

gleeds



Finding your wings

Spring 2021 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 conducted between 29th March - 9th April 2021. The report was written in April 2021.



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Executive summary



DOUGLAS MCCORMICK
Group Executive Director, Gleeds

Readying for take-off

With a vaccine roll-out happening at pace and increased opportunities coming forward, there is definitely a sense of the construction industry lifting. 47 percent of respondents to our survey said that tender opportunities had increased in the past quarter, and 57 percent forecast that tender opportunities will increase over the coming quarter.

The recent budget announcement and accompanying publication of the government's plan for growth, titled 'build back better', outlined capital spending plans worth £100 billion aiming to create new jobs, improve productivity and support the levelling up agenda — demonstrating that construction is at the heart of the United Kingdom's (UK) economic recovery.

Whilst the outlook for construction is definitely more positive, there remains some challenges. The effects of the pandemic are still being felt, particularly regarding materials, with 80 percent of contractors saying that they had experienced issues with the supply of materials and products on their projects in the first quarter. Contractors also continue to face reduced site productivity with 76 percent saying that site productivity is within the 81-100 percent range. There are concerns that labour shortages may be felt later in the year as workload increases.

From our survey, 88 percent of respondents think that tender prices will increase in 2021. Larger ranges in contractor and subcontractor tenders are starting to be seen, as they have different workloads, pipelines, and appetites for risk.

Finding your wings examines the construction industry's journey over the past quarter, looking at the potential impact of inflation. We address contractual, tendering and claims scenarios that stakeholders may face, and look ahead, sector by sector, giving an account of market activity, risks, and opportunities.

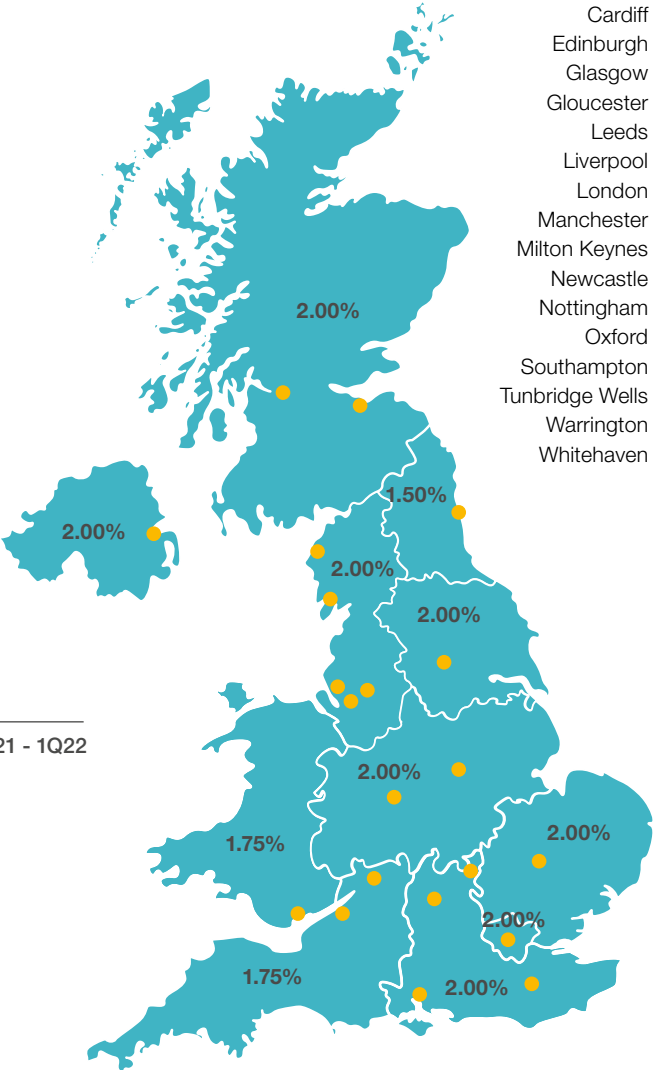
We also look at key trends, including repurposing and changing uses of buildings, net zero carbon (NZC), wellbeing, digitalisation, and the Construction Playbook, all of which are expected to influence the industry in the upcoming period. With the UK committing to ambitious NZC targets and in the spotlight by hosting the UN Climate Change Conference (COP26) in Glasgow in November, there are increasing requirements to achieve NZC on projects. Whilst 81 percent of survey respondents said they had noticed an increase in requirements to achieve NZC, only 26 percent thought that the industry is well-equipped to respond. This indicates a clear understanding of the need but also that there is noticeably a challenge of how the industry responds to this need in a positive and collaborative manner.

With an interesting and mixed year anticipated, our teams located across the UK remain your constant advisors to support your growth. We hope *Finding your wings* will prove a useful guide to aid your decision making as you move ahead through the coming months.

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- Whitehaven /

Figure 1
Regional inflation forecasts for 2Q21 - 1Q22



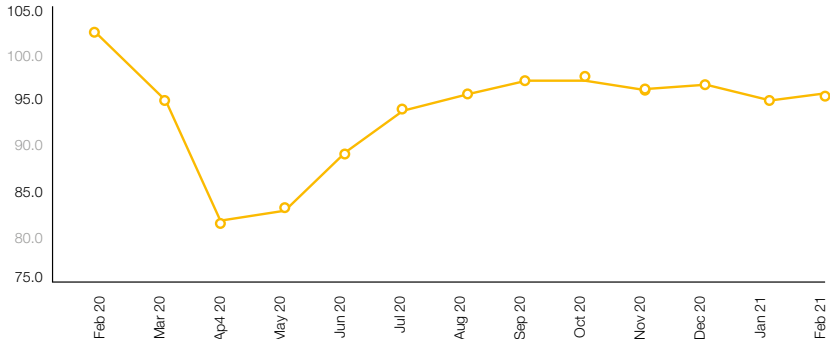


Market intelligence

The pandemic continues to have a significant impact on the UK economy. The latest data from the Office for National Statistics (ONS) shows that UK gross domestic product (GDP) is estimated to have grown 0.4 percent in February 2021, as restrictions related to the pandemic remained largely unchanged. GDP is 7.8 percent below February 2020, pre-pandemic, and 3.1 percent lower than October which was the recovery peak.

Figure 2

GDP Monthly Index - ONS, 2018 = 100



The UK unemployment rate was estimated to be 4.9 percent in March, 0.9 percent higher in the year. ONS data indicates that 56,000 fewer people were in payrolled employment in March compared to February. The Coronavirus Job Retention Scheme (CJRS) was due to end on 30th April 2021, however, in the spring budget speech it was announced that the scheme will be extended until 30th September 2021.

There were various announcements in the budget which were seen to be positive for construction, including:

- The creation of the first UK Infrastructure Bank, to be located in Leeds, with an initial capitalisation of £12 billion, and which is expected to support at least £40 billion of investment in infrastructure projects
- £1 billion for 45 new town “deals” and regional investment for city growth in Scotland and Wales, including funding for Holyhead Hydrogen Hub, the Global Centre of Rail Excellence in Neath Port Talbot, the Aberdeen Energy Transition Zone, and the Global Underwater Hub and the North Sea Transition Deal
- Offshore wind and port infrastructure projects in Teesside and Humberside
- Freeports will be located at East Midlands Airport, Felixstowe and Harwich, the Humber region, the Liverpool City Region, Plymouth, Solent, Thames and Teesside. Discussions continue between the UK government and the devolved administrations to introduce Freeports in Scotland, Wales and Northern Ireland as well
- “Super deduction” for business investment – 130 percent first-year capital allowance for qualifying plant and machinery assets; and a 50 percent first-year allowance for qualifying special rate assets
- £10 million funding for a new Modern Methods of Construction (MMC) taskforce.

