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Spring 2021
UK Market
Report Webinar

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Here with you today



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Today's discussion

- 1.0 Economic overview
- 2.0 Tender opportunities and tendering
- 3.0 Site productivity and labour
- 4.0 Materials
- 5.0 Threats to the construction industry
- 6.0 Inflation forecast
- 7.0 Future trends
- 8.0 Summing up
- 9.0 Questions and answers

Poll one

What type of
organisation are
you part of?

1.0 Economic overview

Negatively affected areas

GDP

GDP is 7.8% below February 2020 and 3.1% October 2020
(ONS)

Employment

Unemployment estimated to be 0.9% up on March 2020 - impact of furlough ending
(ONS)

Positively affected areas

Budget/plan for growth

£100bn capital spending to 'build back better'

Construction growth

HIS Markit/CIPS UK Construction Total Activity index up 15.75% in March

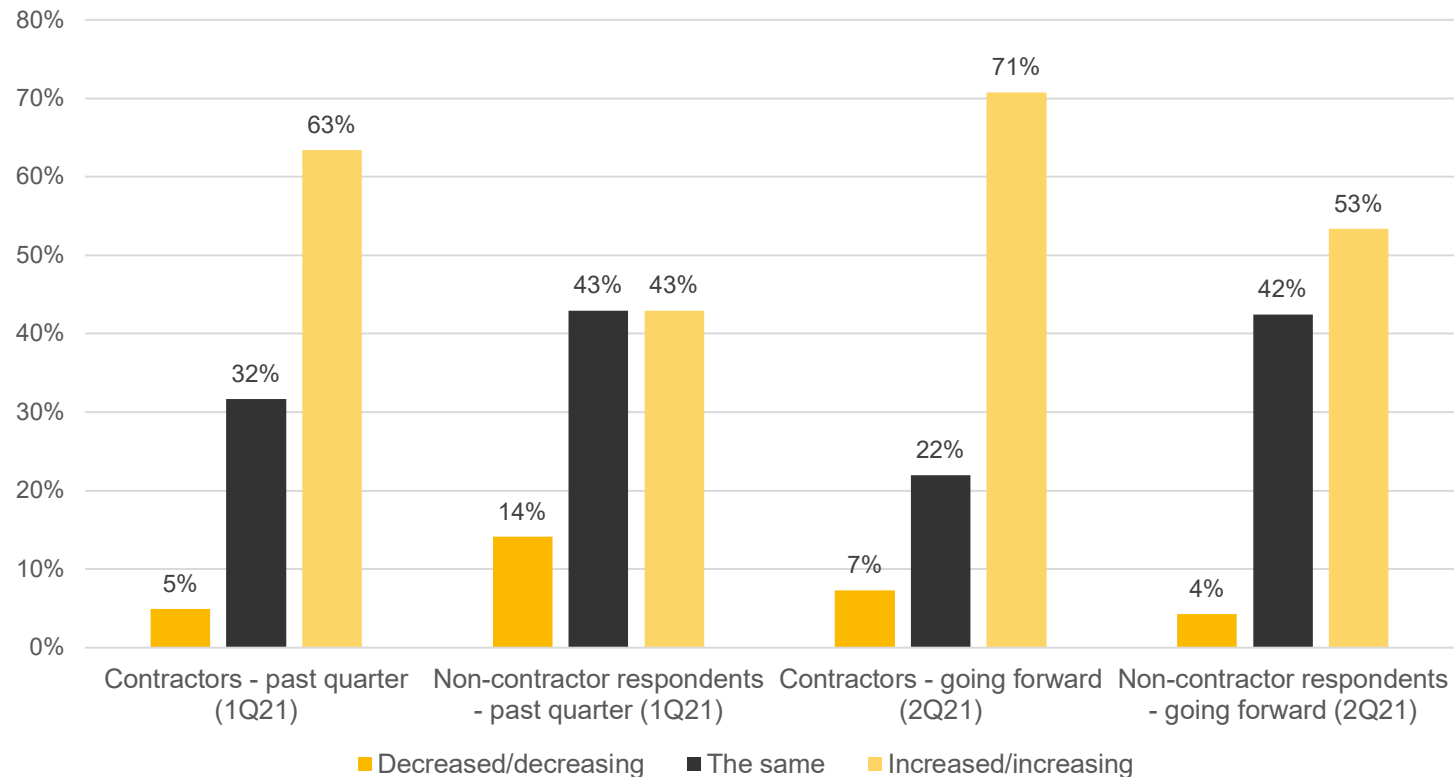


Poll two

Have you seen an
upturn in activity in
the last quarter?

