gleeds

A New Landscape

Summer 2020 UK Market Report

Gleeds' UK Market Report is published quarterly, exploring current and anticipated future UK construction market conditions. It draws on the experience of main contractors, sub-contractors, suppliers and colleagues in the UK construction market, collected through an online survey. This release summarises activity in the UK market for Q2 2020 with a view to Q3 2020 and beyond.

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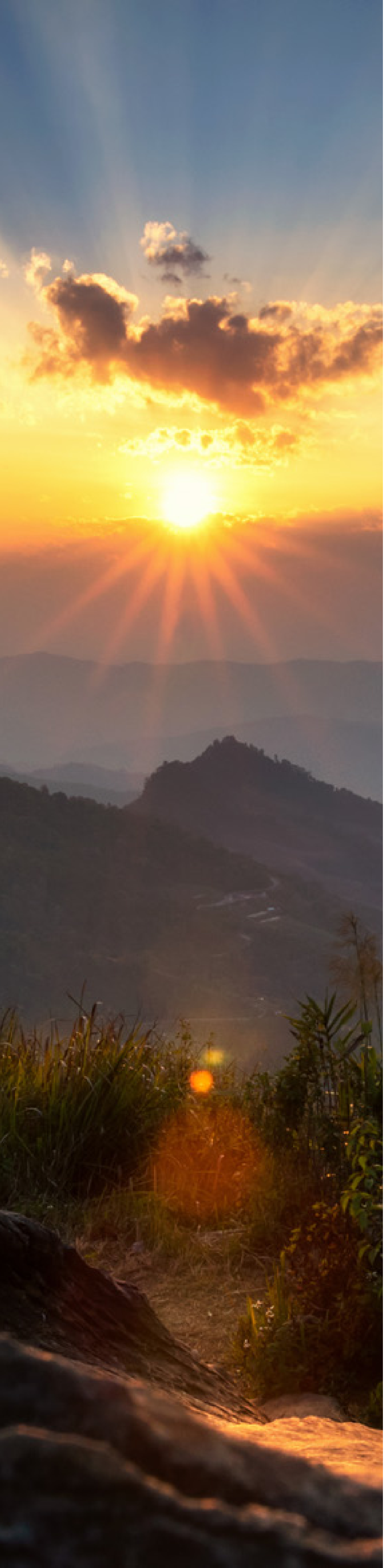


Executive summary

DOUGLAS MCCORMICK
Executive Chairman UK, Gleeds

Accelerating change

As we begin to emerge from the immediate impacts of the global pandemic, we have before us a completely new landscape to discover. Whilst we all interpret this evolving situation, it is natural to revert to what we have known before, looking to previous recessions or moments in time to identify what path our economy and the construction market might take, how we should navigate it, and how we will eventually recover.

Whilst these points of reference provide some indicators, this is a totally new socio-economic position. When COVID-19 hit, rather than a demand issue occurring, supply stopped abruptly. Collectively as an industry, our response has been to look to new ways of working to support ongoing construction on sites and help prepare those shutdown to remobilise quickly.

The pandemic has accelerated much needed digital transformation in our industry rapidly, with remote tools helping overcome social distancing measures on sites and keeping teams connected. The power of Modern Methods of Construction (MMC) to save time and cost on site, has been fully embraced, supporting labour shortages and increased energy efficiency of buildings.

We saw the healthcare sector rise to support the NHS, with temporary hospital facilities built in record timescales. The Grange University Hospital, the Welsh government's largest infrastructure investment at £350 million, is now a symbol of the resilience and flexibility in our industry.

At the request of the Aneurin Bevan Health Board to meet demand for COVID-19 patients, within a four-week timescale, the hospital was delivered a year ahead of schedule in April 2020. This was only made possible because of the offsite manufacture techniques used right from the start, resulting in a programme saving of 23%.

While carbon emissions have reduced over the past months, our industry has an opportunity to take stock of it's impact and role in working towards the UK's 2050 net zero carbon goals and creating places which better support the wellbeing of communities. The sustainability credentials of schemes, and how buildings support the wellbeing of their occupants will face increased scrutiny as we enter this changed landscape.

A New Landscape examines the construction industry's journey over the past quarter, looking at the potential impact of inflation. We address contractual, tendering and claims scenarios stakeholders may be faced with, looking ahead by sector to the changes in the industry's working practices.

As you drive your projects through 2020, our teams across the UK are here to help maximise the opportunities and navigate the challenges this new landscape brings, and we look forward to moving ahead with you.

"As we begin to emerge from the immediate impacts of the global pandemic, we have before us a completely new landscape to discover."

General market intelligence

Over 100 days of lockdown have passed in the UK, and whilst restrictions are slowly eased, it is clear that we are some way away from a return to pre-COVID market conditions. Continued instability means that there is some uncertainty from clients in various sectors to progress with new projects, and the Office for National Statistics (ONS) has indicated that construction output reduced by a further 40.1% in April 2020 on top of the 5.8% fall recorded in March 2020.