Alongside the budget announcement was the publication of the government’s plan for growth, titled ‘build back better’, which outlined capital spending plans worth £100 billion aiming to create new jobs, improve productivity and support the levelling up agenda whilst stimulating economic recovery. With spotlight on the UK hosting COP26 in Glasgow in November, many were disappointed that there was not more to support the green agenda - particularly a review of Value Added Tax (VAT) rates related to refurbishment/retrofitting to achieve better energy efficiency and striving towards NZC.

The latest data from the Chartered Institute of Procurement and Supply (CIPS) indicates that momentum is building for construction recovery with growth for all major categories of construction activity — and the fastest rise in commercial work for 6.5 years. The HIS Markit/CIPS UK Construction Total Activity Index registered 61.7 in March, up from 53.3 in February. It was noted that delayed projects in hospitality, leisure and office developments were being mobilised and workloads are increased from infrastructure projects and residential construction.

Market snapshot: Egypt



MUIR SMITH
Regional Director, Africa

Gulf-based developers continue to show increased interest in the Egyptian real estate market. Emaar from Dubai has announced significant new projects in the country and have indicated that subsidiary Emaar Misr will represent up to 30 percent of its turnover. Abu Dhabi's Aldar is now involved in takeover talks with major local developer, SODIC.

The effective end of the embargo against Qatar means that Doha-based developers are now picking up where they left off, including Qatari Diar.

Having managed to record GDP growth during 2020, the Egyptian economy is on track to be one of the strongest performers in Africa in 2021.





Site productivity and labour

In line with our winter 20/21 report, all contractors who responded to our survey reported site productivity between 61-100 percent, with 76 percent saying that site productivity is within the 81-100 percent range. Interestingly, only 8 percent of non-contractor respondents thought that site productivity is 60 percent or less, compared to 18 percent in the last report.

Site productivity has stabilised as contractors have gained confidence in operating in line with restrictions and procedures during the pandemic and it is expected that site productivity will increase as restrictions are lifted.

Restricted numbers of operatives continue to have the greatest impact on site productivity, and many sites continue to undertake regular testing or use facial recognition thermometers. There remain some instances of workers/teams needing to self-isolate and, in some instances, this is affecting trade start dates/progress on site.

Figure 3

On average, what would you say the present site productivity is on your projects?

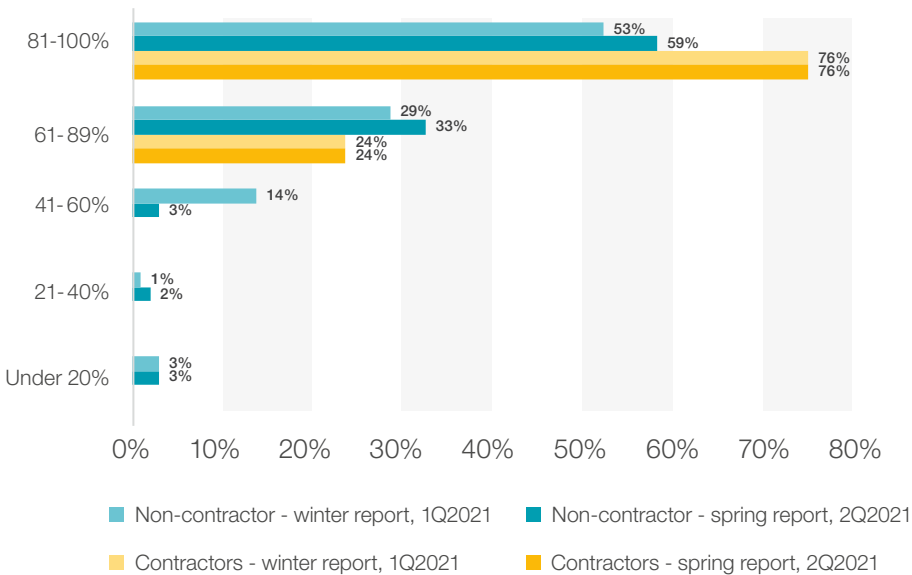


Figure 4

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

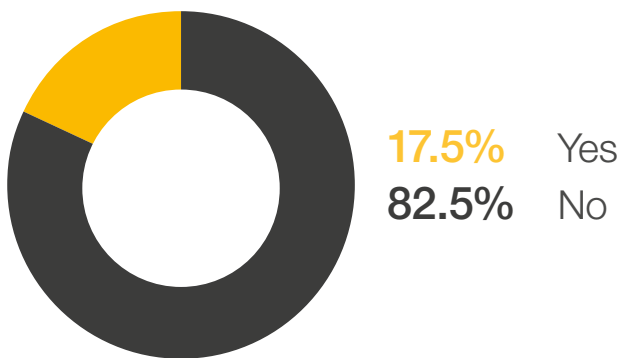
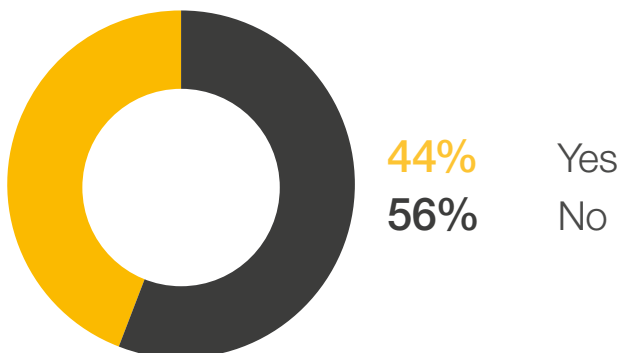


Figure 5

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



Only 17.5 percent of contractors who responded to our survey reported that they had experienced issues with labour supply in the first quarter. However, 44 percent of contractor respondents said that they had noticed an increase in labour rates in the period. It is expected that the effect of labour issues will be felt later in the year as workload increases. According to the Construction Products Association (CPA) there were 28 percent fewer EU-born construction workers in the third quarter 2020 than in the same period a year earlier.

Mechanical and electrical (M&E), bricklayers and drylining are the trades currently experiencing the most labour supply issues. There is concern surrounding consultant roles, with shortages of project managers and fire engineers indicated.

Market snapshot: USA



CHRIS WILLIAMS
President of Americas

In the USA we are seeing fairly significant price increases, particularly in several key materials such as steel, lumber and copper. The reasons for this are mixed and vary depending on the local market but, essentially, demand is increasing rapidly as the economy reopens but supply remains constrained.



Materials

80 percent of contractor respondents and 63 percent of non-contractor respondents said that they have experienced issues with supply of materials and products on their projects in the first quarter.

