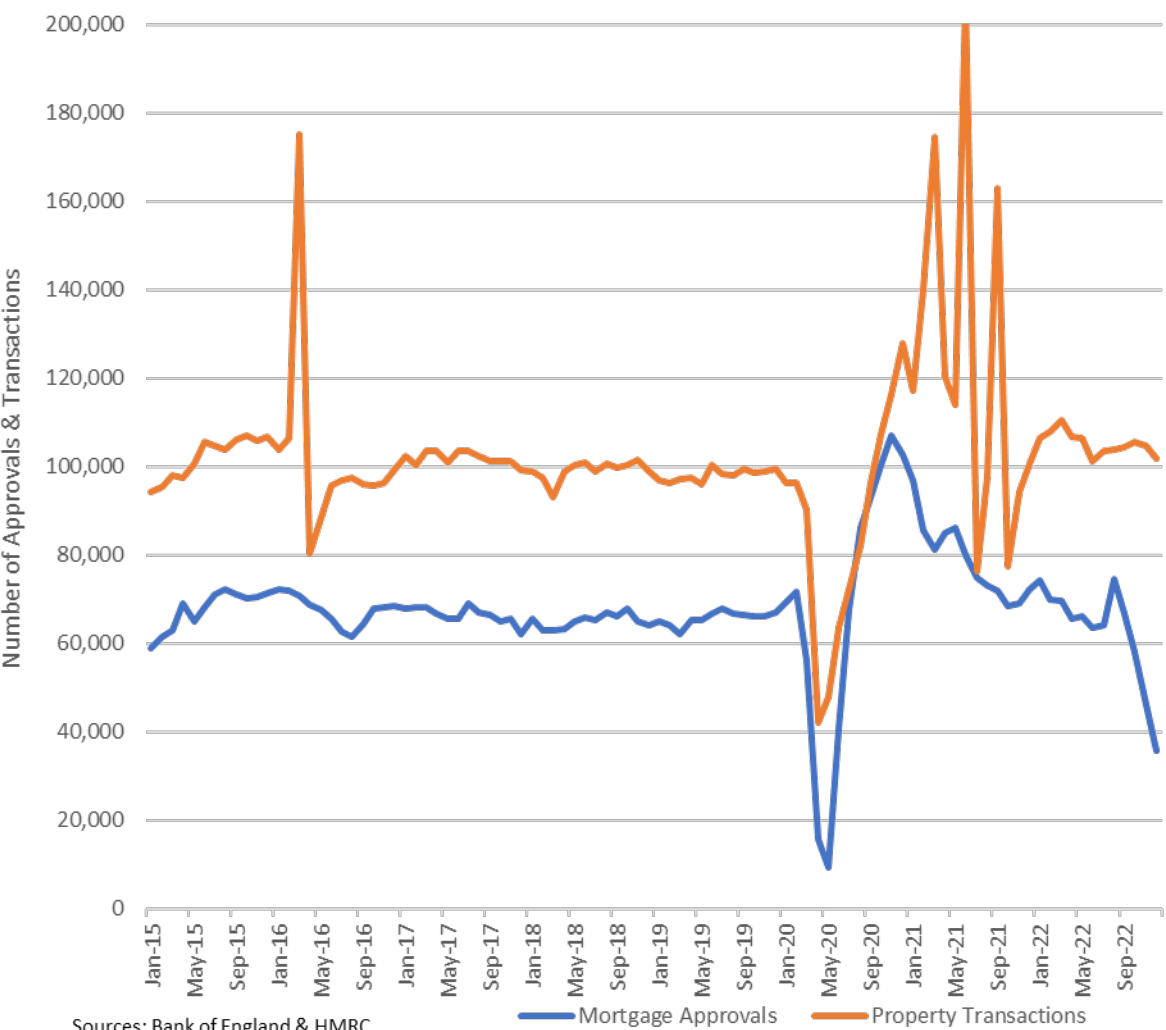
Residential Forecast

Value of underlying residential project starts

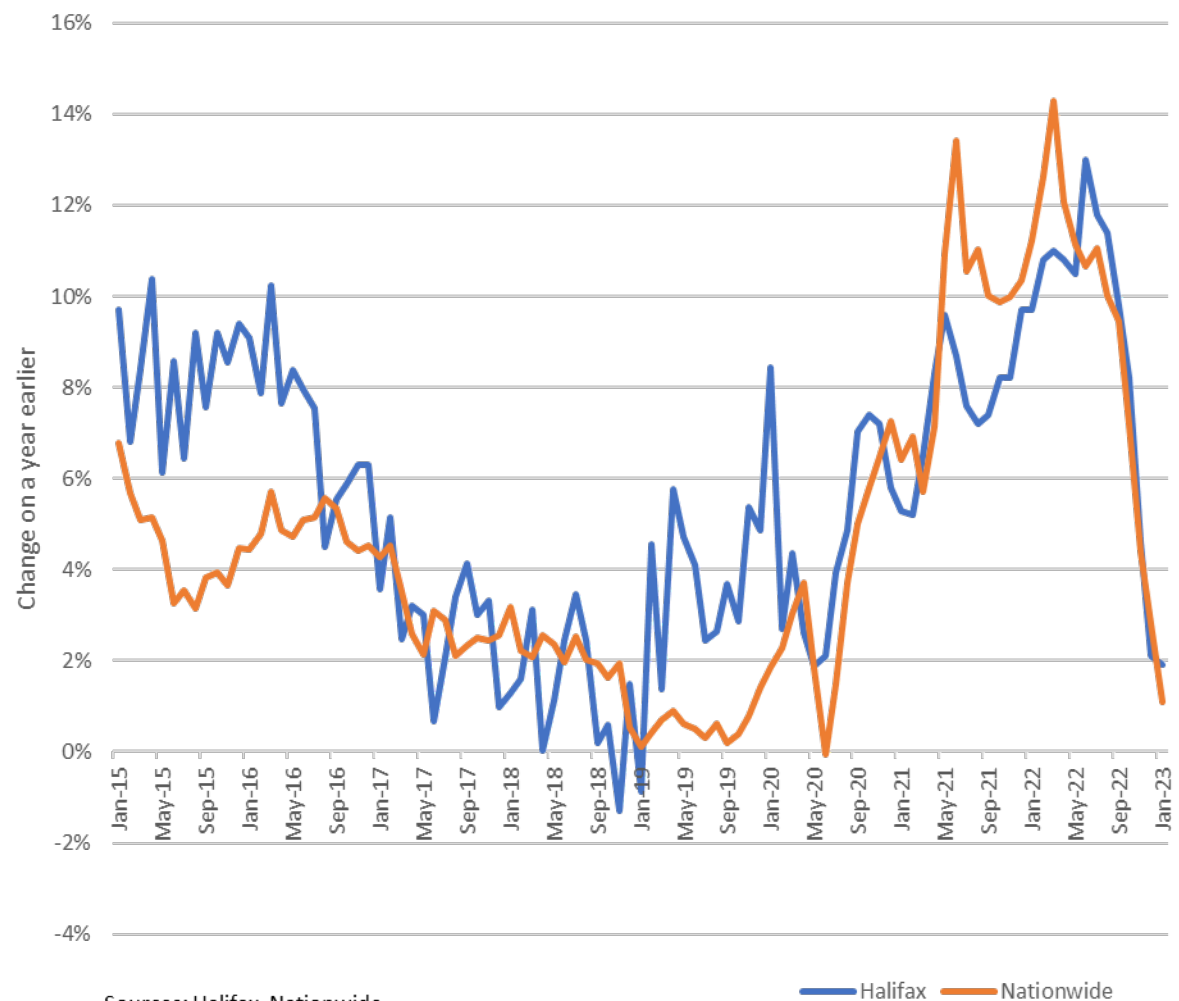


Housing Market Activity

Mortgage Approvals & Property Transactions

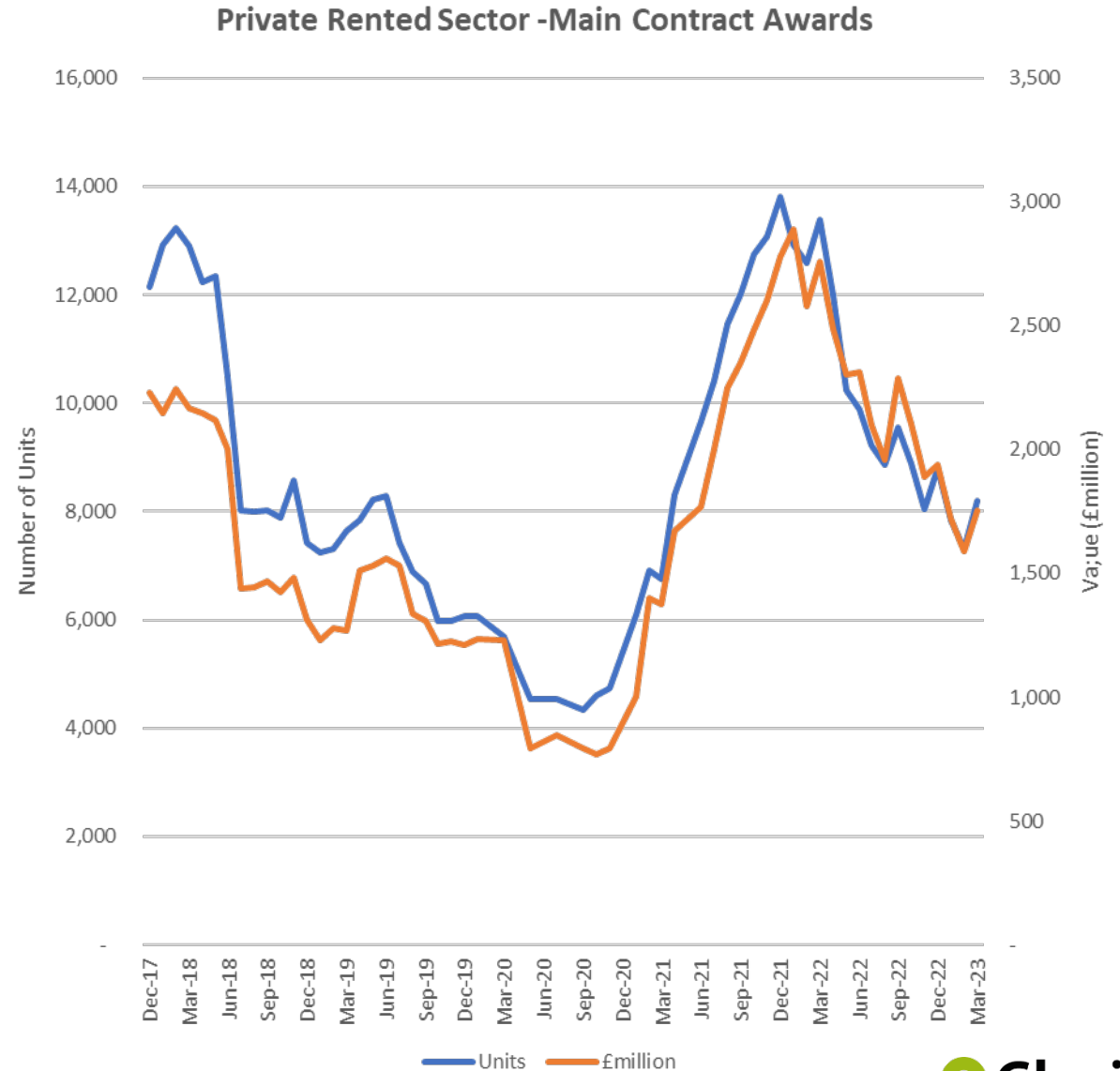


House Prices

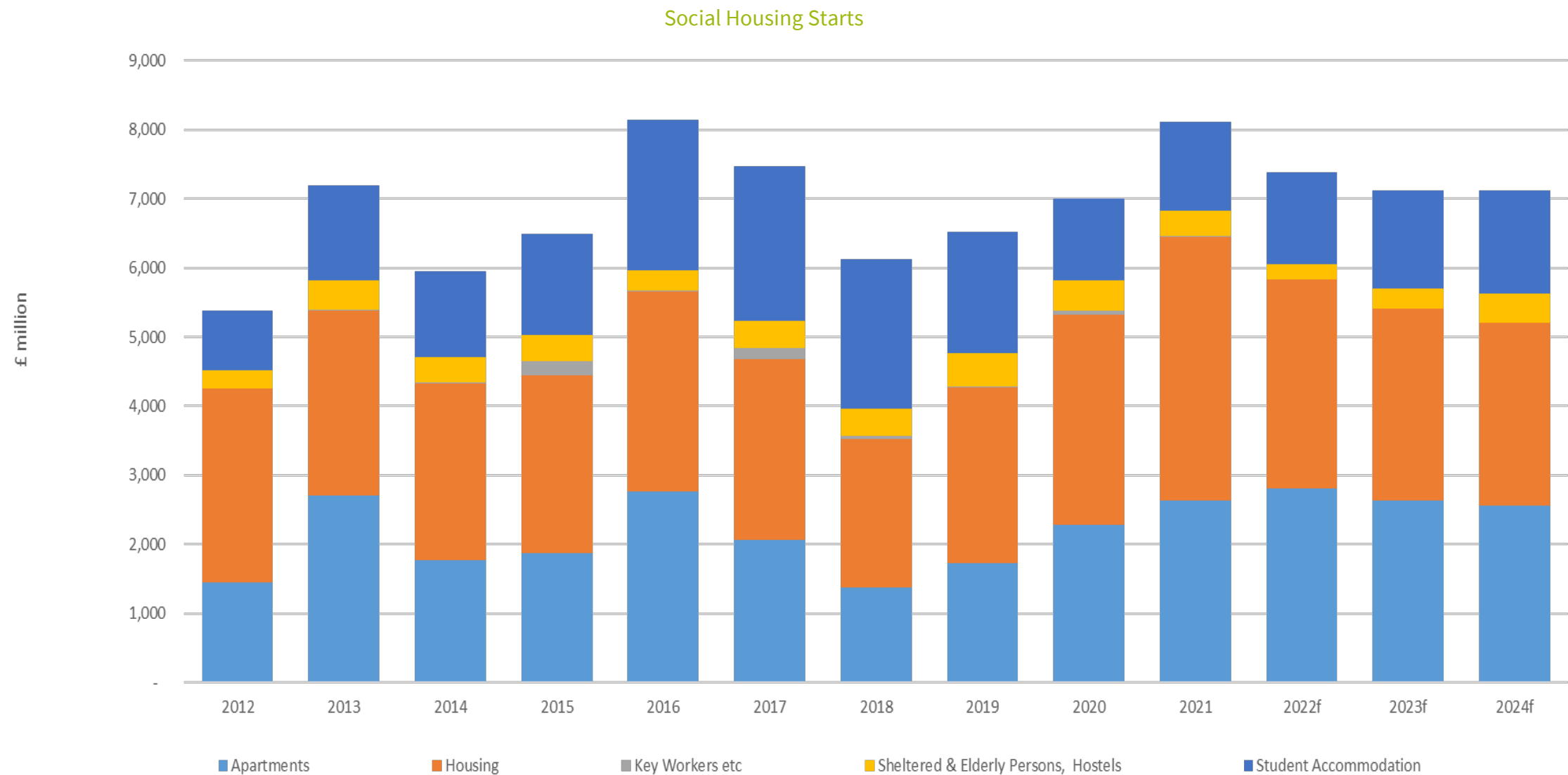


Build to Rent

- Build to Rent development activity hit by political uncertainty and pandemic in 2019 & 2020
- Resurgence in Build to Rent projects post-pandemic
- Contracts awarded totalled £2.8 billion & 13,800 units in 2021
- Retrenchment in contract awards during 2022
- Awards in West Midlands track national trend. At £390m contract awards in 2022, down from £310 million, but above pre-pandemic levels
- Market dominated by apartments in major urban centres
- Investment planned in SDU developments