Different parts of the UK are also at various stages of restrictions being lifted. The Scottish government has instigated a six-stage plan for return to construction work, and is generally behind other parts of the UK at present due to a more cautious approach.

A feature of this downturn compared to previous recessions has been the fact that it has been triggered by a lack of supply rather than the demand issue common of most recessions. The concern is that this lack of supply causes a recession, which then restricts demand and causes a vicious circle.

The current demand issue can be demonstrated by the amount of funding that is still available, a lot of which is pent up from drawn-out Brexit uncertainty. Recent figures from Savills show the value of London transactions in April 2020 were only 31% of those achieved in March.

The outlook for construction is tied to macroeconomics and there is much speculation about the depth of the expected recession and how long and what form a recovery will take. Bank of England economist, Andy Haldane, has said that recovery so far is v-shaped and recovery in the UK and globally had come “sooner and faster” than expected. However, he cautioned that recovery will be dependent on levels of unemployment and changes to the furlough scheme in August 2020 will be an indicator.

As restrictions continue to be lifted, pent-up demand will support the economy. The government is also looking to construction to support the economic recovery, with Boris Johnson unveiling plans on 30th June 2020 with a promise to “build build build”, bringing forward £5bn of infrastructure projects and spending including £1.5bn for hospital maintenance and building, £100m for road projects and a £1bn school programme amongst others. Radical reforms to the planning system have also been promised, which will allow a wider range of commercial buildings to change to residential use and other commercial buildings to be repurposed without the need for planning applications.

However, if there is a second wave or a return to restrictions, this could affect confidence and could prolong and deepen the downturn. As such there is expected to be much volatility for the rest of the year, with labour shortages, materials shortages and uncertainty of output increasing costs, but also a reduced number of projects causing increased competition for work likely to neutralise the increases.

The Construction Leadership Council has published a Roadmap to Recovery plan – recommendations are for three phases; restart, reset and reinvent, over two years. The strategy aims to increase levels of activity, build capacity into the sector and to deliver better, safer buildings to help economic recovery and develop a more capable and productive sector which delivers better value and is sustainable.

The UK has formally confirmed that it will not extend the Brexit transition period and there are concerns that there is little progress in negotiations which could lead to a no-deal situation, amplifying economic issues. For the construction industry, ongoing labour availability issues could be exacerbated and there could also be challenges with materials availability and pricing from the EU.

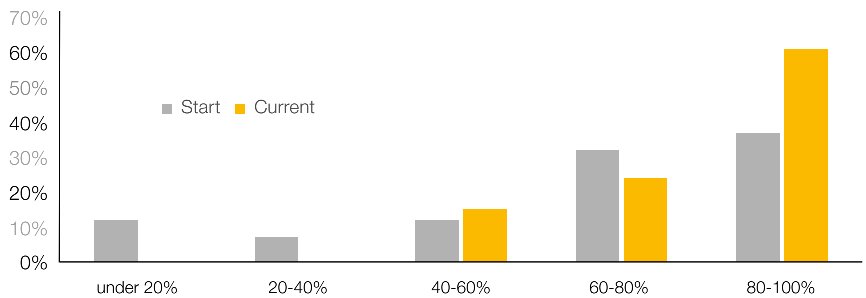
Confidence is returning to countries who are ahead of UK in the fight against Coronavirus – for instance in China, and life is adapting, with new habits being developed.

Gleeds is project managing the delivery of The Grange University Hospital, Wales.

Site productivity

According to contractors who responded to our survey, from June 2020, productivity on sites has increased with only 15% of respondents seeing less than 60-80% productivity, compared with 32% at the beginning of lockdown. 61% of respondents are now seeing 80-100% productivity on site.

Site productivity at the start of lockdown compared to present



Whilst mid-sized and larger contractors are better equipped to deal with the guidelines, there is a concern that some of the smaller contractors may find it more difficult to implement the procedures and may be more prone to disregarding the guidance.

Site productivity is dependent on the type and stage of the project – early substructure and frame construction is more easily able to adapt to constraints to working practices than latter stage or fit-out works.

Some activities are very difficult to undertake in line with the Construction Leadership Council guidance and the government guidelines of social distancing to one metre plus. Contractors are investigating other plant and automated options for these and site technological advancements have been made much quicker than previously. 66% of respondents to our survey said that technology use on sites has increased since lockdown.

Has the use of technology on site increased since lockdown?

The government has reviewed the two metre social distancing rule (with the one metre plus guideline recently introduced) and the relaxation to this will undoubtedly make compliance easier but risks a possible second wave.

There have also been some materials shortages where production has stopped due to the pandemic and where demand has slowed. Shortages have also occurred where exports from Europe and China have been limited. Some suppliers are also making redundancies (Travis Perkins , Marshalls, Ibstock) sensing a longer-term impact on demand. Clients and design teams will need to work flexibly with contractors and consider alternative materials based on availability – in the longer-term Modern Methods of Construction (MMC) will be more common to reduce reliance on site labour and to give more predictability to materials and time. Consideration will also need to be given to materials availability and lead in during the design development stages.