Issues included 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

Other issues noted were:

- Priority being given to NHS projects
- Increased lead-in times for packages due to availability of related materials (e.g. cladding and steel)

Figure 6

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

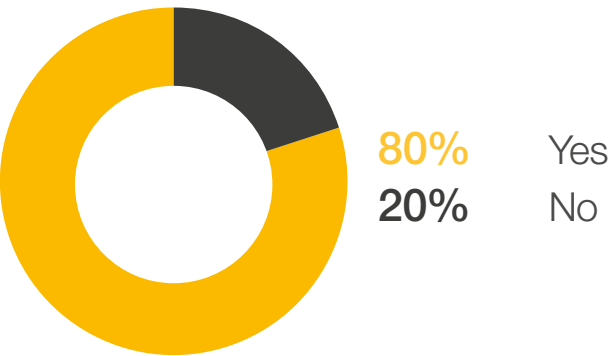
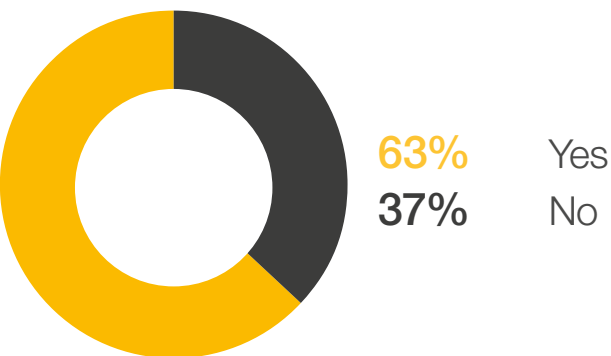


Figure 7

Have you experienced issues with supply of materials/products on your projects in the first quarter? (Non-contractors)



The main materials/products experiencing issues are:

- Structural steel and reinforcement (and related products: structural metal decking, studwork, M&E services equipment, etc.)
- Plastic products (e.g. drainage, UPVC windows)
- Timber (including plywood, veneers, etc.)

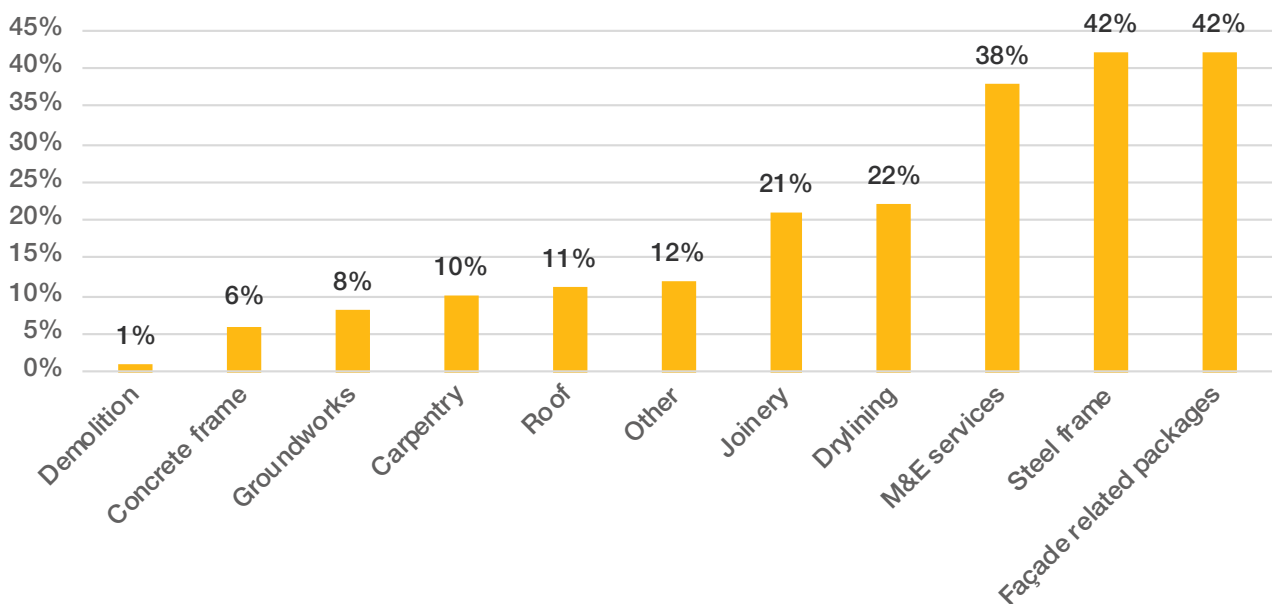
There are also reports of longer lead-in times associated with the following:

- Plaster and plasterboard
- Insulation
- Roof tiles
- Paint
- M&E items (e.g. lighting, lifts, etc.)

The most affected packages identified by survey respondents with materials issues are steel frame, façade related packages and M&E services.

Figure 8

For which packages are you experiencing issues with products/materials? (Select all that apply)

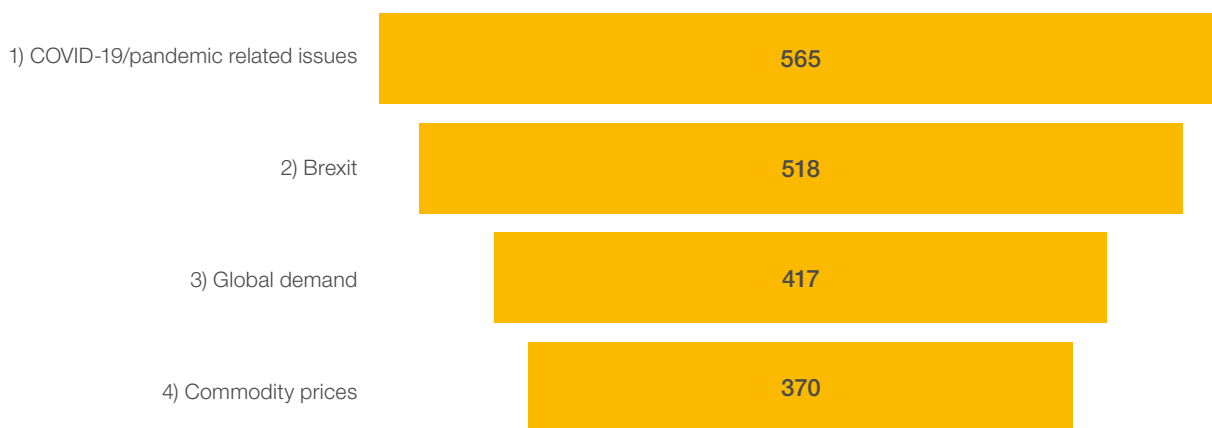


Respondents to our survey thought that the predominant causes of increase in materials prices was due to COVID-19/pandemic related issues. There is a combination of factors at play:

- Lockdowns have seen a dramatic increase for DIY and garden project materials across most G7 countries
- Major economies have seen increases in demand e.g. timber (USA), steel (China)
- COVID-19 cases are also having an impact with operating restrictions and interruptions where workers need to self-isolate
- Delays from materials imports and time and cost to fill out customs and due diligence paperwork stemming from Brexit
- Shortages in shipping containers driving up shipping prices
- Shipping issues are being exacerbated by the week-long blockage of the Suez Canal
- Commodity price increases as industry has restarted following the pandemic
- With a shift to renewable energy and electrical vehicles there is increased demand for materials such as copper and aluminium

Figure 9

Understanding that the issues are interlinked, please rank the triggers for the increase in material prices with Nr 1 being the predominant cause of the increases



Score is a weight calculation with items ranked first being valued higher, the score is a sum of all weighted rank counts.

Data from Trading Economics and London Metal Exchange demonstrates the cost increases in raw materials since February 2020. ONS and Department for Business, Energy and Industrial Strategy (DBEIS) data shows that there have been significant increases to certain material costs in the last twelve months to February.