2.0 Tender opportunities and tendering

Have tender opportunities decreased or increased over the past quarter? How about looking ahead to the next quarter?



Survey respondents indicated that the top five sectors for current tender opportunities are:

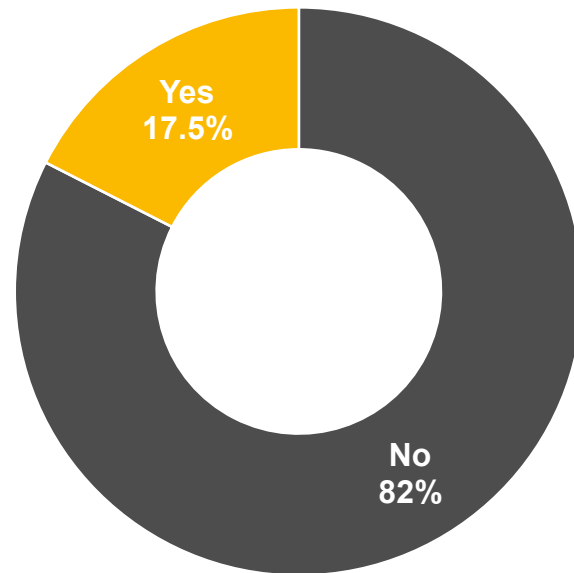
- Residential (44%)
- Public (36%)
- Health and care (31%)
- Education (30%)
- Infrastructure (26%)

3.0 Site productivity/labour

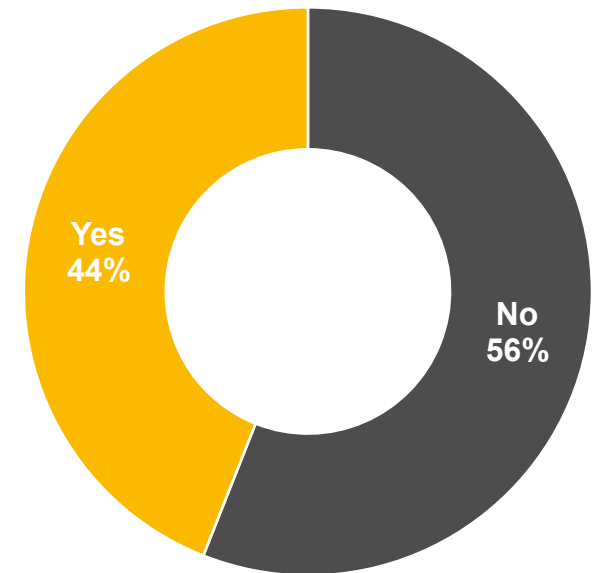
Site productivity is stable

76% of contractors said that site productivity is within the 81-100% range – the same as our last report

Have you experienced any issues with labour supply in the first quarter?
(Contractors)



Have you noticed any increases to labour rates in the first quarter?
(Contractors)



4.0 Materials

Have you experienced issues with supply of materials/products on your projects in the first quarter?

80%
contractors

Issues involved the following or combinations of the following:

Specified materials/products not being available

Long lead-in times

Material price increases

Issues importing materials e.g. border delays

Understanding that the factors are interlinked, what are the top triggers for the increase in material prices?