Whilst site productivity has improved, many in the industry do not think site output will reach 100% until social distancing is fully relaxed and labour on site is at full capacity.

Market snapshot: China

Ray Chisnall
Country Director

On many Chinese projects, operatives live on site which has meant social distancing has had to be carefully considered. Measures have been eased over time and in June 2020 all of Gleeds' projects, with one exception, are back on site. There are no social distancing restrictions, masks are only required when travelling and temperature checks are taken on entry and exit from site.

Gleeds is project managing the delivery of Midland Metropolitan Hospital, Birmingham.

Tendering & contract tender returns

Most contractors are still open to tender opportunities but are being selective about what they pursue due to staff being furloughed, which is affecting their ability to resource tender opportunities adequately. Some respondents to our survey have reported unattractive procurement routes, e.g single stage Design and Build with a large project value and / or excessive numbers on the tender list, and concerns about viability of the schemes going ahead as other reasons why they have declined to tender.

Have you refused a tender opportunity since lockdown? (Contractors)

Currently there is some evidence of reductions to tender prices of circa 10-20% for “shovel-ready” jobs with an immediate start, short programme and which are easily accessible, but generally our analysis showed that most tenders returned in the last few months are roughly on budget.

How have tender returns compared to the budget since lockdown?

Longer term, it is anticipated that there will be fewer opportunities in some sectors which will lead to increased competition for work. Clients should consider the aspirations for the project and consider risk allocation – lowest price often does not lead to best quality and contractors may take an adversarial approach during the post contract period to make up for low pricing.

Only 7% of respondents to our survey had a contractor or subcontractor unwilling to enter in to contract since lockdown which indicates that confidence is starting to return as lockdown, measures are eased around the world and supply levels are improving.

llen & Overy LLP, Frankfurt

Market snapshot: Germany

Felix Behrndt
Managing Director, Germany

Construction costs remained stable in May 2020 and we are currently starting to see some price corrections for some packages (steel dropping 5-10% and superstructure dropping 2-5%). For the second half of the year, no construction price inflation is anticipated and it is expected that tender prices will remain stable or drop slightly.

Contract & claims

Main contractors are facing commercial pressures, due to increased costs associated with social distancing compliance (e.g. enhanced cleaning regimes, temperature testing etc.), stretching of preliminaries costs for longer working days and programmes prolonged by reduced output. This pressure on cashflow could affect their ability to pay subcontractors and suppliers.

Do you think a more adversarial approach to contracts is likely in the comming months? (All respondents)

Going forward it is expected that risk allocation will be reassessed. A number of contractors are attempting to introduce COVID-19 clauses into contract amendments, some at the eleventh hour. These mainly seem to be related to safeguarding against material price increases from overseas, but others are more far reaching than this due to concerns about a second wave and further restrictions. Many are seeking to clarify the position with Force Majeure – particularly now that COVID-19 is a known issue.

There also seems to be a reduction in the length of validity of quotes down to no more than 60 days due to a fear of price changes and volatility in the market.

As commercial pressures mount, a more adversarial model is expected. This may include contractors attempting to pin delays down to events, other than Force Majeure, which would allow costs to be reclaimed. It is important that project teams collaborate to ensure that there is not a supply chain failure.

Have you requested a ‘COVID clause’ on any of your schemes?

32% of respondents to our survey knew of a contractor or subcontractor entering administration or a Company Voluntary Arrangement (CVA) since lockdown. The Corporate Insolvency and Governance Bill was recently passed and is intended to maximise businesses' chances of survival and will affect existing contracts. JCT and NEC have provisions to terminate a contract based upon insolvency and these existing rights will be severely limited. This may lead to earlier termination if there are other reasons in addition to insolvency.

Market snapshot: Spain & Portugal

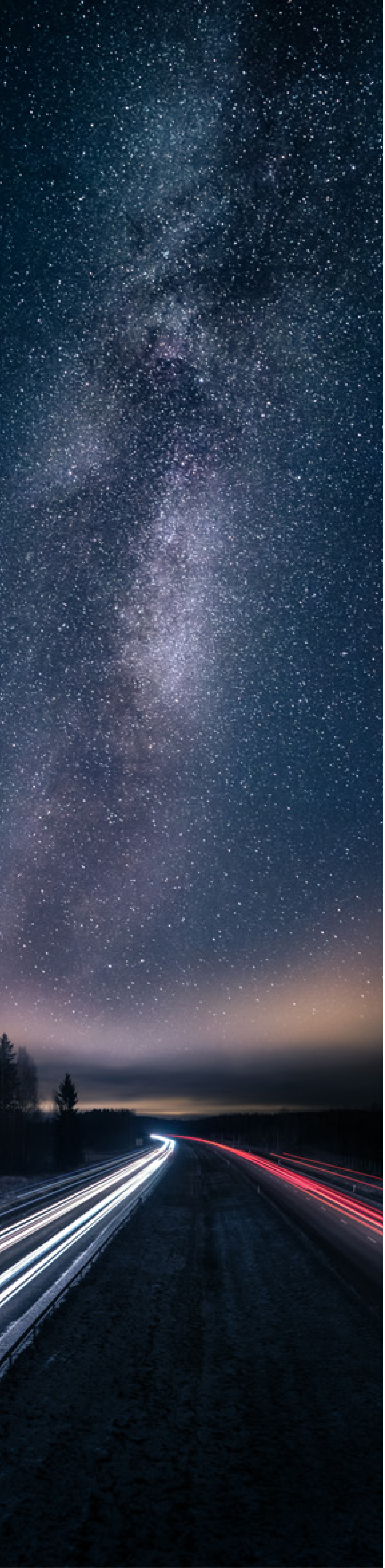
Carlos Arribas Lozano
Associate Director