Figure 10

Raw materials prices 2020-2021 - Trading Economics and London Metal Exchange

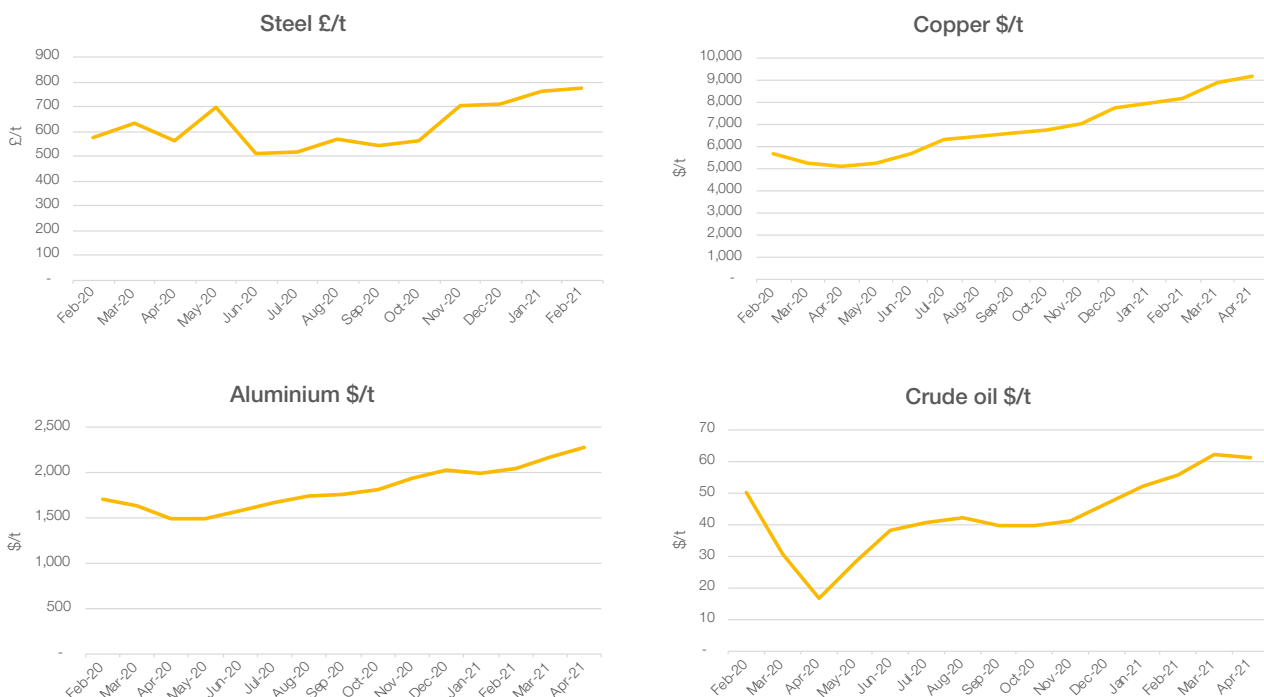


Figure 11

Price Indices of Construction Materials, February 2021 – ONS and DBEIS

Construction materials	Percentage change on a year earlier
Imported plywood	30.43%
Gravel, sand, clays and kaolin - incl. aggregate levy	23.26%
Concrete reinforcing bars (steel)	18.16%
Fabricated structural steel	16.39%
Imported sawn or planed wood	12.28%

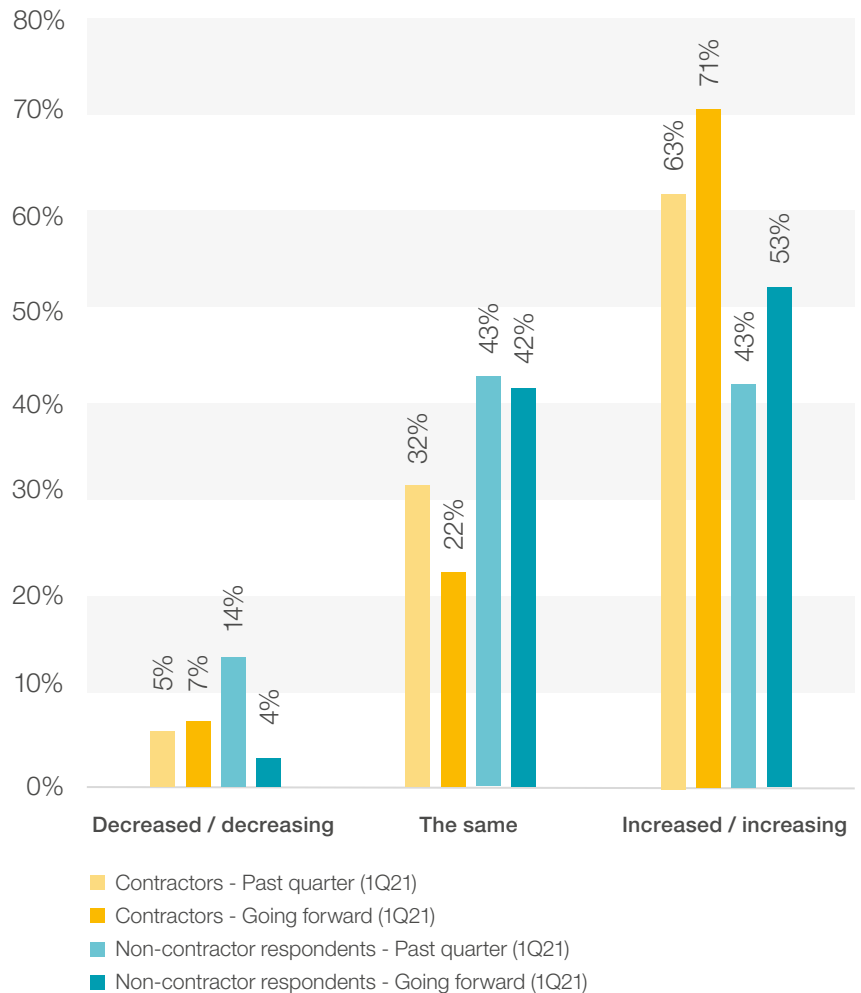
Note: Materials issues and price increases are expected to continue for at least the remainder of this year, as a result of pent-up demand, and economies investing in infrastructure to support economic recovery.



Tender opportunities and tendering

Figure 12

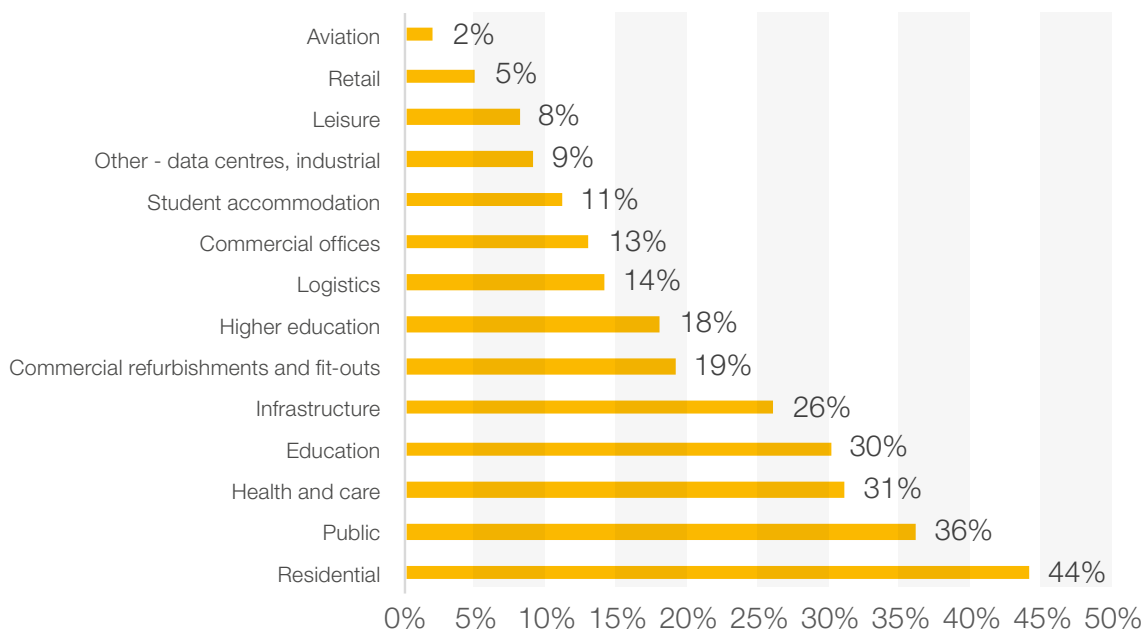
Have tender opportunities decreased or increased over the past quarter?
And looking ahead to the next quarter?