#1 COVID-19/pandemic related issues

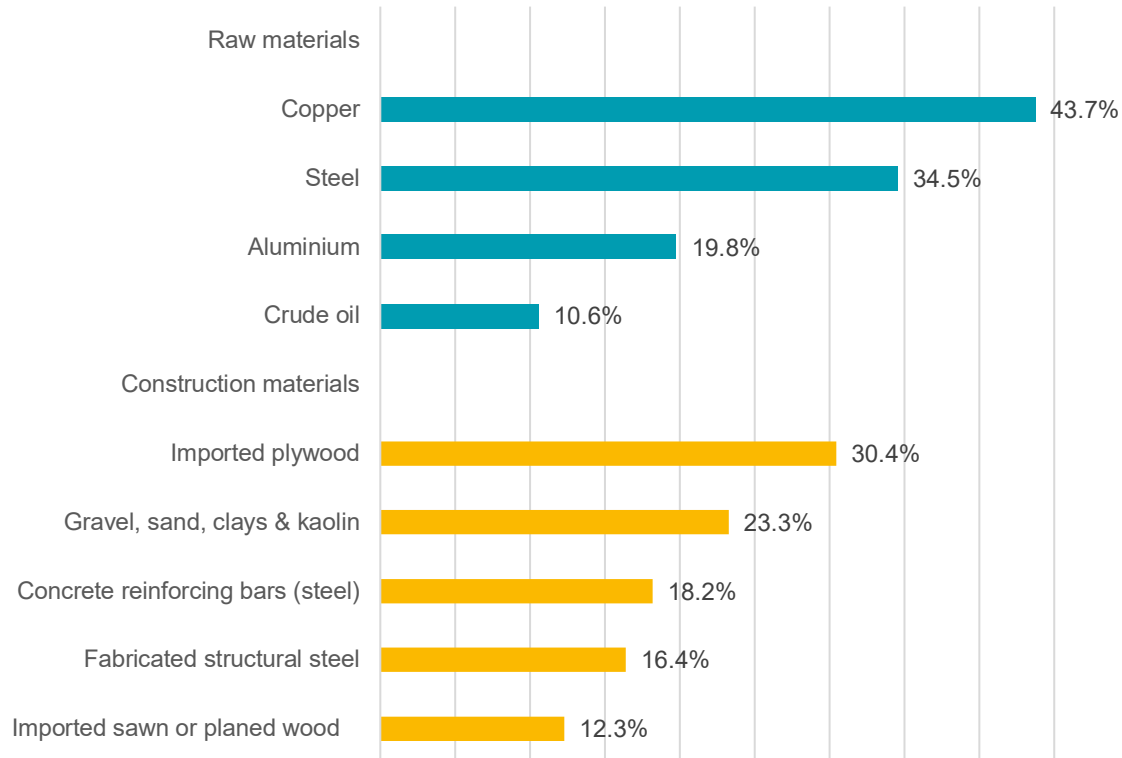
#2 Brexit

#3 Global demand

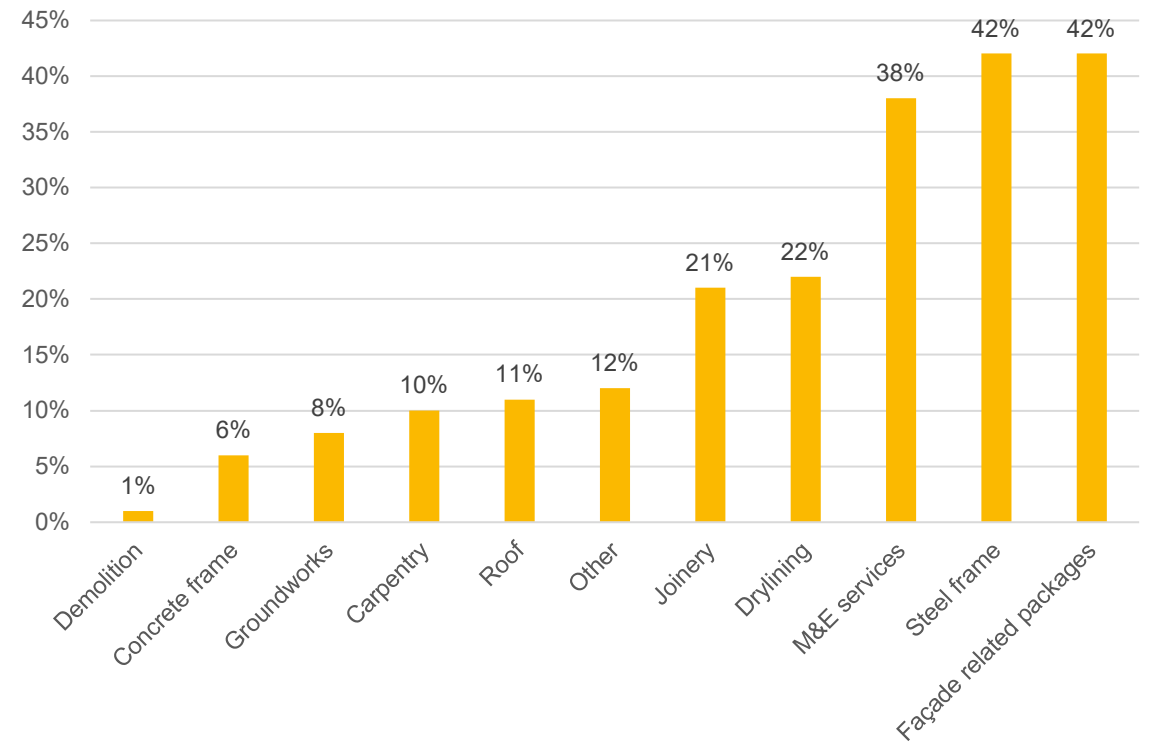
#4 Commodity prices

4.0 Materials

Percentage change in the year to February 2021

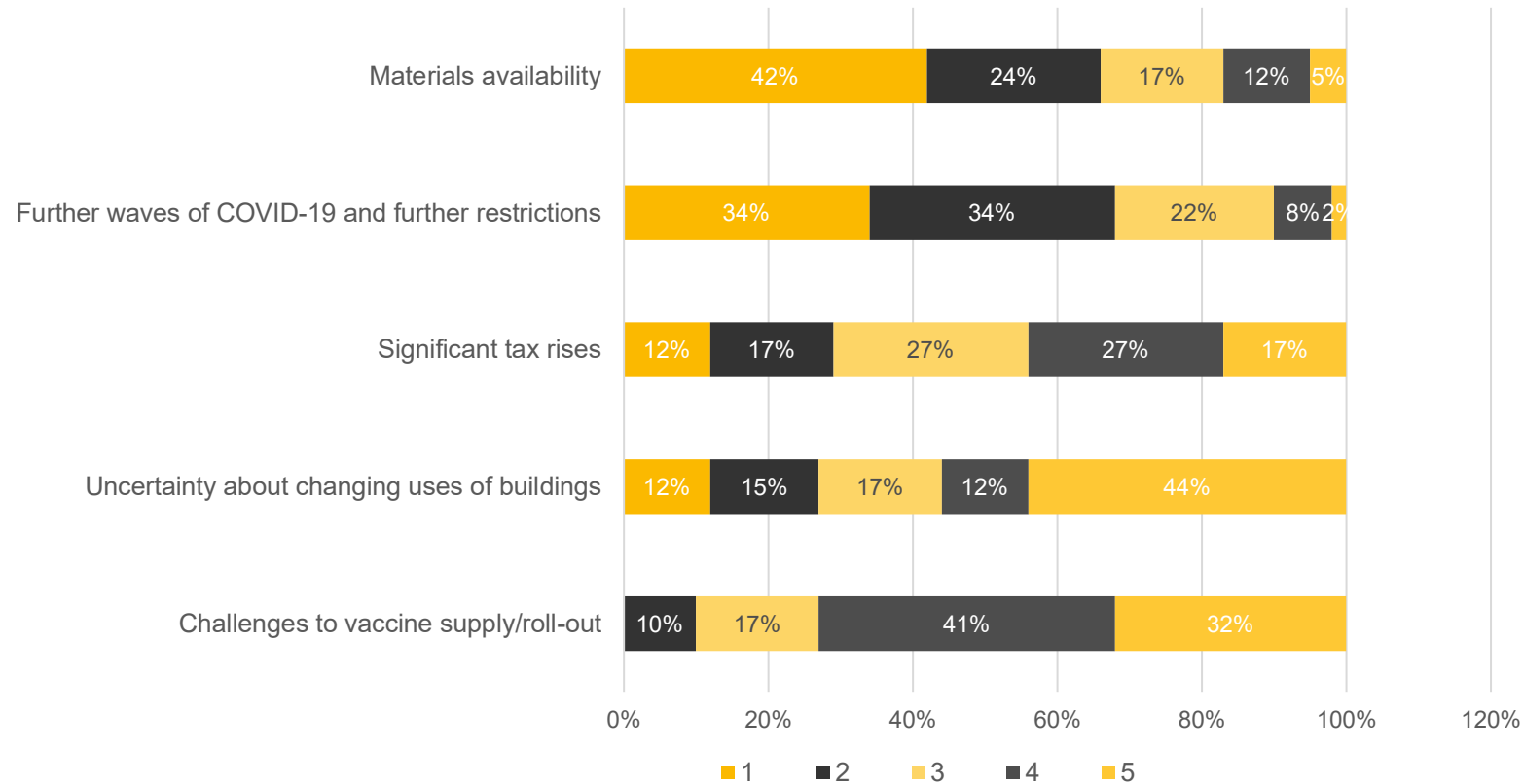


For which packages are you experiencing issues with products/materials?