For projects currently under construction, there is an evident extension of works mainly triggered by:

- the initial stoppage period and a slow re-commencement;
- the lack of availability of skilled staff; and
- the additional health and safety measures imposed

These reasons justify a higher cost of preliminaries and indirectly, higher costs to the supply chain. The contractors consulted have confirmed that manufacturers are experiencing the same problems to maintain pre-crisis production. Consequently, the construction-cost ratio in Spain and Portugal will increase during 2020 from approximately 3% to 5%.

48 Gran Vía, Madrid

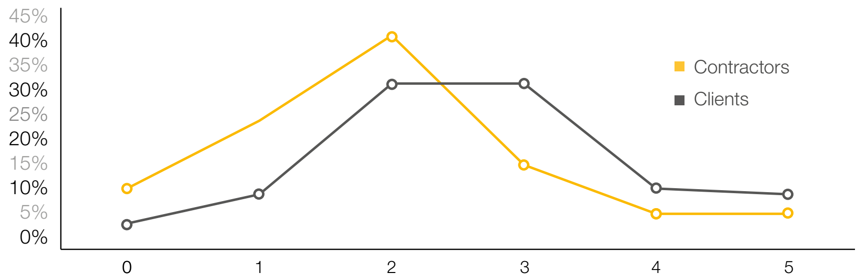


Consultancies' efficiency & changes to work practices

The pandemic has changed working practices with consultancies adopting measures to enable their staff to work from home and continue servicing clients.

A long-term shift to flexible and agile working is anticipated however it is likely that there will be a balance between working from home and in the office for many, with businesses giving employees more choice as to where they can / want to work. Flexibility will be key and offices will be more of a collaborative, social space, giving the opportunity for intellectual osmosis rather than people working in the office full time.

On average, how many days a week to you envisage continuing to work from home post lockdown?



Only 6% of all survey respondents envisaged working full-time from the office and 7% full-time from home - showing that there is likely to be a new way of working post-COVID-19.

Technological advancements will continue and will be critical going forward to maximise fees which will be under pressure.

Consultancies will need to carefully consider their strategy for the remainder of the year with changes to the furlough regime coming – those who reacted quickly will fair better as they can concentrate on business development and servicing projects to a high standard.

There are reports of clients demanding reductions to fees and the latest May update of the RIBA Future Trends survey revealed that 73% of architects expected profits to fall over the next 12 months and that of those 8% think their practice is unlikely to remain viable.

Market snapshot: China

Ray Chisnall
Country Director

Coming out of lockdown there was a staggered return to offices, gradually building up to capacity. We have seen changes to working practices and have found working hours to be much more efficient. We would previously spend a lot of time travelling across China to projects but now clients are generally happy with calls where appropriate.

Quarterly inflation & market intelligence

Inflation

When reviewing inflation, it is important that every project is judged on its own merits. For projects with a quick programme which are soon starting on site, there will likely be more competitive tender returns, however contractors will take a different view for longer term projects particularly for packages at the latter-end. With the competing factors of labour costs, materials availability, productivity, reduced number of opportunities; greater spread of tender sums are expected.

Generally, for the next twelve months, it is anticipated that inflation will be static with inflationary and deflationary pressures neutralising on the basis of a continued return to some kind of normality. There may be some 'spikes' of inflation depending on location and availability of labour and materials so it is important to assess inflation for each project, considering the local market and risk profile.

There are then hopes of a bounceback in 2021 and 2022, if the economy can avoid a prolonged recession.

Inflation Forecasts 2020 - 2023

Q3' 20 - Q2' 21	**0 - 1%**
Q3' 21 - Q2' 22	**2 - 2.5%**
Q3' 22 - Q2' 23	**3 - 4%**

Note: This assessment is based on collated views from an internal survey of Gleeds experts.

However, the consequences of any significant issue, such as a further lockdown or a no-deal Brexit will undoubtably have a significant impact upon these forecasts and all potential scenarios should be considered when setting budgets and populating risk registers.