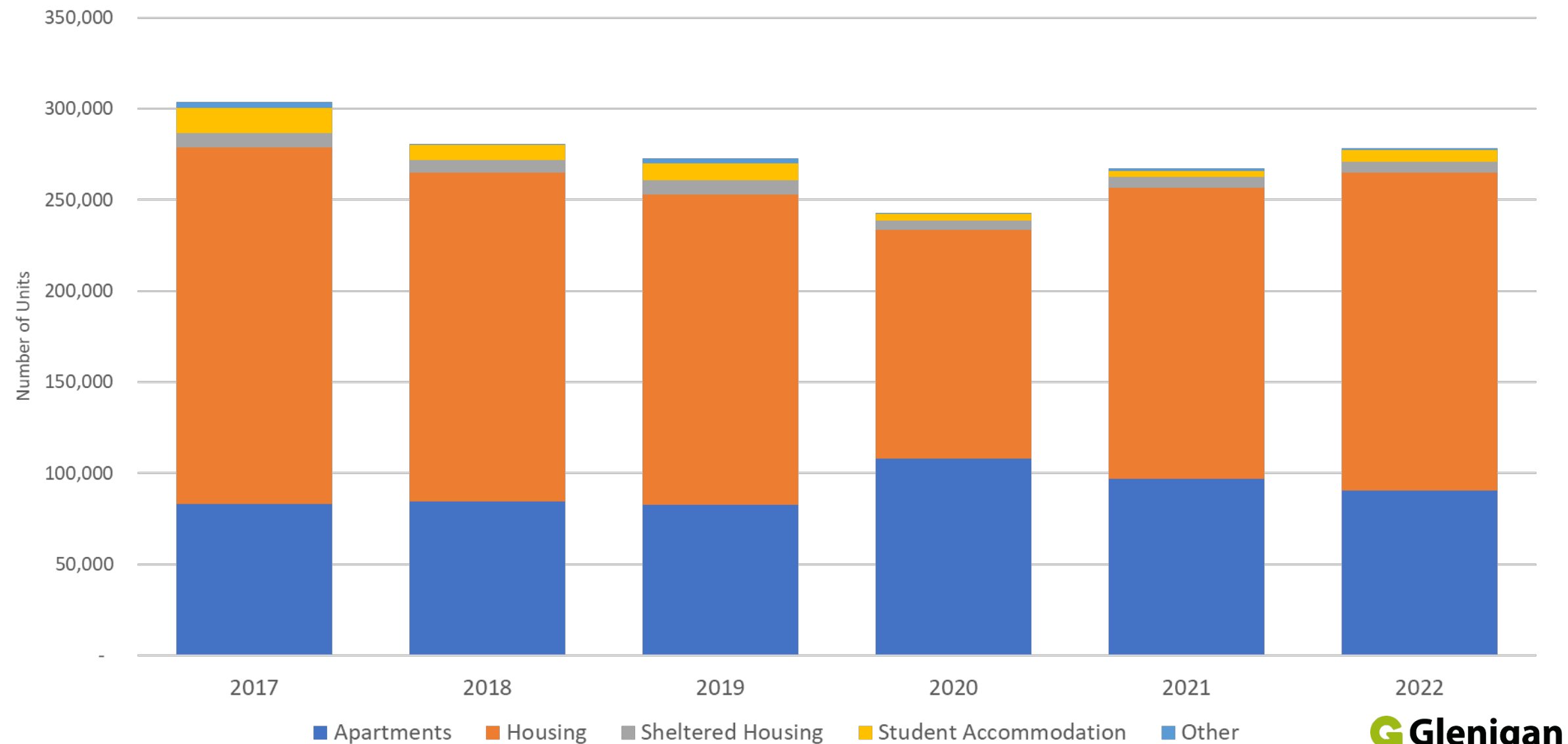


Social Housing



Source: Glenigan

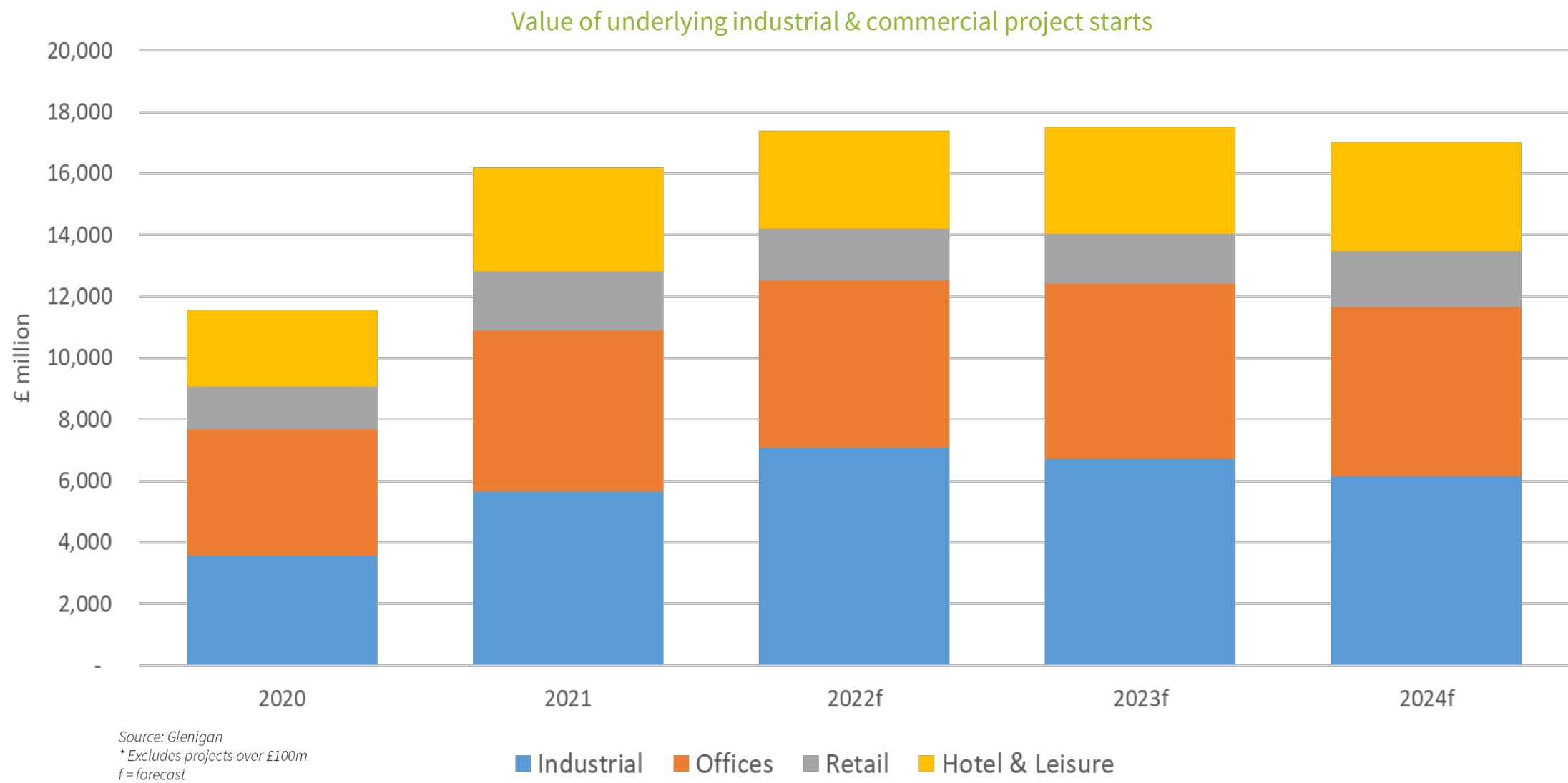
Apartments & Housing



Residential Forecast

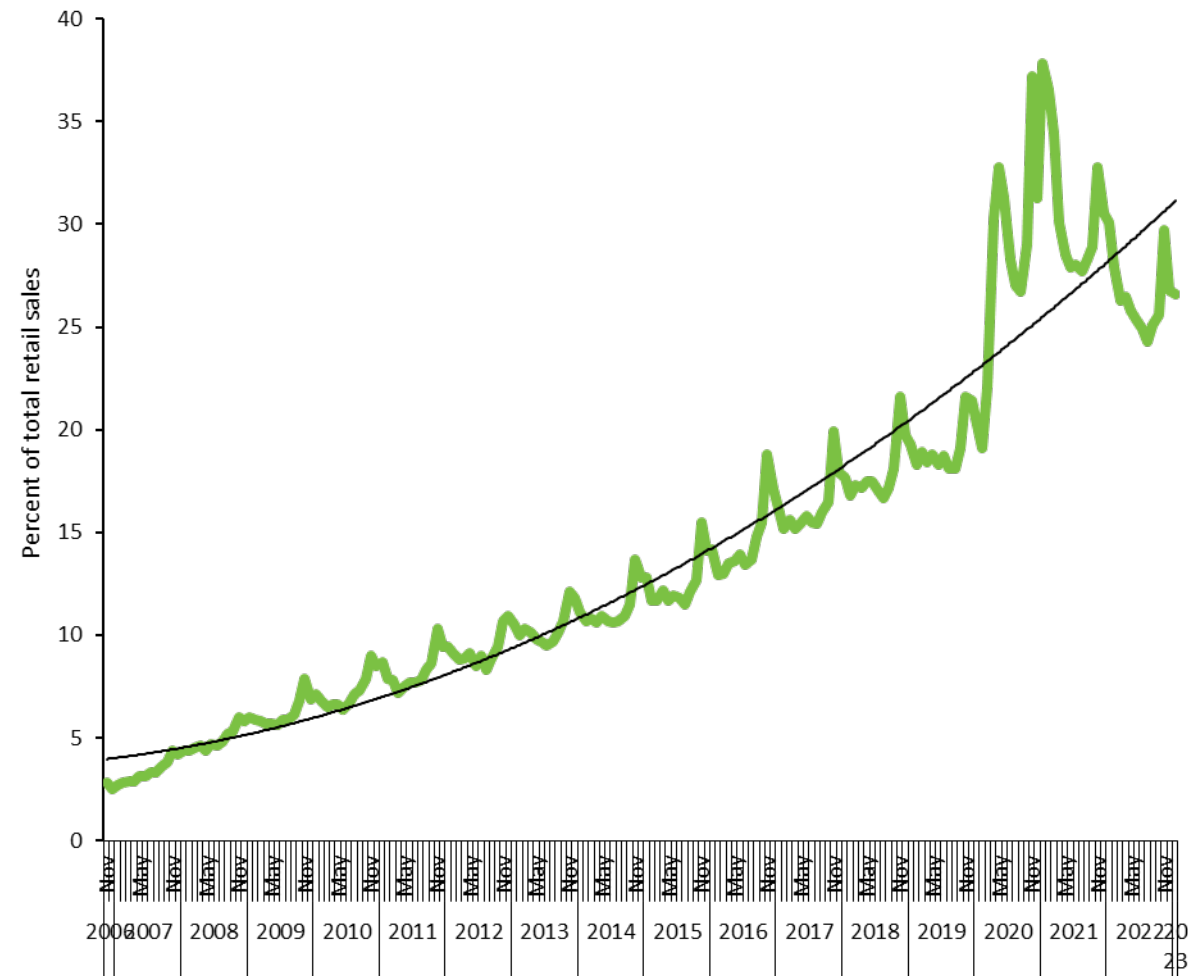
- Housing market losing momentum
- Weak household earnings and rising taxes and interest rates overshadow housing market
- Strong potential development pipeline
- Shift in starts towards housing rather than apartments
- Recovery in Build to Rent market
- Further retrenchment in private residential starts 2023, renewed growth from 2024
- Weakening in social housing projects
- Consolidation in Student Accommodation sector