5.0 Threats to the construction industry

Rank the biggest threats to the construction industry
(1 = biggest threat) (contractors)



- 42% of contractors ranked materials availability as the top threat
- The next highest threat was seen to be further waves of COVID-19 and further restrictions with 34% of contractors ranking it first

6.0 Inflation forecast



Q2 and Q3

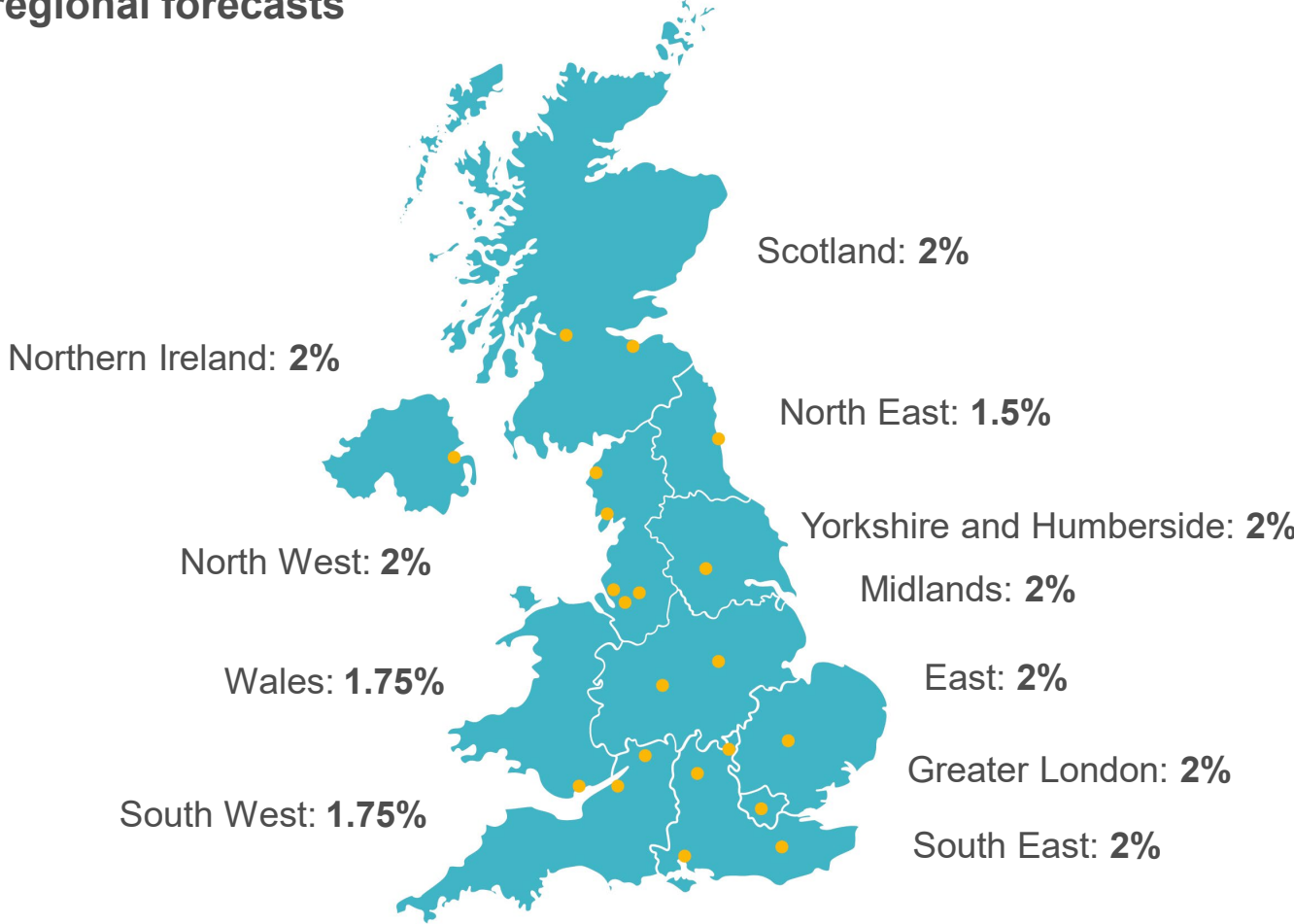
- Competitive market for low-risk projects which are quick to start
- Subdued market from effects of project approvals having slowed/been put back in 2020
- Wider economy struggling due to lockdowns and restrictions