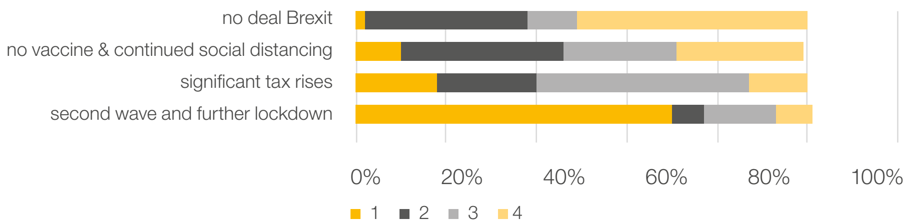
With the competing factors of labour costs, materials availability, productivity, reduced number of opportunities; greater spread of tender sums are expected.

Inflation in the longer-term is dependent on a number of factors and combinations of these, including whether there is a second wave in the winter causing lockdown to be reinstated, whether a vaccine is found, how quickly and if the economy recovers and whether there is a no-deal Brexit.

The UK has formally confirmed that it will not extend the Brexit transition period and there are concerns that there is little progress in negotiations which could lead to a no-deal situation which could amplify economic issues. For the construction industry, ongoing labour availability issues could be exacerbated and there could also be issues with materials availability and pricing from the EU.

70% of respondents to our survey ranked a second wave of Coronavirus and further lockdown as the greatest threat to the construction industry.

Rank threats to construction industry in order (greatest threat = 1)



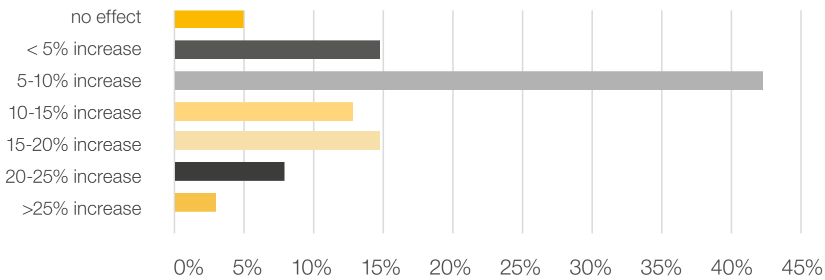
The Scalpel, London

Preliminaries

Contractors will face increased costs to comply with social distancing measures and programmes will extend where productivity is reduced, however these will be at least partially offset by the reduced labour demand due to restrictions on numbers on site tempering calls for enhanced remuneration. However, it is still likely that preliminaries will increase as a percentage of the overall construction costs, as projects remain on site for longer.

For a project of 18 months' duration with preliminaries of £25,000 a week, a programme increase of 15% could give an additional cost in region of £250,000 - £300,000.

What percentage effect to programmes have the current social distancing measures had? (Contractors)



95% of contractors who responded to our survey said that programmes had been extended as an effect of social distancing measures, of these 74% thought the extension was up to 15%.

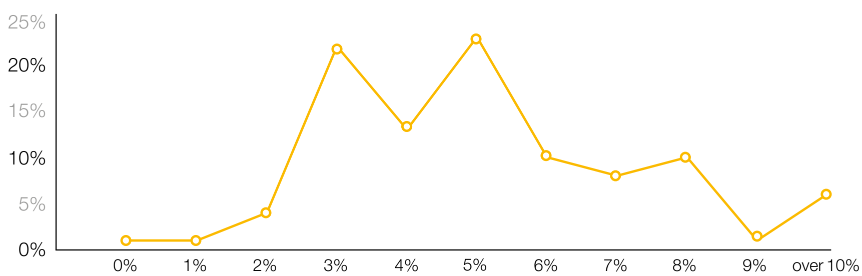
ABP - WWL Temp Shed Facility, Southampton

Overhead & profits (OH&P)

The results of the survey show that the average OH&P anticipated in the current market is 5%. It is therefore likely that OH&P levels will remain in the region of 3-5% for mid to large sized projects. As the amount of work and tender opportunities decline, it is likely that some main contractors will start to price to maintain pipeline which may lead to slashing of OH&P levels to be competitive. Overall, it is expected that costs will rise but margins will tighten.

49% of respondents to our survey said that tender opportunities had decreased in the second quarter and 55% of these anticipate that tender opportunities will continue to decrease in the next period.

Typical main contractor OHP margins in the current market



Nottingham Trent University, Nottingham

Sector insights

Education

SIMON WAREING
Director

The education pipeline has been on hold in Scotland, however elsewhere projects are being revived and contracts progressing. The Department for Education (DfE) has announced a £1bn funding programme for 50 new schools with construction on the first sites planned for September 2021.

Consideration is being given to school design and how to improve learning environments, particularly around daylighting, ventilation and overheating. The Department is also developing a number of pilot projects using PassivHaus and Zero Carbon principles. Contractors who won places on the DfE's new offsite construction framework to design and build schools using Modern Methods of Construction (MMC) were announced in January.