Industrial & Commercial Forecast



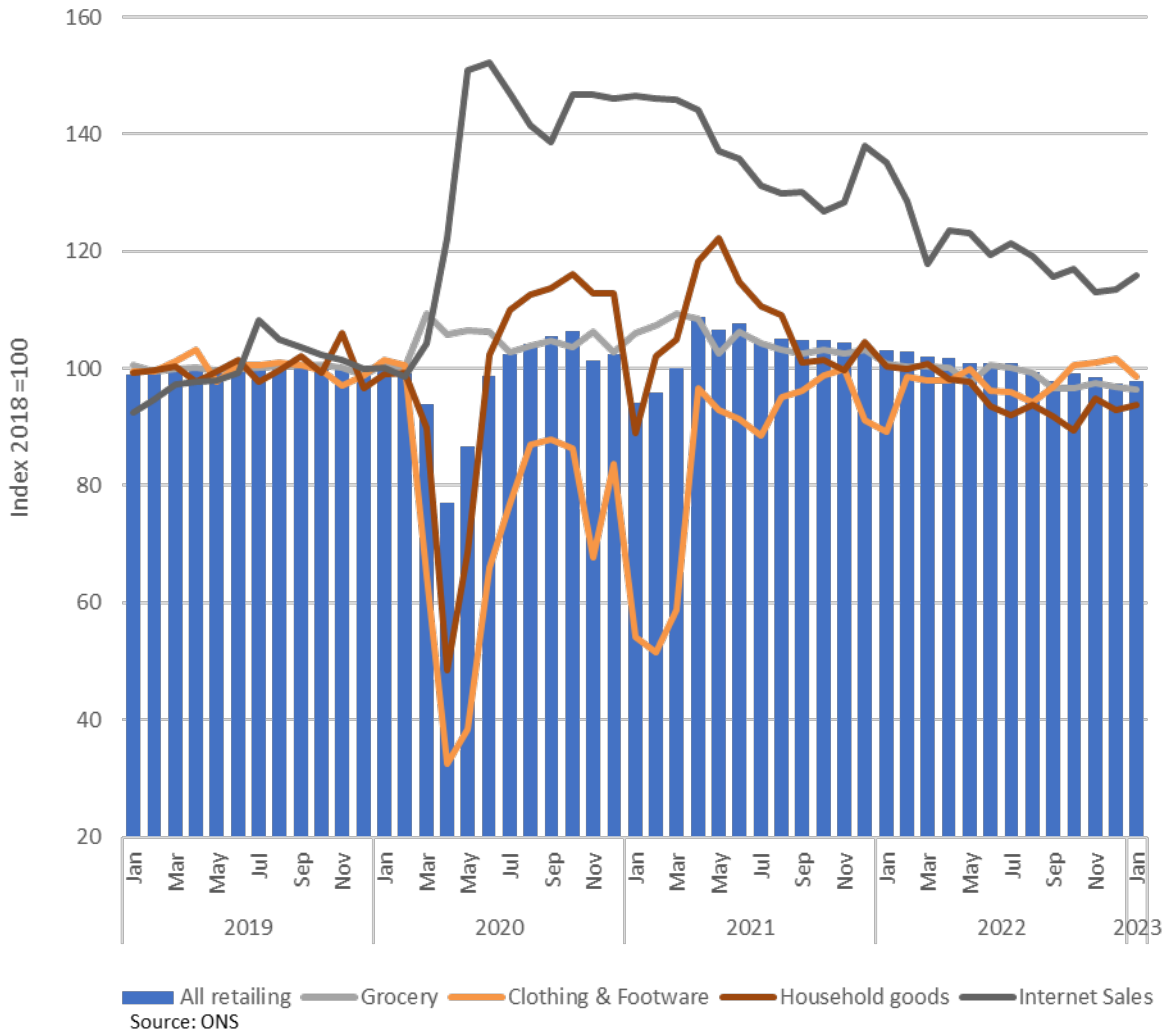
Consumer Spending Habits

Internet Sales



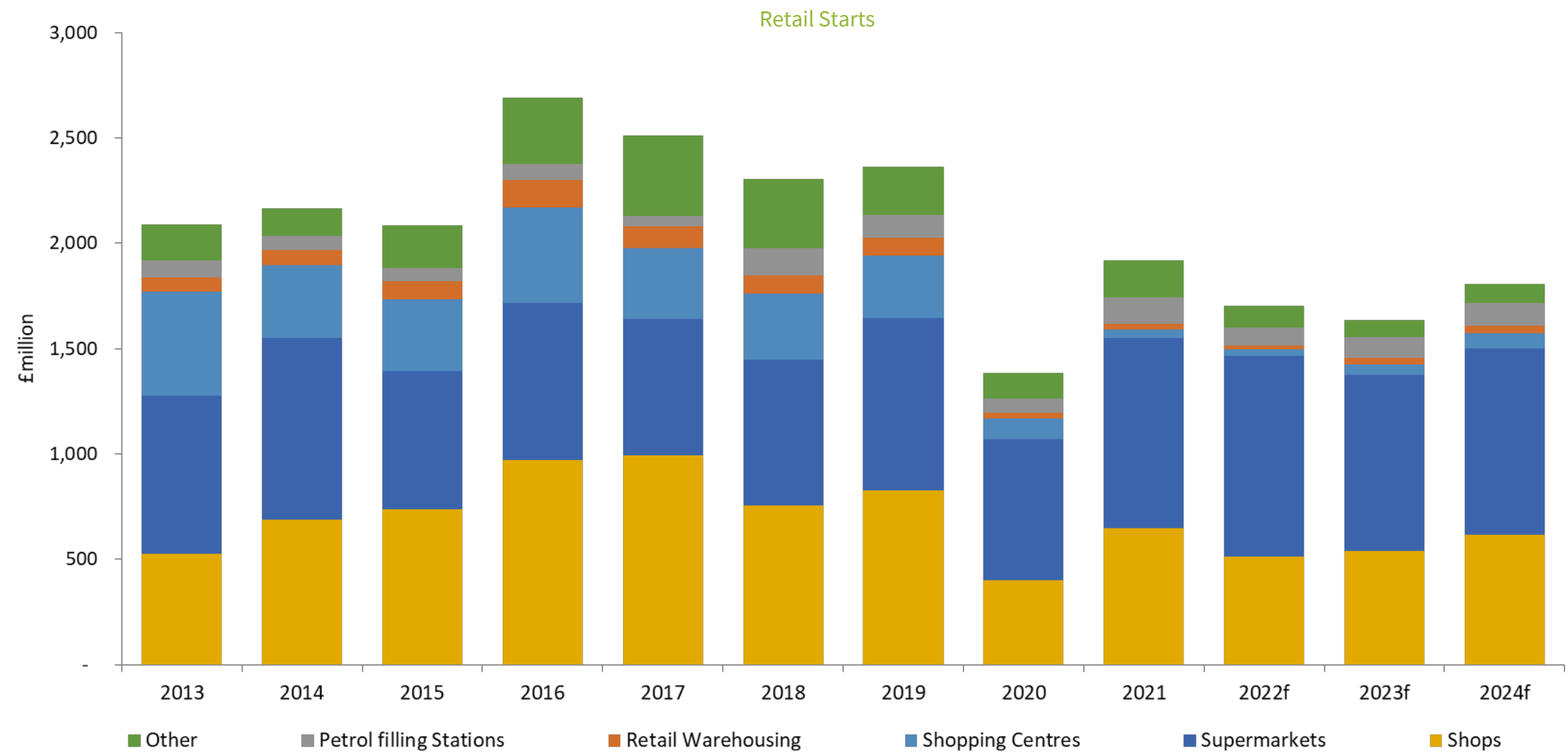
Source: National statistics

Retail Sales



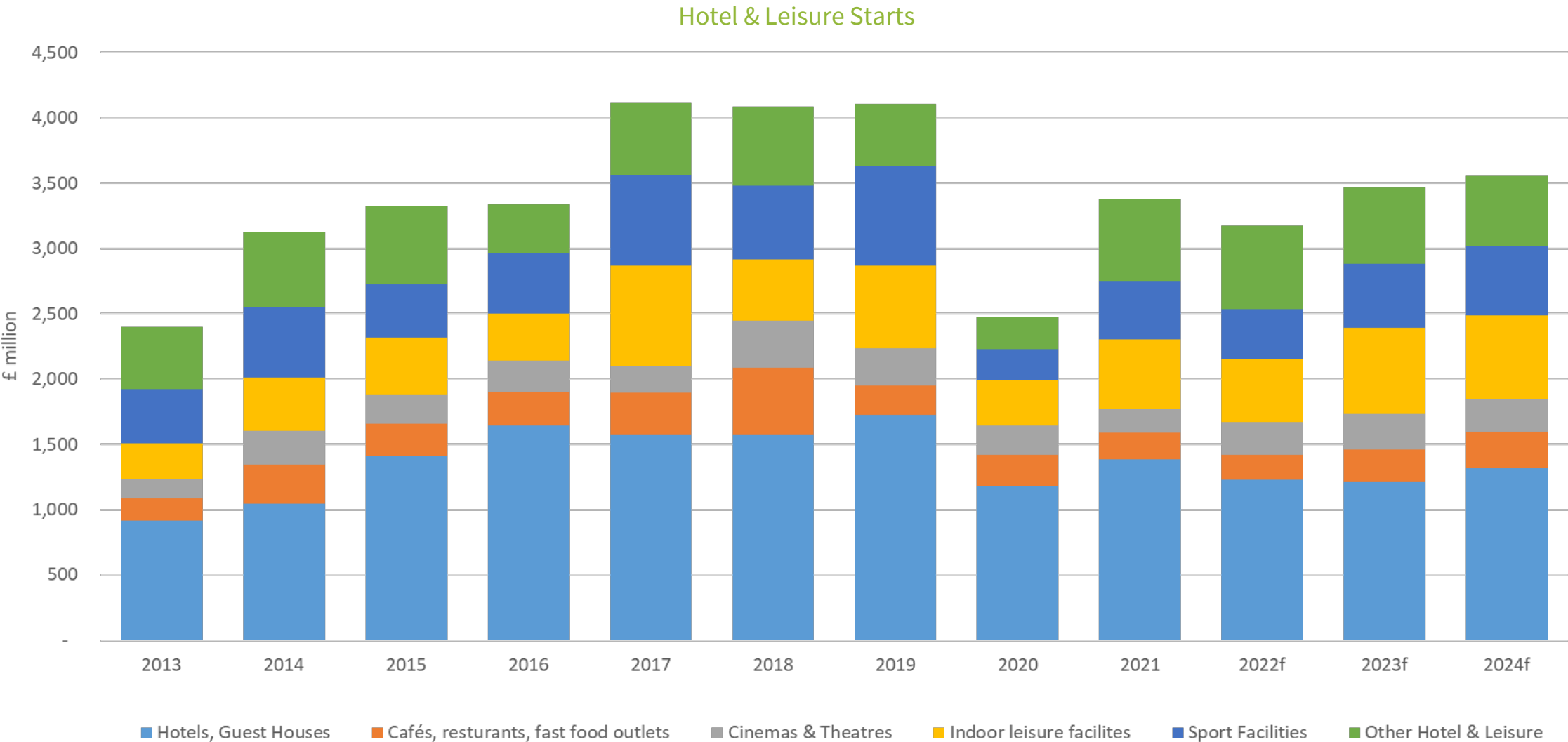
Source: ONS