In our winter 2020/21 survey, only 23 percent of contractors and 27 percent of non-contractor respondents thought that tender opportunities would increase in the first quarter of the new year. Following the winter survey, we heard from multiple sources that there appeared to be a shift with many new project enquires being received. This appears to have been correct as 63 percent of contractors and 43 percent of non-contractor respondents have reported increased tender opportunities over the past quarter. Survey results also showed 71 percent of contractors and 53 percent of non-contractors expecting tender opportunities to increase in the next quarter, demonstrating confidence returning.

Figure 13

For which UK construction sectors are you seeing most tender opportunities for?



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%)

In our winter report, survey respondents thought that the sectors which would be most detrimentally affected by market conditions in 2021 and beyond would be commercial offices and commercial refurbishments and fit-outs. It is interesting to note this time that 13 percent of respondents are seeing tender opportunities for commercial offices and 19 percent for commercial refurbishments and fit-outs. This supports a noticeable trend of increased activity in the commercial sector as businesses begin to think about how to facilitate a hybrid working model and attract staff into the office for at least part of the week.

Figure 14

Do you see tender prices increasing during 2021?

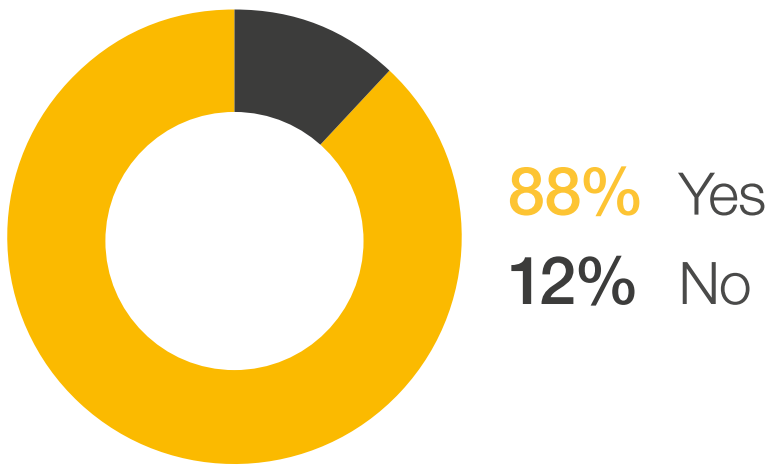
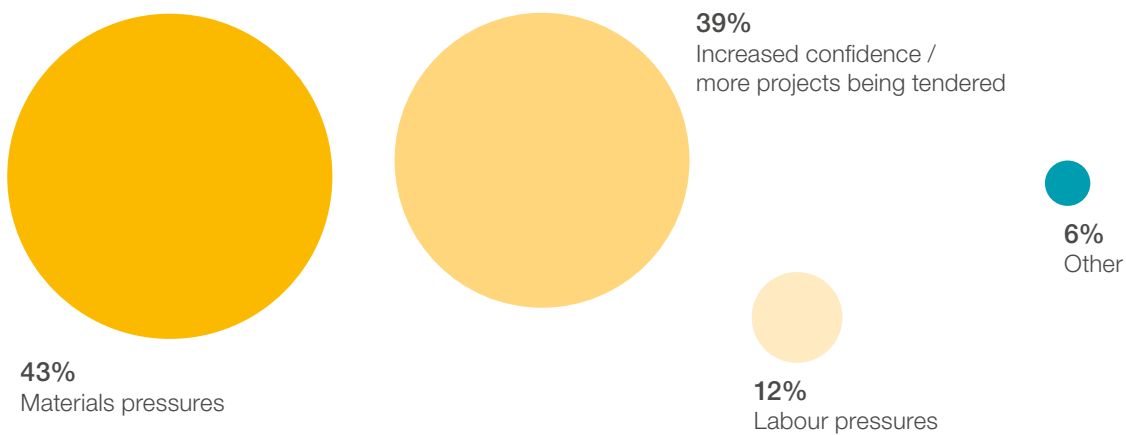


Figure 15

If yes, why?



During 2021, 88 percent of respondents think that tender prices will increase. The key reasons are materials pressures and increased confidence/more projects being tendered. Other reasons given were:

- A combination of all the options
- Capacity/market overheating
- Economic recovery
- Increased energy prices

For more on procurement and tendering trends for 2021, please see our recent report:

[Modern methods of procurement.](#)

Market snapshot: Spain and Portugal



CARLOS ARRIBAS
Associate Director, Spain

The projects that have gone out to tender during the ongoing pandemic have shown an increase in market pricing. This was expected due to overall extended construction times driving up preliminary fees caused by the initial stoppage and slow recovery in on site work in 2020. In addition, skilled labour shortages and additional Health and Safety measures have also increased general overheads. As a result, the Construction Cost Ratio in Spain and Portugal has increased by 3 percent.

Based on more recent tenders, we have seen prices stabilise and expect the market to gradually return to pre-COVID figures. With respect to new opportunities, the region is experiencing an uplift in tech-sector construction, such as data centres, but also in tourism and accommodation (e.g. hotel, rental apartments, co-living, purpose build student accommodation (PBSA), etc.) especially in major cities like Madrid, Barcelona, Lisbon and coastal destinations.

In Spain, public investment in infrastructure projects has not recovered since the last economic crisis and a recovery is not expected in the short-term. Private investment will continue to be the main driver in construction.

However, Portugal does foresee an increase in public investment especially for healthcare and transportation construction. This is expected to cause a 2.5 percent inflation in 2021.



Contracts and claims

With the market improving and contractors facing commercial pressures related to materials, labour and COVID-19 measures, we are seeing larger ranges in tenders than usual as contractors have different workloads, pipelines and appetites for risk.

It remains important for clients to ensure that tender documents are robust, and that risk is fairly and appropriately allocated to avoid conflict.

54 percent of survey respondents said that there will be a greater number of contractual disputes post-COVID with the most likely cause of disputes to be change in timelines for completion.

Figure 16

Do you think there will be a greater number of contractual disputes post-COVID?

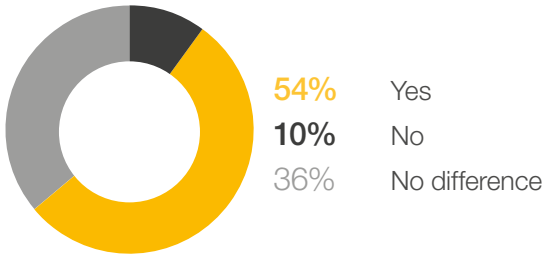
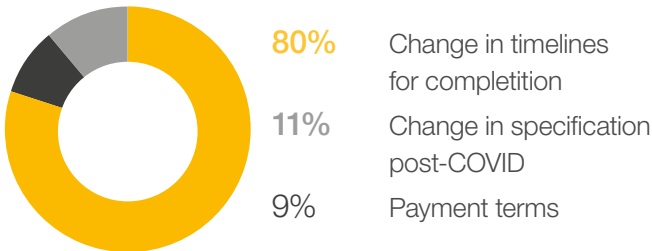


Figure 17

What do you think will be the most likely cause of the dispute?