Q4 and Q1

- Emergence of larger projects and large infrastructure programmes continuing/ramping up
- Contractors have fuller order books
- Cost pressures for materials and labour
- Pent up demand helping the wider economy

6.0 Inflation forecast

2021 regional forecasts



Regional inflation forecast ranges 2021 - 2023

2Q21 - 1Q22	1.5 - 2%
2Q22 - 1Q23	2.25 - 3.5%
2Q23 - 1Q24	2.5 - 3.75%

Poll three

Have you seen an
increase in
repurposing buildings
in the last quarter?

07 Future trends: urban re purposing

- Gradual evolution replaced by urban revolution
- Encouraging signs as lockdown lifts and footfall returns
- High street voids: current and projected
- Commercial offer going forwards
- Supportive planning system
- Economic benefit of thriving city centres
- Central government commitment
- Localism/community/placemaking

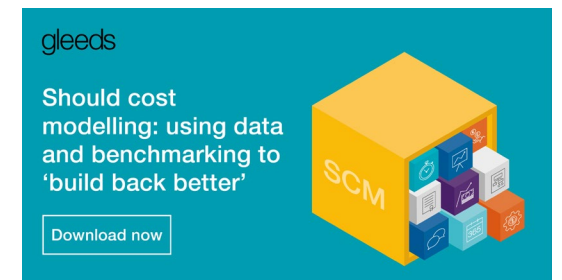
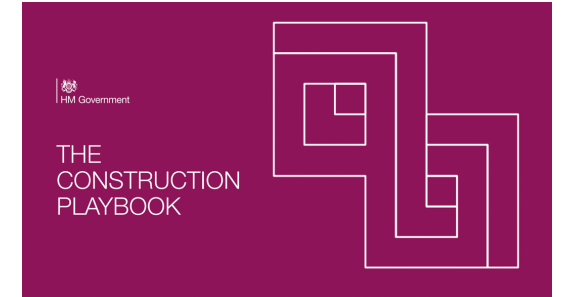


Poll four

Have you heard of
the Construction
Playbook?

07 Future trends: Construction Playbook

- Since its launch in December, the Construction Playbook has been embraced by many in the industry and government bodies should follow on a ‘comply or explain’ basis
- Starting to see in tenders, framework requirements and project and programme delivery
- Hoped that early recognition and uptake will support post-pandemic recovery and the achievement of net zero carbon targets
- In time, it's envisaged that the principles will be adopted by the private sector



Poll five

How big an impact
do you think digital
transformation of the
industry will have on your
role in next three years?