A £560m boost over the next year for repairs and upgrades to existing schools has been announced which is in addition to £1.4bn of school condition funding already committed.

As schools have started to return, there are also considerations for how social distancing will affect school requirements and design and how vulnerable pupils can be supported. Initially this is taking the approach of key year groups attending with split classes, with thoughts that as all years start to attend from September considering part time attendance in "bubbles" or streams. This will be aided by the anticipated reduction from 2m to 1m.

Higher education

HEATHER MAKIN
Director

DARREN CLARK
Associate Director

Higher Education

University campuses have been closed due to the pandemic and there is uncertainty whether in-person teaching will resume in the autumn or whether courses will be taught partially or fully online. As many students cite social experience and to learn life skills as reasons for going to university, there is concern that a shift to virtual learning could affect demand and uptake, particularly amongst foreign students whom pay higher tuition fees than domestic students.

Universities are already facing financial pressures from expenses and overheads and it is expected that capital expenditure will be significantly hit which will limit the level of new development in the sector. Universities are considering only opening buildings necessary and will relocate services to be closer together rather than small pockets across several campuses to help manage operation costs.

It is likely going forward that universities will look to adapt and refurbish their existing estates to meet student requirements, including to meet social distancing measures. Students now have an increased awareness of sustainability and universities may also need to consider decarbonisation of estates going forward to remain attractive to prospective students. It is expected that 2021 will be particularly competitive for places as some students will have deferred from this year.

Generally, it is expected that universities will hold to see the implications of the pandemic, if student numbers are affected there may be mergers of universities.

Student accommodation

Large schemes in the sector seem to be continuing where viability and need have been established. Most schemes are considering student well-being and sustainability at the heart of their design. Some are considering different unit types to appeal to postgraduate students, couples etc. and are trying to incorporate flexibility to meet future needs of students (e.g considering structural grids to increase room sizes).

DeMontfort Uni, Leicester

Residential

COLIN FIELD
Senior Director

Coronavirus caused a fall of 1.7% to house prices in May 2020 according to Nationwide and whilst demand is still there, it is thought that social distancing measures will impact the housing market for some time and that house prices will continue to decline during 2020. The stamp duty cut will help to reduce the decline and a strong rebound is anticipated by many in the industry for 2021 but this is dependent on the wider economy and there is a concern that if property significantly drops in value, transactions will reduce as people wait for the bottom of the market.

Initially, there was not the same impetuous from developers to return to site as from main contractors and if sales values reduce it is likely that developers will hold on building. Nationwide has recently reduced the maximum loan-to-value (LTV) available to new customers, including first-time buyers, to 85%, reflecting the volatility and uncertainty of the market. This is expected to strengthen the private rent market with a continued pipeline of Build-to-Rent schemes.

There remains a strong demand for affordable housing with data showing a waiting list of over 1m. The government has announced a £12bn affordable homes programme that will support up to 180,000 new affordable homes for ownership and rent over the next eight and it is expected that Modern Methods of Construction will be embraced more to meet the volume of build.

The scheduled changes to the planning system will assist with the creation of mixed use developments and encourage the conversion of under used space and vacant properties. This will allow projects and homes to be constructed much quicker.

There are also considerations for what future homes will look like – there are reports of increased online property searches for gardens and space to work from home as a result of lockdown and developments in the future will need to consider these in their design. Redrow have announced a shift to focus on suburban areas responding to customer demands following COVID-19.

The Malings, Ouseburn

Retail

SARA BOONHAM
Head of Cost Management

The Mailbox, Birmingham

Seismic change in the retail market has been accelerated by the current disruptor COVID -19. Consumer confidence is at an all-time low and footfall declined rapidly as lockdown measures were implemented. Retail sales saw the biggest monthly fall in April since records began thirty years ago. Forecasts suggest that turnover will not return to pre COVID-19 levels until quarter Q4 2021.

As we head towards the end of Q2 2020, it is predicted that only 10-20% of expected rental levels will be collected on retail and food and beverage premises, further compounding landlords' woes following 50% rental collections on March quarter day. As the UK eases its way out of lockdown, hopefully kick starting the economy, pressures remain with social distancing increasing both costs and capacity thus impacting profitability and further casualties in the sector will be rife.

Shift happens however and we will embrace it. Towns and city centres were already undergoing a period of dramatic change moving away from retail as the anchor and now will be further re-shaped by the work from home revolution. Imaginative mixed-use offerings supported by local and central government funds will fill the existing and emerging voids in our urban centres, which will be irreversibly changed by the pandemic. There will be also be a need to re- imagine our cities in the suburbs offering the vibrancy, variety and energy of the urban centres but with a focus on liveability, affordability and sustainability.

Retail will remain a vital component in both cities and suburbs offering a media channel for the retailer or brand. Inevitably retail will continue to build itself around our lives.