Retailers respond to changing shopping habits



Source: Glenigan

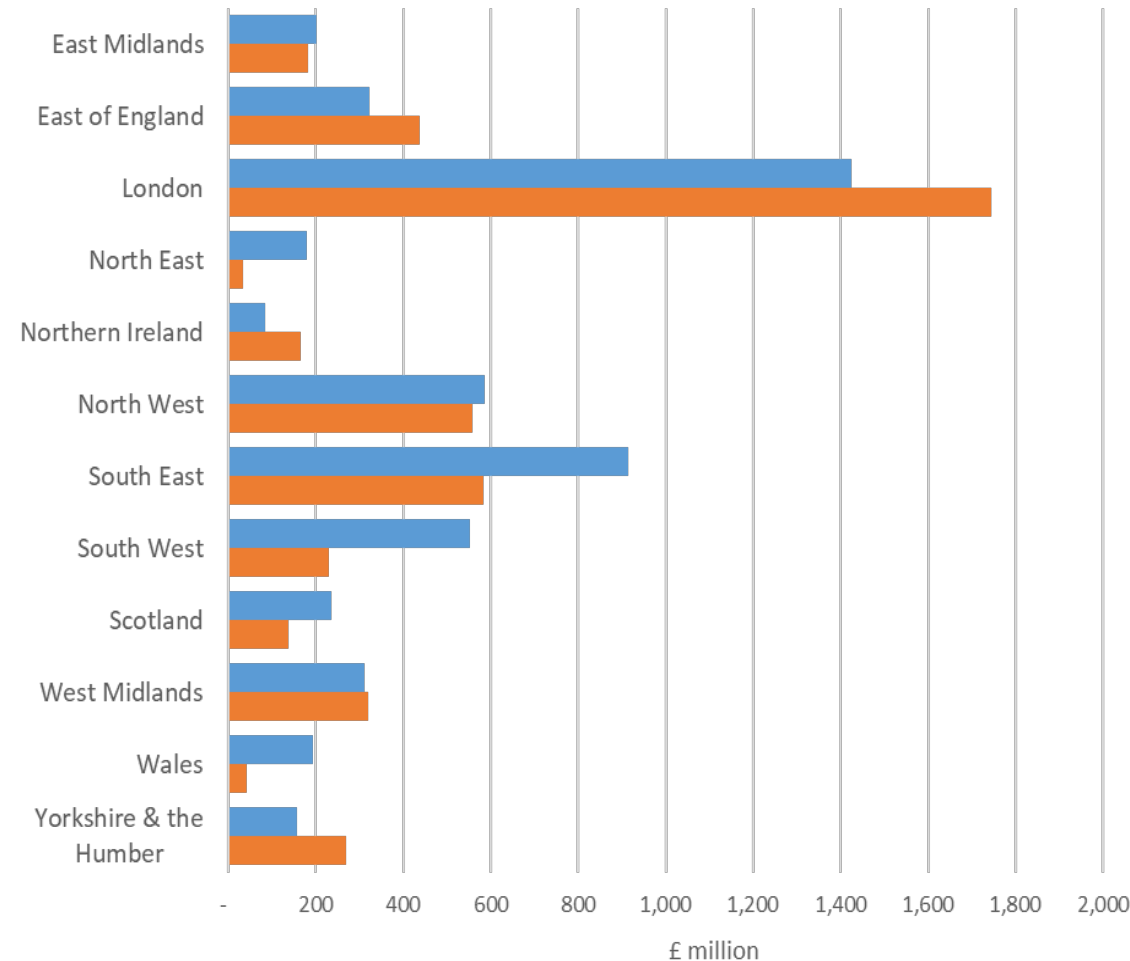
Hotel & Leisure



Source: Glenigan

Office Market in Transition

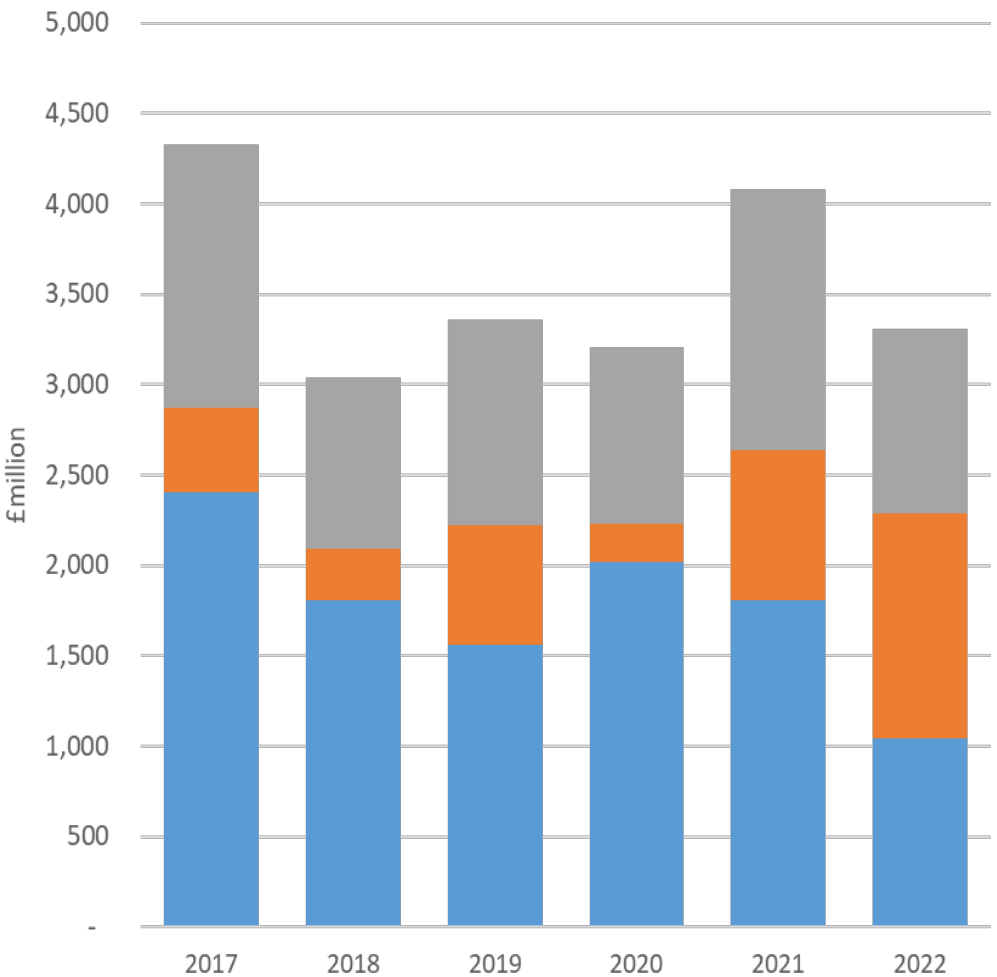
Office Projects Securing Planning Approval