07 Future trends: digital transformation

- Digital disruption is being seen in the construction industry
- Can be used to counter some threats e.g. skills shortages alleviated by automation
- 60% of respondents to our survey said that their organisations are prioritising IT spend
- Significant numbers of new products entering the market

Three key areas for digitalisation of the industry

Design and BIM

federated model/
digital twins, generative
design

Project data analytics

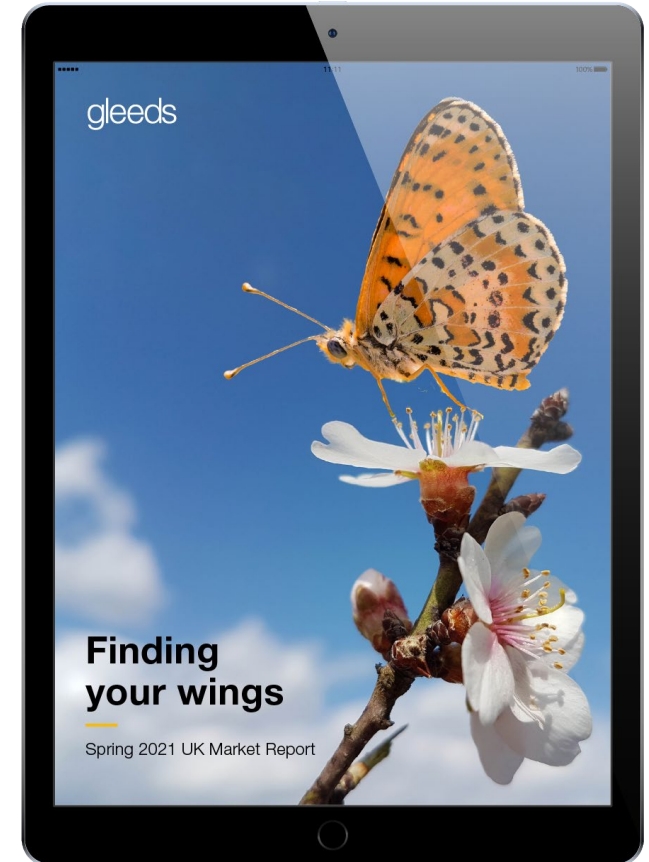
computer science and
machine learning to
better use data to
provide foresight

Site technology and robotics

MMC, point cloud
technology to measure
progress, robotics

8.0 Summing up

- Activity is picking up but some challenges remain
- The construction industry has continued to demonstrate great resilience
- **Flexibility, adaptability, collaboration and innovation** will continue to be key watchwords to help the construction industry *find its wings* in 2021
- Want to know more on regional analysis, inflation forecasts and sector insights? Look out for our full report being published next week →



Want to know more?

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Should cost modelling: using data and benchmarking to 'build back better'



Should cost modelling (SCM) is one of the 14 policies proposed in the Construction Playbook to make procuring and delivering public sector projects more efficient and part of the plan to 'build back better'. There is a lot to think about when procuring SCM, but our specialists Jonathan Stewart, Sam Crookham, Nicola Hering and James Garner have considered their purpose and how they can be effectively developed and implemented.

SCM is both a financial and analytical model that provides comprehensive calculations of what a service, project or programme "should" cost over its whole life, including both the build phase and the operating design life, considering the risks associated with delivery. This consists of a variety of components designed to assist the client to make a more informed delivery mode assessment (DMA). The DMA is an evidence-based approach to determining how a contracting authority should structure the project or programme delivery.

Benchmarking is the key route to SCM, using retrospective data from completed projects to provide comparative key project performance such as cost, programme and greenhouse gas (GHG) emissions. By considering a broad range of data, SCM facilitates more informed procurement decisions to be made and procuring in a wider value decision-making.

There are five distinct stages to follow when procuring a SCM:

1. **01 Plan**
Determine the project complexity, scope, and choose the appropriate delivery model.