Market snapshot: China



RAY CHISNALL

Regional Director (Asia Pacific)
& Country Manager (China)

The market continues to be busy. China confirmed commitment to managing COVID-19 and vaccine roll-out. Following isolated cases before Chinese New Year, there are now no local cases, with the only cases being people arriving at airports and then doing tests/quarantine. China is starting to look to ease travel restrictions based on the use of vaccine passports.

A butterfly with yellow and black wings is shown in flight against a warm, golden sunset background. The butterfly is positioned on the left side of the page, with its wings spread. The background is a soft, out-of-focus gradient of yellow and orange, suggesting a sunset or sunrise. The overall mood is serene and hopeful.

Future trends

There is much talk as to what the “new normal” will look like once social distancing restrictions have been lifted. 75 percent of survey respondents thought that there would be increased working from home, and 69 percent believed there would be flexible work hours and reduced requirements for in person meetings.

These changes may impact how new buildings are designed — 55 percent thought that more flexible buildings will be developed to facilitate future change of use. The changes may also lead to adjustments in how existing buildings are used, with 57 percent thinking there will be an increased focus on wellbeing/work life balance and 58 percent thought that companies would reduce office space requirements.

With planning changes, increasing voids in town centres and high streets and anticipated changes to working and living, repurposing is being considered to bring new life to buildings. Whilst repurposing is being widely discussed in the industry, there was a mixed set of responses to the question about how much of future workload is envisaged to be repurposing existing buildings to meet new requirements. Over half of respondents (55 percent) think this will make up under 40 percent of their future workload.

Changing uses of buildings/repurposing

Figure 18

When social distancing restrictions are lifted, which of the following options below do you think will best represent the "new normal"? (more than one choice is permitted)

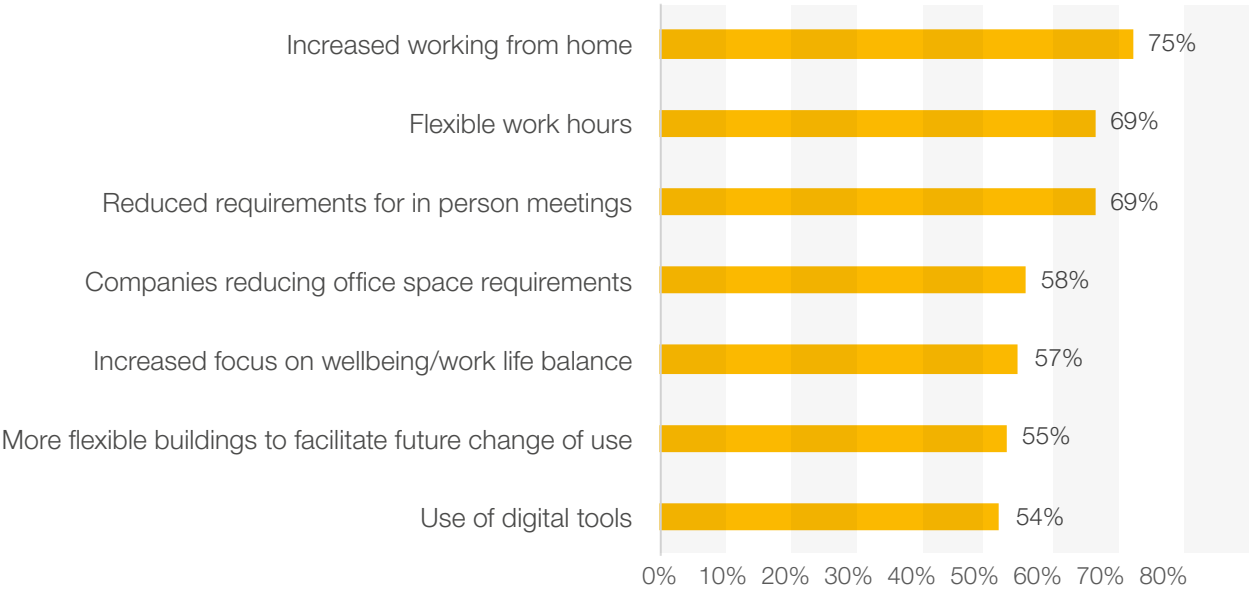
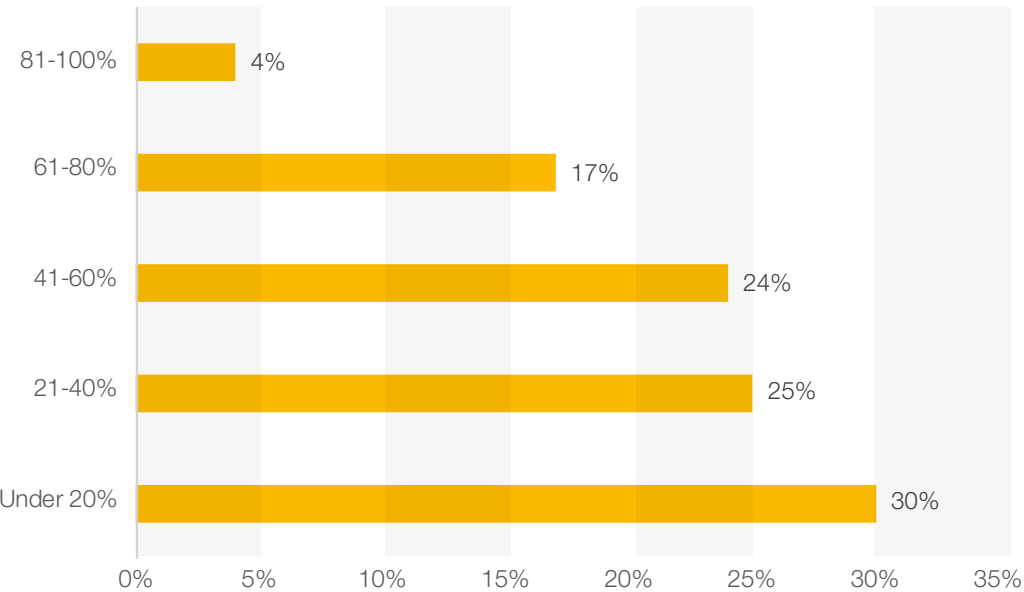


Figure 19

How much of your future workload do you envisage to be repurposing existing buildings to meet new requirements?



Net zero carbon

Figure 20

Have you noticed an increase in requirements to achieve NZC /that it is higher on project agendas?