Source: Glenigan
N.B. 2022 data is based on January to September pro rata

■ 2021 ■ 2022

Office Starts

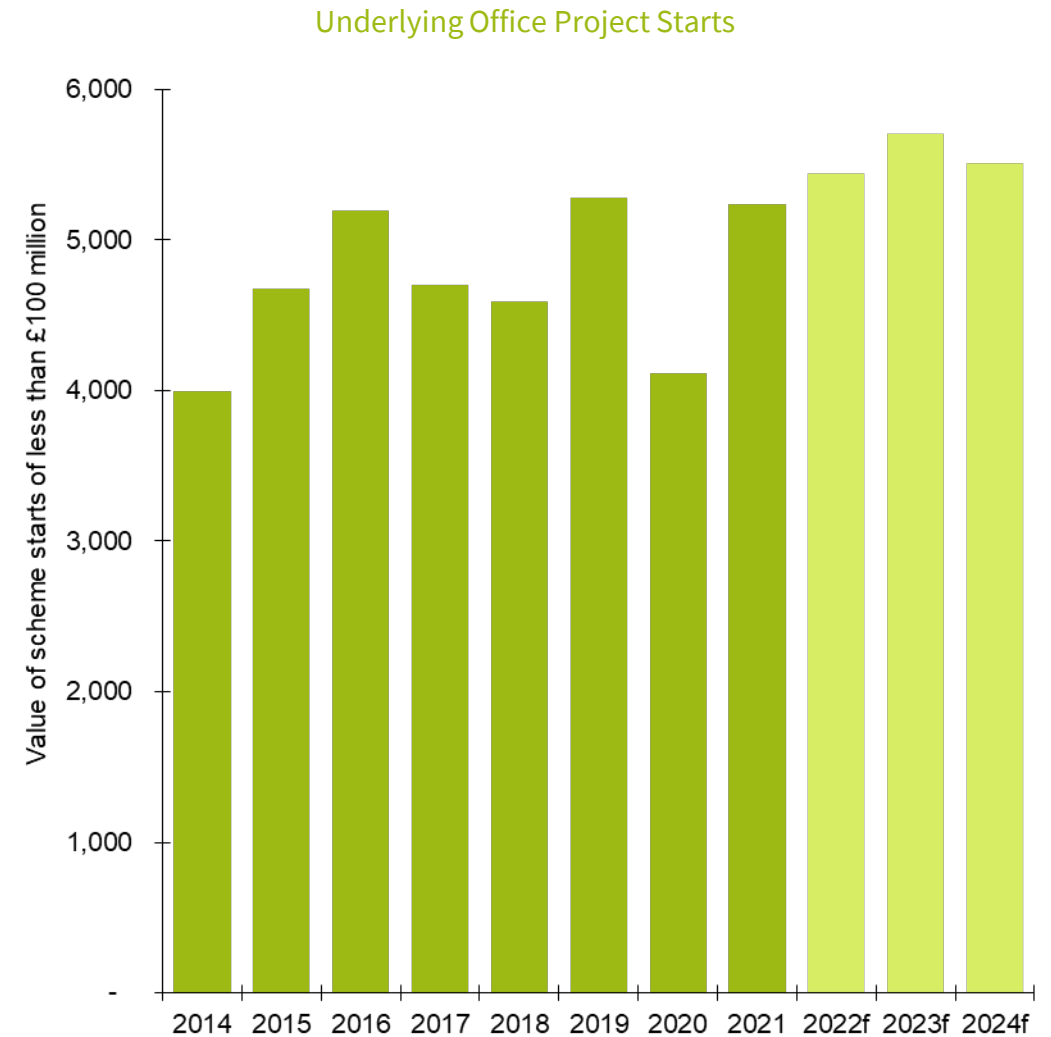


N.B. 2022 based on first nine months pro rata
Source: Glenigan

■ New Build ■ Extension ■ Refurbishment

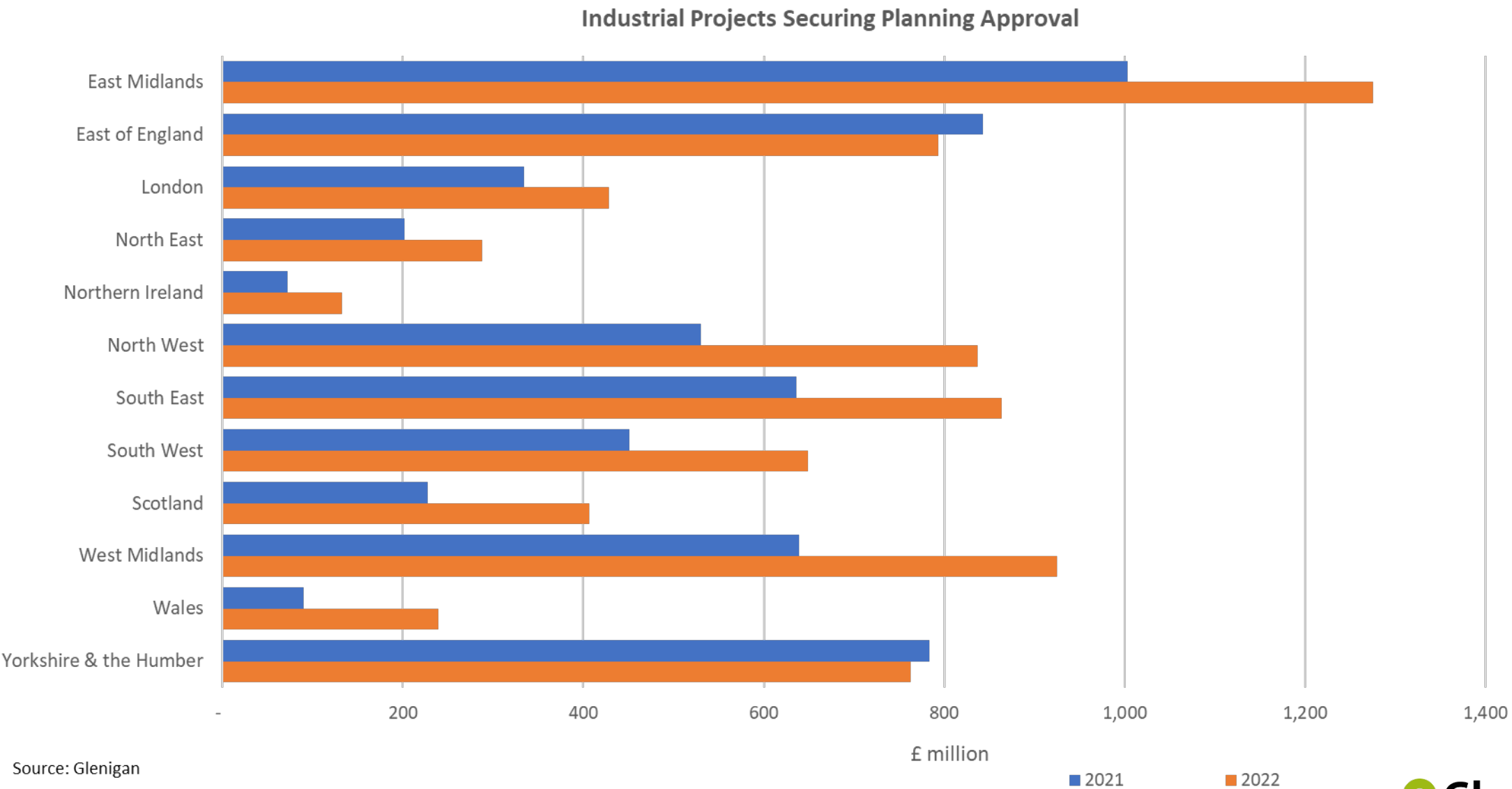
Office Market in Transition

- Strong recovery post-pandemic new build projects will add to supply from 2023
- Hybrid working driving structural changes to office market
 - Size, layout & location
- Increase in transactions, sub-letting and refurbishment
- Net Zero
 - Demand for premium office premises
 - EPC letting restrictions will drive turnover and re-purposing of older properties