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Is the Construction Playbook the answer to 'build back better'?



At the end of last year, the UK government set out ambitious plans to ensure the construction sector plays a key role in the UK's economic recovery. Our specialists Jonathan Stewart, Dave Corbin, James Garner and Nicola Hering delve deeper into the Construction Playbook to see if it can transform public sector and deliver on the ambition to 'build back better'.

It builds on decades of initiatives such as the Latham Report, Egan report, Construction Strategy 2025 and the Plan for Growth to provide better working and ensure the industry more resilient for the new generation. It may have to raise procurement and construction more efficient and create a more sustainable construction sector that is seen as a benefit for the next generation.

The Playbook is backed by the Cabinet Office which drafted a series of briefs and requirements to ensure government agencies and their own bodies develop how capable are experienced, organized and delivered. It also sets out how the success of each project is measured. This construction industry does great work, but it is an acknowledged fact that it could improve and simply put, get even better from the start.

Before use of technology to deliver efficiency is arguably one of the biggest responses. For example, alternatives of procurement are still done the same way they were 20-30 years ago and yet the technology is there to help streamline that process.

There have been 14 key policies identified in the Playbook and besides, and funding opportunities will be considered against them.

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"Modern methods of procurement"

Five trends for tendering and procurement strategies in 2021



Strategy journey % acceptability according to contractors

- 96 High speed
- 78 Two stage design and build
- 55 Single stage traditional
- 50 Management contracts (procurement)
- 43 Single stage design and build

With an uncertain market and continued loss from the effects of COVID-19 and Brexit, challenge remains for contractors in 2021. Commercial pressures will lead to caution from contractors in tender pricing and a need to adapt to the construction opportunity from Autumn 2020 having started a significant decline as the most accessible in the current circumstances.

Speedier uptake of sustainability will see two stage design and build approach. However, there is increasing concern for the concept of being 'contracted' into a position that is under the quality of an, reduced return. High-end insight and risk is required to manage this.


In this insight report we are considering potential strategies which may be used either in full or in part, to ensure tendering is an efficient process and help to achieve overall better outcomes for projects.

Although the industry is still developing its digital world, links between wellbeing and productivity of contractors will be a focus in the world of education, increased internet in modern office design, does not just for digital products but also a recognition of a stable economic benefit, has developed standards that can equally be applied to schools.

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Wellbeing in schools

Why is it important, what does it look like and how can it be achieved?




The idea of 'wellbeing' has become increasingly prominent as a measure of physical and mental health, happiness and content, going well beyond its original meaning. These factors affect how we do things. Aside from a measure of our health, wellbeing is increased productivity and attainment, the subject has, of course, been brought into sharper focus in the context of COVID-19 on our personal and working lives. The question has not only been how to handle or prevent it but how to ensure we have a positive environment to look after health and wellbeing.

With a strict deadline is still working, the concept of wellbeing (productivity) is a positive benefit in a project even beyond of use, both inside and externally, and a direct relationship to how incorporated between health and wellbeing and an individual's ability to measure their potential.

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Post-pandemic life and the impact on the built environment



The outbreak of COVID-19 and subsequent restrictions and lockdowns have influenced significantly changed living and working practices. Whilst not all experiences were alike during the pandemic, it is expected that there will be a shift to a new normal rather than return to what was before. As the vaccine roll out progresses, it is time to envisage what the post-pandemic legacy may look like.

The effects of COVID-19 have accelerated trends that were being seen before the pandemic, such as the shift of work to online and away from traditional high streets. The pandemic has also shown the importance of health and local connectivity, and the way markets previously working from home has provided a way for health working.

Resilience during lockdown, and a reduction in economic activity, needed to contain the pandemic has led to focus on what producing greenhouse gas emissions.

A report by the International Energy Agency shows that, on the whole, 2020 saw a total drop-off in global CO2 emissions of 5% percent. As economic activity has restarted worldwide, emissions from rebound, demonstrating the importance of developing energy efficient and reducing energy consumption to fight climate change.

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Thank you
for listening

Questions and answers