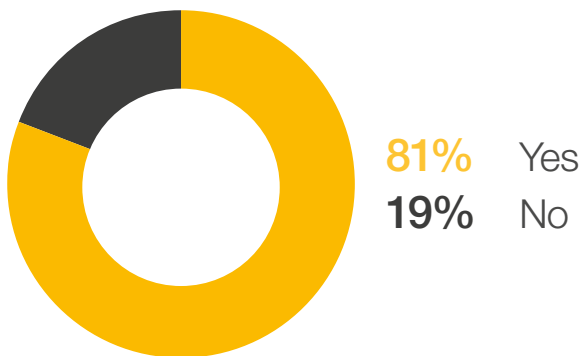
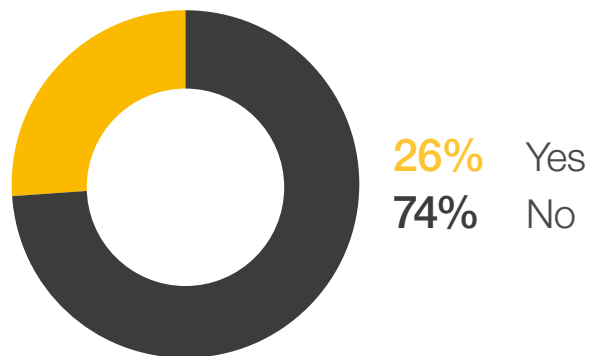


Figure 21

Is the industry well-equipped to respond to meet NZC targets?



There has been a huge surge in awareness of the climate change emergency and energy use on a global level, thanks to the likes of Greta Thunberg, David Attenborough and Bill Gates. There is an increased focus in the UK due to Glasgow being the host city of COP26 in November. With the UK Green Building Council indicating that circa 42 percent of carbon emissions are attributable to the built environment, it's clear that the industry needs to act.

Whilst 81 percent of survey respondents said that they had noticed an increase in requirements to achieve NZC on their projects, only 26 percent thought that the industry is well-equipped to respond. This indicates a clear understanding of the need but also that there is noticeably a challenge of how the industry responds to this need in a positive and collaborative manner.

Legislation is forcing more energy efficient buildings to be built. The government has announced the Future Homes Standard for homes to be highly energy efficient and zero carbon ready (recognising the need to decarbonise the National Grid) from 2025 and consultation for higher performance targets for non-domestic buildings. Some clients are also driving for carbon to be assessed at early design stages of new-build projects to understand the potential impact of embodied carbon on their scheme and to seek alternatives to reduce emissions.

As important is the challenge of making existing building stock efficient, as it is recognised that a large proportion of buildings that will be occupied in 2050 have already been built. The large proportion of any building's emissions are related to on site energy consumption. Our 'Transforming existing hotels to net zero carbon' white paper, co-authored with Arup, Schneider Electric and IHG, demonstrates how an existing hotel can achieve operational NZC and reduce energy consumption through a range of interventions. It indicates that an 18 percent reduction in energy use can be achieved with operational changes ranging from how room bookings are made, to the use and occupation of spaces, to optimising heating and cooling.

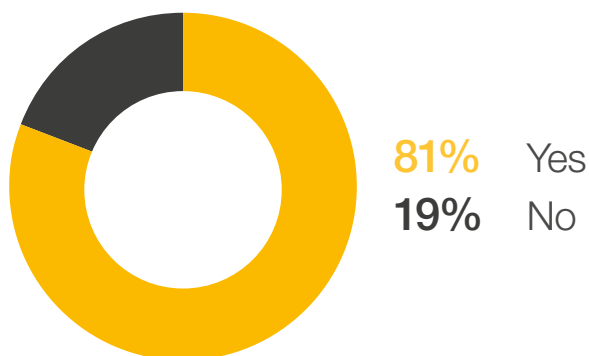
Investors and end users seek to safeguard their reputations and developers/investors want to ensure their developments meet future requirements. There is concern from some that the costs associated with NZC may affect viability. However, in time it is expected that the 'green premium' will reduce as more clients adopt green technologies, passivhaus construction and as modern methods of construction (MMC) continues to be widely used. There is also a growth in sustainable finance with a 250 percent increase in the number of green funds on the London Stock Exchange in the past five years. Investment companies are increasingly using environmental, social and governance (ESG) performance and key performance indicators (KPI) to measure carbon emission reductions, etc. to make decisions. This is only expected to increase, again to safeguard investments and to protect reputations.

For the white paper on NZC hotels, please see: [Transforming existing hotels to net zero carbon](#).

Wellbeing

Figure 22

Is wellbeing becoming a more important part of the design of the projects you are working on?



Out of our respondents, 81 percent said that wellbeing is becoming a more important part of the design of projects that they are working on. This is expected to continue as it is seen as to be important to promote health, and research has shown that it improves attainment and productivity by reduced illness and improved morale and outlook.

For more on wellbeing, you can read our latest insight on wellbeing in schools, which we produced with ArchitecturePLB: [Wellbeing in schools](#).

Digitalisation as a disrupter

Figure 23

Rank the biggest disrupters to the construction industry moving forward with Nr 1 having the most impact

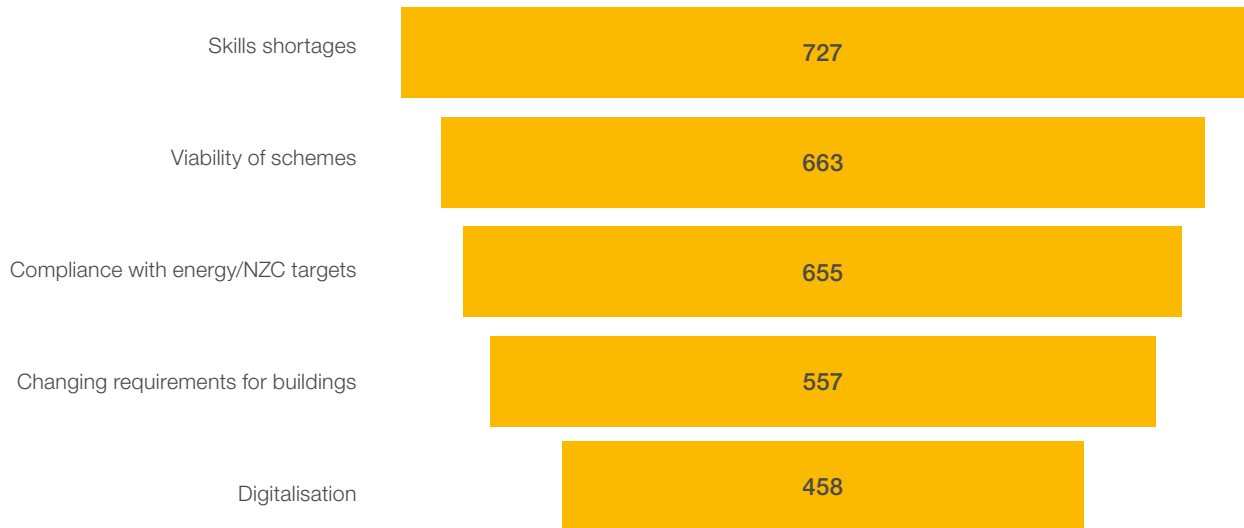
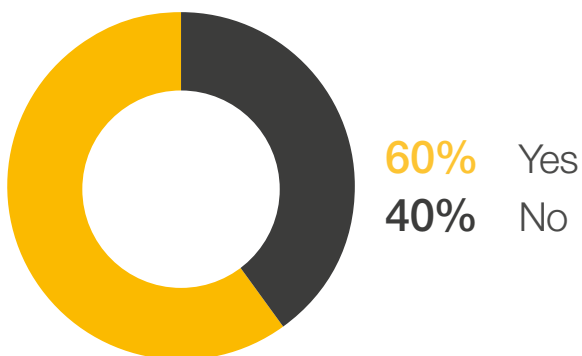


Figure 24

Is your organisation currently prioritising IT spend?