Source: Glenigan

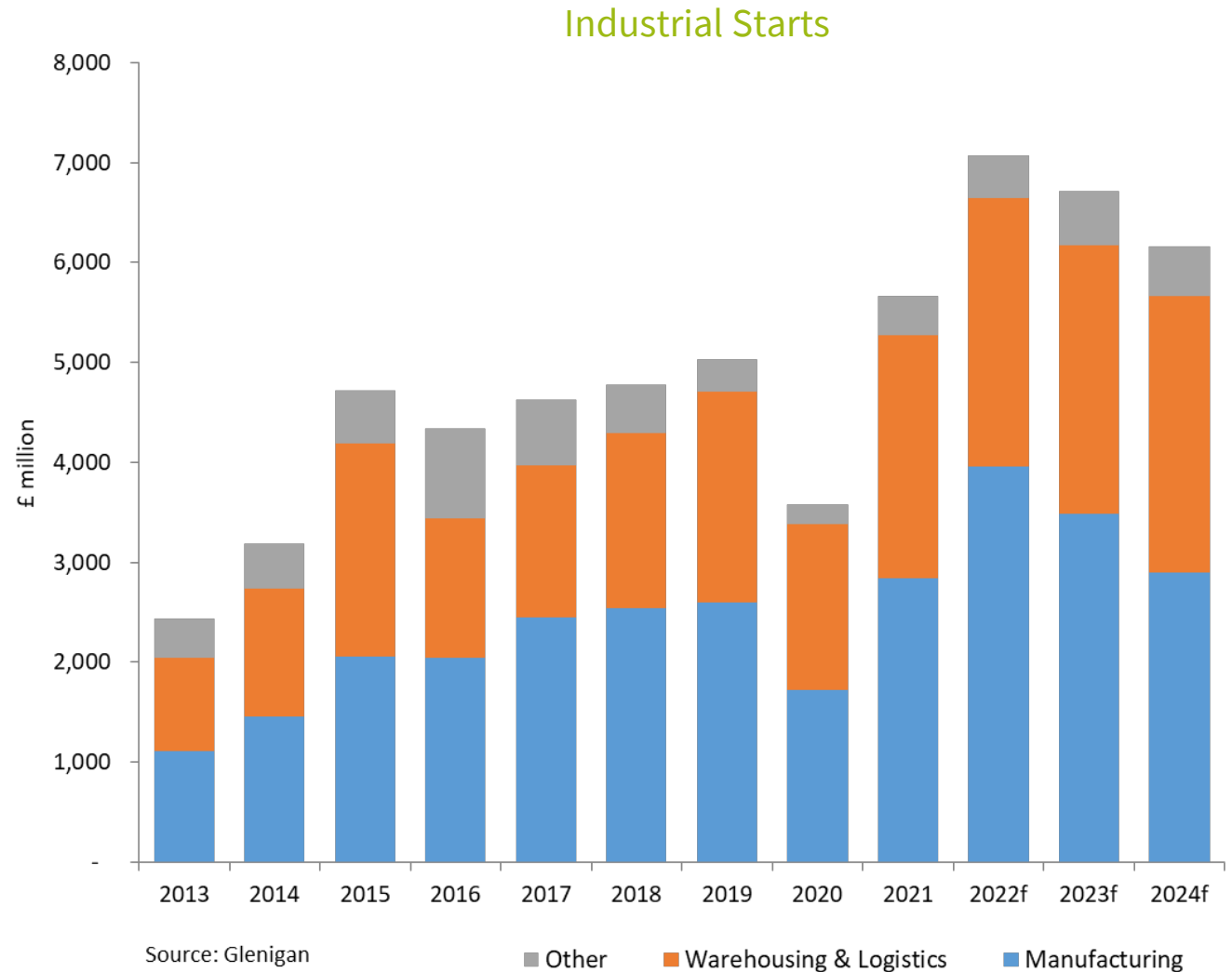
Regional Industrial Pipeline



Source: Glenigan

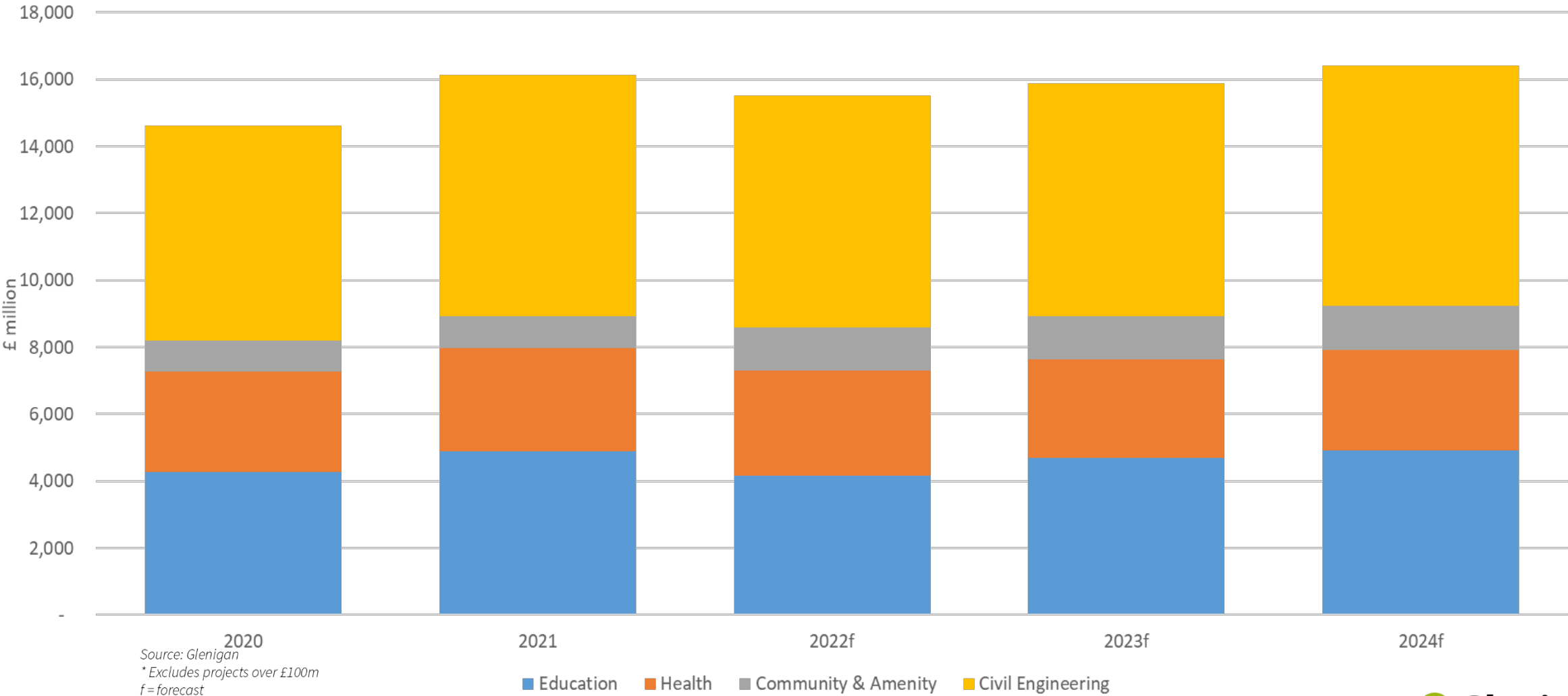
Logistics drives industrial sector growth

- Divergent prospects forecast
 - Manufacturers' long term outlook hit by weak domestic & overseas demand
 - Strong demand for logistics space
 - Demand for major distribution centres benefits Midlands & North West
 - Investment in 'Final Mile' delivery facilities across UK



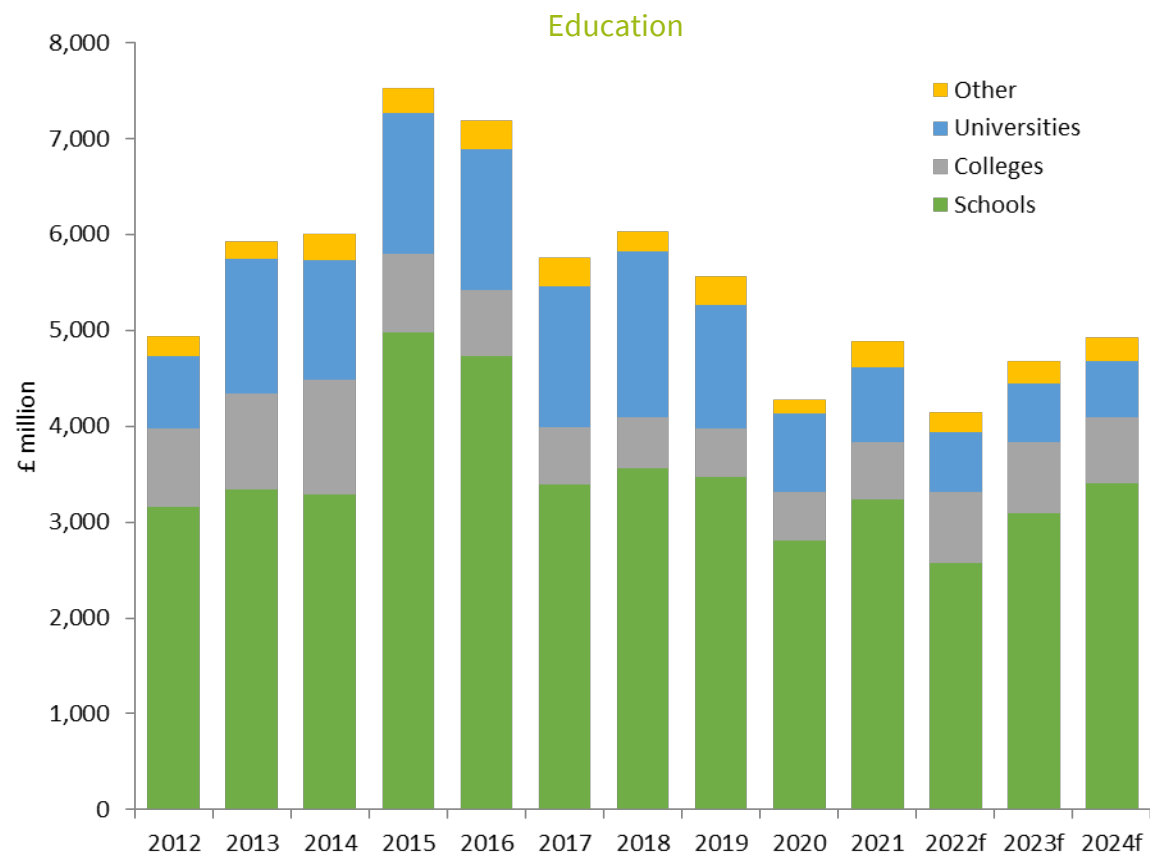
Public Non-residential & Civil Engineering Forecast

Value of underlying public non-residential & civil engineering project starts



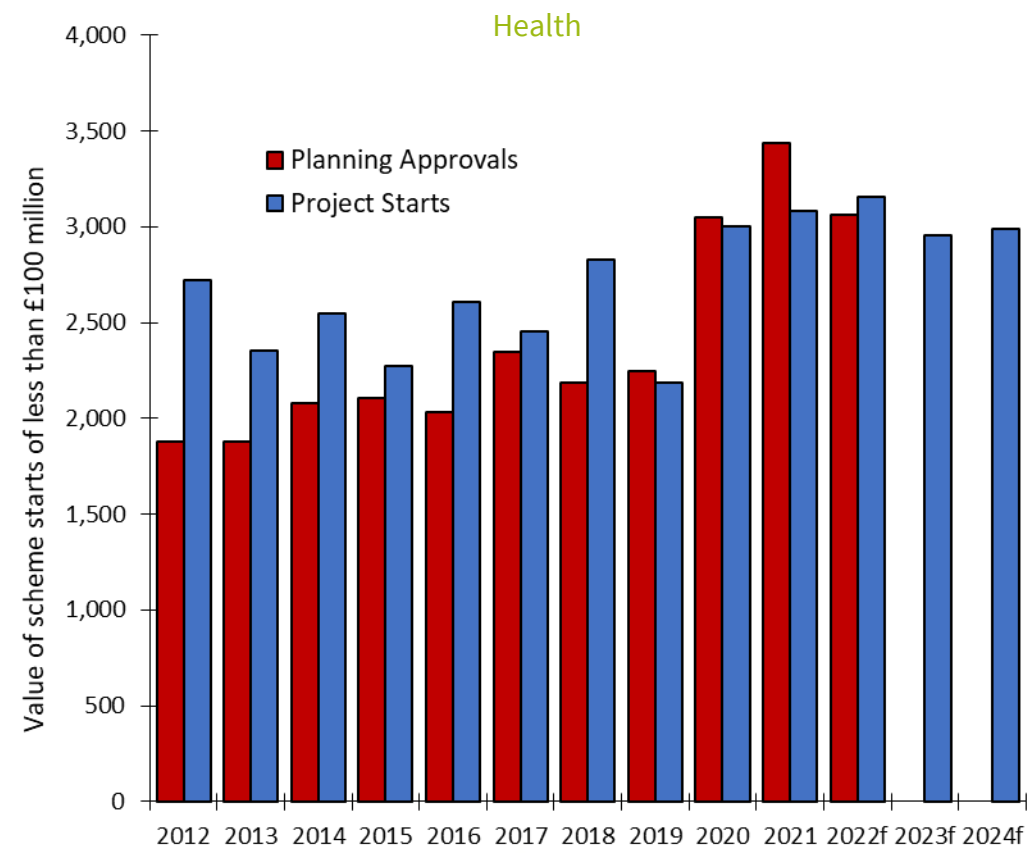
Source: Glenigan
* Excludes projects over £100m
f = forecast