Hotels

GILLIAN BREEN
Director

Coronavirus has significantly impacted the hotel sector forcing many to completely close during lockdown and furloughing the vast majority of staff. Some hotels, particularly aparthotels and serviced apartments have been able to adapt and offer NHS and key worker accommodation – and some have kept doors open to accommodate the homeless through the peak.

As lockdown is easing, we are seeing hotels explore ways to reopen – some are adopting a serviced apartment model where front of house and public areas are closed, with contactless and socially distanced check-ins. The major hotel operators, such as Accor, have responded with clearly communicated cleaning regimes to encourage confidence in their hotels as they re-open and occupancy improves.

The hotel sector in the UK and Europe is also taking on board lessons learnt from the reopening phase in China and Australia; current forecasts predict a slower recovery than other sectors due to the personal nature of the hotel business. Sadly, the extreme impact of COVID-19 on the sector has pushed some smaller hotel groups and independents to the brink and we expect to see some distress. Interestingly this has brought about discussion around easing the planning process to encourage redevelopment of existing hotels that might otherwise remain in poor condition and locked in with sub-par operating and revenue levels.

The sector remains optimistic and green shoots are evident with OTA portals opening and taking bookings – in the short term we expect to see a shift to the domestic market with the “staycation” being encouraged to reactivate the hotel market here in the UK.

We also expect to a number of refurbishment and redevelopment projects come on line having been deferred pre-COVID-19, due in the part to strong pre-COVID-19 occupancy and RevPar levels – the rapid COVID-19 related decline and slower recovery in the hotel sector will present some owners with an opportunity to reposition their assets during the upcoming low yield period, ready to relaunch when the COVID-19 situation is improved.

Data centres, logistics centres & warehouses

CHRIS TREW
Senior Director

The impact of the lockdown on non-essential goods and closing of stores and factories has led to warehouses reaching capacity, with 90% of third-party operators polled by UK Warehousing Association in April saying that their warehouses were already full.

Businesses with a strong e-commerce offering have seen further increased demand during the lockdown period and this is expected to be an area of continued growth, continuing the trend of a significant shift to online sales over the past few years, with warehouses and logistics centres to be built for the increased demand for online shopping and food deliveries.

The trend for home working has also lead to an increase in data centre enquiries, as businesses look to improve back up to internal systems.

Health & care

ROGER PULHAM
Director, Healthcare

Healthcare

Sustainability and Transformation Partnerships (46 STP's in England) are delivering over 150 exchequer-funded projects having a total budget of £1.9bn. Projects range from £900k to £330m and are open to SME's with the spending timeframe to close in 2025.

The Health Infrastructure Plan (HIP) programme launched in 2019 comprises 27 schemes involving 40 hospitals. The Exchequer budget amounts to circa £18bn and the project delivery timescales are between 2020 to 2030, with typical project values between £250m to £700m, expected to be procured through Procure 22 / Procure 2020 routes.

For the Primary Care (GP Surgeries) sector, the funding mix from the Exchequer is through the ETTF programme and Third Party Development via REIT's. The total number of surgeries for investment will be a minimum of 1,500, carrying a total capex of circa £5.9bn and an annual revenue of £2bn allocated to fund the primary care investment programme.

Each of the 250 NHS bodies in England has a share of an annual budget of £1.6bn to address functional obsolescence and urgent maintenance matters. Additional funding of £1bn+ was announced 30th June 2020 to eradicate mental health dormitories, enabling hospital building and improving A&E capacity.

Mental Health has been provided with an uplift of £2bnpa by 2025 to modernise MH services, including servicing capital investment, with typical project sizes qualifying from £5m to 30m.

Care Homes

Traditional operators with less than 40 beds are reducing in number as these become unviable due to tariff pressures. Modern facilities, typically with 100+ beds extending to 400 bed for care villages are growing in number and are expected to increase as local government reduce their directly owned care home numbers and numbers of care homes operated by Registered Charities are expected to remain static.

The market for operators or housing associations offering a combination of extra-care and dementia care is static at present, but demand is increasing, and it is anticipated that there will be a rise in projects accommodating these care requirements.

Social Care

Investments are the joint responsibility of Healthcare and Social Care commissioners, these are orchestrated by Health Boards in Wales, Scotland and Northern Ireland, in England STP's and CCG's will take the commissioning role. The typical project type and scale is as follows:

- Health and Wellbeing hubs – capex values from £8m to £80m
- Wellbeing Centres – typically £12m capex
- Community Care Centres (substantial healthcare service presence) typical capex £5m to 15m.

Adult Social Care

The pending publication of the UK government's Green Paper will explain future funding arrangements.

Grange University Hospital, Wales

Commercial offices

PAUL SWEENEY
Head of London Region

It is anticipated that Coronavirus will have a large impact on the sector – many businesses have adopted remote working and going forward it is expected that this will complement office working which will affect amounts of office space required.

As remote working becomes more common place, office design will change to reflect behaviours using the office for social exchange rather than for the daily grind. Health and wellbeing design will become more important and it is expected in the longer term that office buildings may change use to residential use as there is move to more local town communities rather than major city centre hubs.