Education & Health



N.B Excludes projects with a construction value in excess of £100m. Source: Glenigan

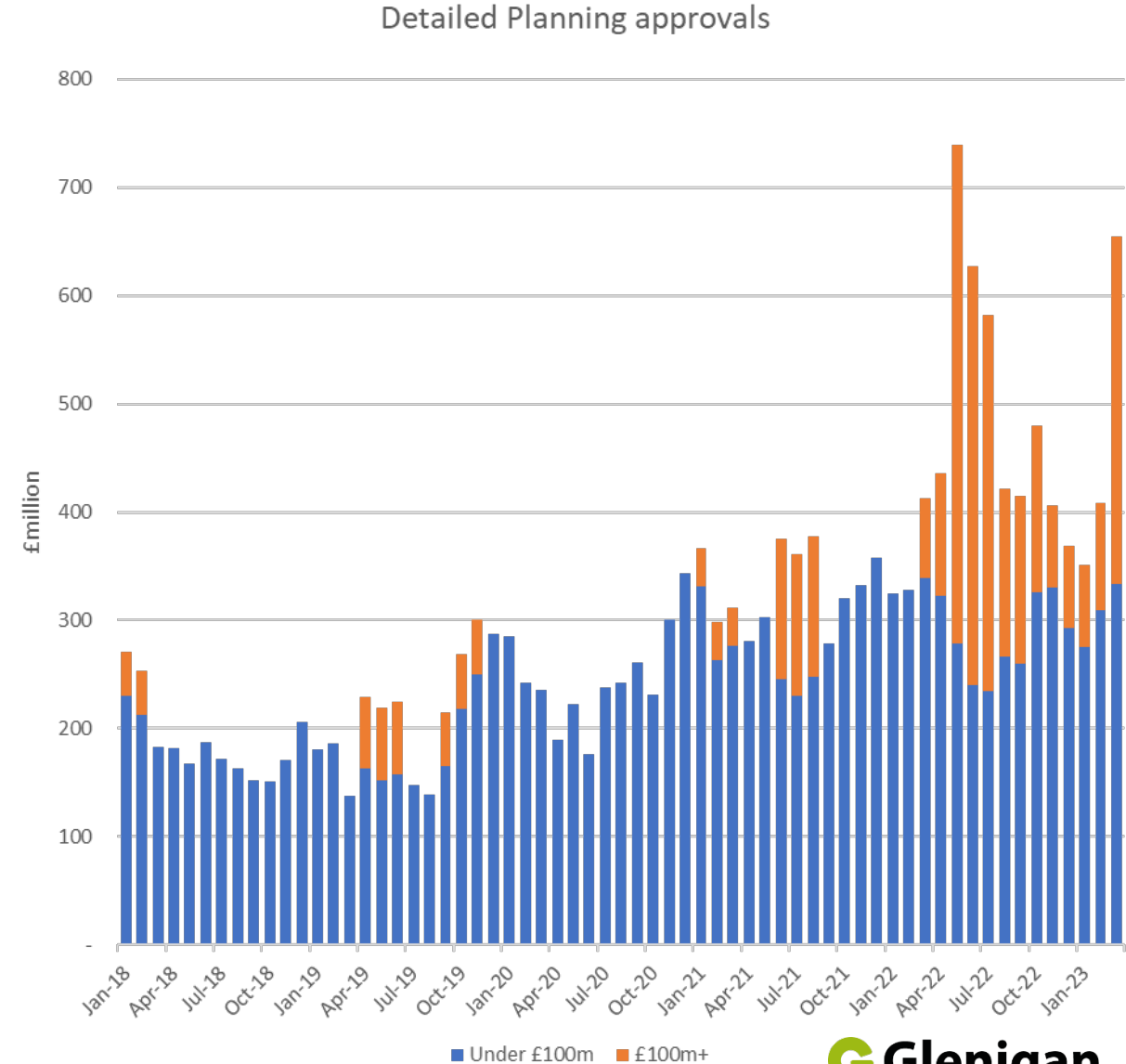
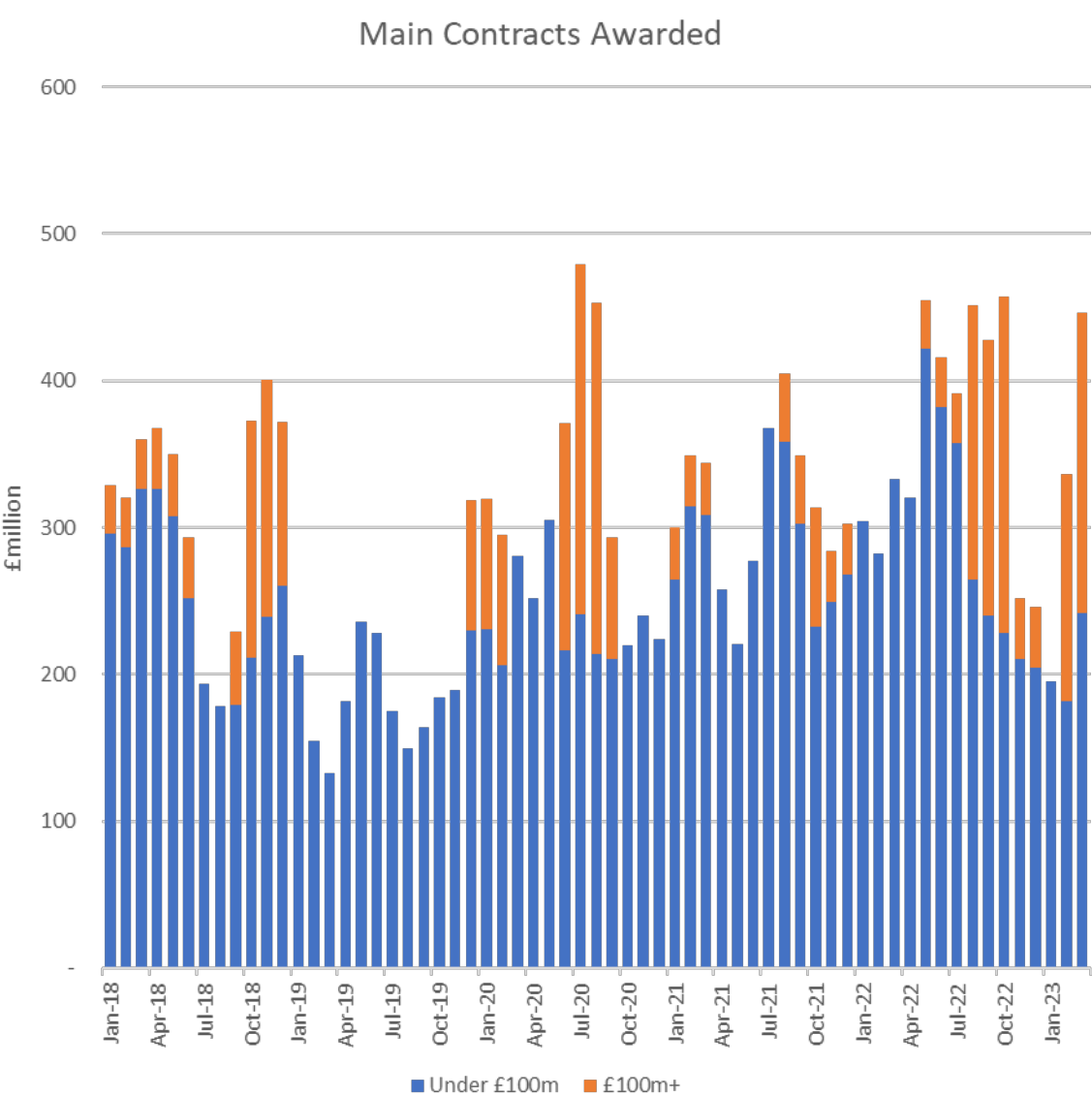
	2021	2022f	2023f	2024f
£ million	4,884	4,149	4,680	4,931
Growth	14%	-15%	13%	5%



N.B Excludes projects with a construction value in excess of £100m. Source: Glenigan

	2021	2022f	2023f	2024f
£ million	3,084	3,157	2,957	2,986
Growth	3%	2%	-6%	1%

Strengthening health development pipeline...



Construction Forecast to 2024

Annual Change	2021	2022f	2023f	2024f
Private Housing	30%	-4%	-5%	15%
Social Housing	16%	-9%	-3%	0%
Industrial	59%	25%	-5%	-8%
Offices	27%	4%	5%	-3%
Retail	39%	-11%	-4%	10%
Hotel & Leisure	37%	-6%	9%	2%
Education	14%	-15%	13%	5%
Health	3%	2%	-6%	1%
Community & Amenity	3%	36%	0%	2%
Civil Engineering	12%	-4%	1%	3%
Total	25%	-2%	-2%	6%