In the upcoming period there may be an increase in opportunities for refurbishment, as offices are repurposed to meet social distancing requirements and also for short term solutions before longer term decisions are made.

"Bottom line savings will really drive the changes - firms know that their workforce can do a lot of work at home, staff want a different work life balance and big money savings on office space requirements will make it happen."

Aviation

ALEX HALLIDAY
Director

The airline industry has been severely impacted by Coronavirus – whilst some airlines are beginning to fly again there are ongoing debates about passenger levels, luggage, food and drink, whether quarantine is required etc. Mass redundancies are being made e.g. British Airways up to 30% of its workforce and EasyJet closing its hubs at Stansted, Southend and Newcastle as part of a major restructure, as it is expected that passenger numbers will not meet pre-COVID-19 levels for some time, if at all.

Some airports were considering expansion before the outbreak and these are currently on hold – Doncaster Sheffield Airport was planning an expansion and this has been pushed back into 2021 and a review of Stansted's £600m planned expansion has been put on hold due to the pandemic.

The impact on aviation is having a wider effect on local economies - for instance Stansted Airport was helping the East Anglian market.

Infrastructure & public sector

JONATHAN STEWART
Head of UK Public Sector

On 30th June, the government announced £100m of funding for this year for 29 road network projects including bridge repairs in Sandwell to improving the quality of the A15 in the Humber region.

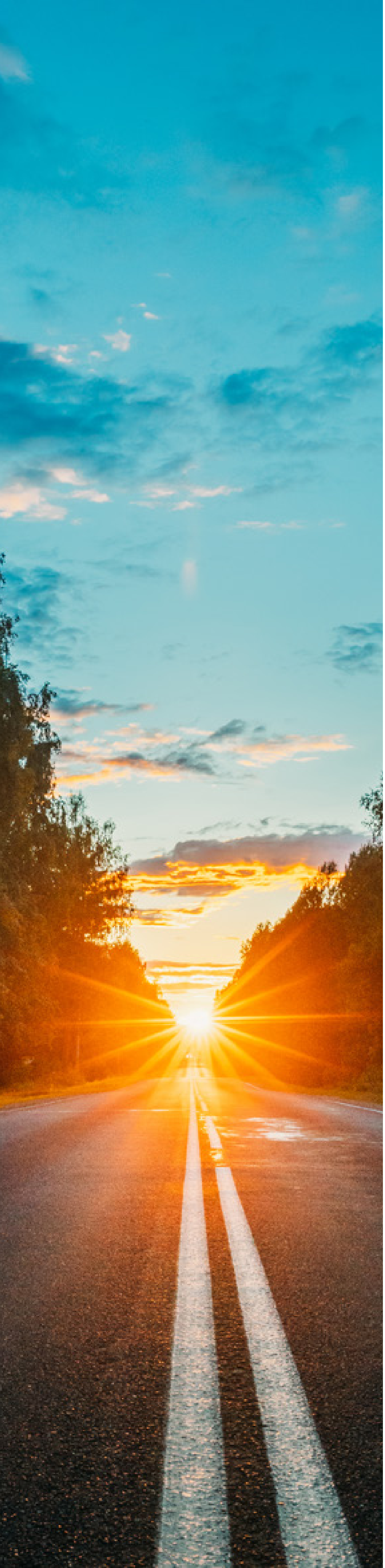
£900m was announced for a range of ‘shovel ready’ local growth projects in England over the course of this year and next, as well as £96m to accelerate investment in town centres and high streets through the Towns Fund this year for projects such as improvements to parks, high streets, and transport.

The government also signalled its intent to bring forward funding to accelerate infrastructure projects in Scotland, Wales, and Northern Ireland.

The Prime Minister also committed to planting of over 75,000 acres of trees every year by 2025 and to support local conservation projects.

Further announcements are expected in the coming weeks to stimulate economic recovery, particularly around creating jobs to assist with achieving net zero emissions to give benefits in terms of climate change and more secure employment for the future.

WGIS Insurance, Manchester



Summing up

It is expected that commercial office and aviation sectors will be heavily impacted over the next period. There will be a decline in speculative office space, and market volatility and office space requirements reducing will affect planned starts and schemes will be reassessed reviewing massing and purpose.

Other sectors are expected to grow; pharmaceuticals and health, logistics centres, warehouses and data centres in particular. There will also be opportunities for repurposing space – particularly commercial and retail; reimagining the high street and building on the sense of community formed during lockdown with mixed-use schemes creating vibrant city centres and assisting with viability.

Across all sectors it is expected that net zero carbon, sustainability and well-being will become high on the agenda as developers and funders come under increasing scrutiny from stakeholders, investors, customers and end-users.

There is undoubtedly an interesting time ahead and a clear opportunity for the industry to adapt and reinvigorate itself to meet future challenges and requirements. The technological shift and advancements made during lockdown will need to be continued and collaboration is key - stakeholders must come together to achieve better project outcomes.

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