Whilst digitalisation was ranked bottom in the survey for list of 'biggest disrupters to the construction industry moving forward', there is little doubt that the industry is amid a digital revolution. It can be argued that digitalisation is a counter to many of the other disrupters on the list. For example, skills shortages can be alleviated by the greater use of automation, viability of schemes can be improved due to the greater efficiencies of utilising BIM and compliance with energy and NZC can be offset by robotics on site improving tolerances and therefore thermal efficiency.

Our survey showed that 60 percent of companies are now prioritising IT spend, and many are implementing data and digital strategies at a corporate level. This is happening across the industry for contractors, consultant and client bodies, including public sector bodies. There is a growing realisation that the construction industry is not immune to the disruption caused to other industries such as retail, taxi services and entertainment consumption, through the likes of Amazon, Uber and Netflix.

There are significant numbers of new products entering the market, almost daily, from Artificial Intelligence (AI) powered risk management platforms to point cloud enabled cameras. It is difficult at the moment to separate the wheat from the chaff, but the trend is clear.

The digitalisation of the industry can be broadly split into three key areas:

1. **Design and Building Information Modelling (BIM):** Whilst BIM as a concept has been around the industry for a decade, it has not been as widely adopted as hoped when the UK government originally mandated it. As technology has caught up with these aspirations, adoptions have begun to increase as the investment case in this technology has become sounder. Whilst the industry is still some way off utilising BIM to its full capability, there is a growing confidence that the benefit of a federated model is becoming apparent to private and public investors alike, in the search for the utopia of creating full digital twins of their assets.
2. **Site technology and robotics:** The construction site is already going through significant changes as more MMC methods are used on site. The use of point cloud technology to measure progress and robotics is now also starting to help drive efficiency and improve health and safety.
3. **Project data analytics:** Every project generates an enormous amount of data, and currently, the industry does not do well at utilising data to improve outcomes. The increased use of project data analytics will allow the industry to move from hindsight or, at best insightful perspective to become more foresightful. This foresight can be achieved utilising computer science and machine learning, intelligently using past data to improve the industry through increased efficiency, lessons learnt and reducing risk.

The Construction Playbook

In December 2020, the Construction Playbook was launched, setting out the government's aspirations to work with the construction industry to deliver public projects 'faster, better and greener'. There are 14 policies which set out how public projects should be assessed, procured and delivered helping to modernise the UK construction industry by providing greater certainty with long term plans for key programmes, incentivising innovation, placing value on outcomes, boosting productivity and embedding digital outcomes.

All central government departments and their arm's length bodies are expected to follow the Playbook on a 'comply or explain' basis and evidence of its adoption is already being seen in tenders, framework requirements and project and programme delivery. It is hoped that the early recognition of the Playbook will mean that it is successfully embedded into the industry's way of working and will support post-pandemic recovery and achievement of NZC and energy efficiency goals. It is also anticipated that the private sector will adopt the Playbook principles in time as benefits are seen and realised.

For more on the Construction Playbook and how it will help the industry 'build back better', you can read our latest article here: [Is the Construction Playbook the answer to 'build back better'?](#)



Inflation forecast

The picture is similar to our winter 2020/21 report, with a slower first half of the year anticipated due to ongoing COVID-19 restrictions and a smaller pool of projects. The latter part of the year sees inflation picking up into 2022 with the emergence of larger projects and other sectors picking up activity as restrictions are lifted with pent-up demand helping economic recovery and giving confidence to the market.

Wider ranges of tenders are being seen as contractors become busier and as they navigate materials challenges - and as the market picks up, labour shortages for some trades. Contractors who responded to our survey saw materials availability and further waves of COVID-19 as the biggest threats to the construction industry with 42 percent ranking materials availability as the top threat and 34 percent seeing further waves of COVID-19 as a concern.

Figure 25

Rank the biggest threats to the construction industry (Contractors) 1 = greatest threat - 5 = limited threat

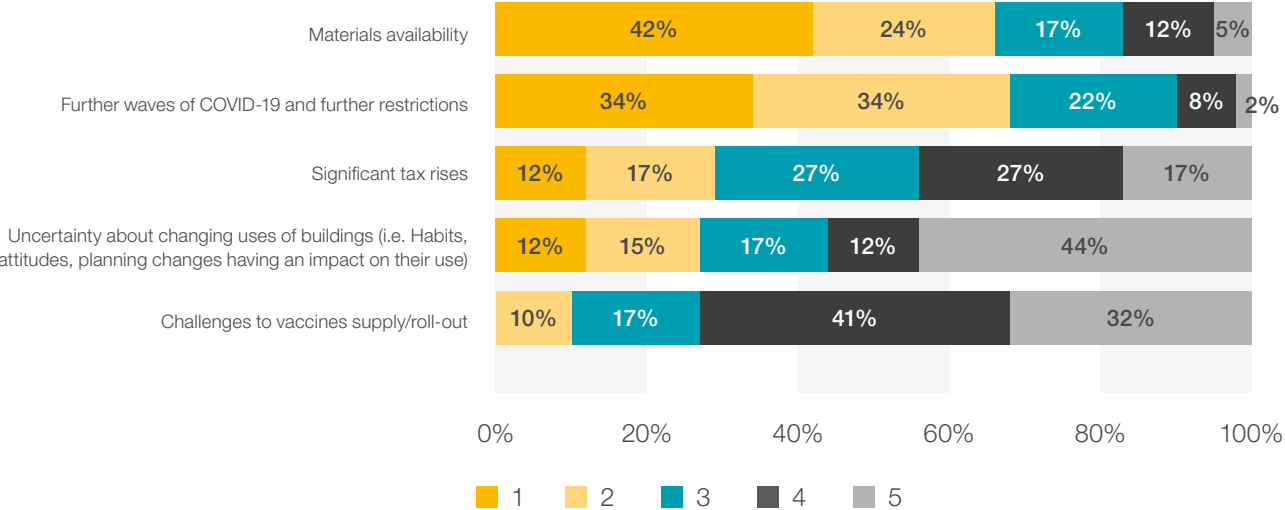


Figure 26

Regional inflation forecasts						
	2Q 2021 - 1Q 2022		2Q 2022 - 1Q 2023		2Q 2023 - 1Q 2024	
East	2.00%	1.50%	3.00%	2.75%	3.50%	3.25%
Greater London	2.00%	1.75%	3.50%	3.25%	3.75%	3.50%
Midlands	2.00%	1.75%	3.25%	3.00%	3.50%	3.50%
Northern Ireland	2.00%	2.00%	2.75%	2.75%	3.50%	3.50%
North East	1.50%	1.25%	2.25%	2.25%	2.50%	2.50%
North West	2.00%	1.25%	3.00%	2.50%	3.25%	2.75%
Scotland	2.00%	1.50%	2.25%	2.75%	2.50%	3.00%
South East	2.00%	1.75%	3.00%	3.00%	3.50%	3.50%
South West	1.75%	1.50%	2.75%	2.75%	3.50%	3.50%
Wales	1.75%	1.50%	3.00%	3.00%	3.50%	3.75%
Yorkshire and Humberside	2.00%	1.75%	2.75%	2.75%	3.25%	3.25%

Moderated forecast
 Winter 2021 report forecast for equivalent period*

*Winter 2020/21 report forecasts calculated for the equivalent period covered in this report have been rounded to the nearest 0.25 percent.

Note: This assessment is based on collated views from an internal survey of Gleeds' experts. These forecasts reflect tender price inflation only and do not account for additional costs associated with extended programmes due to social distancing measures. Inflation should be assessed for each project.



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

Market snapshot: India



BEN HUSKISSON


Managing Director, India

The economy of India was gradually recovering with global analysts predicting the GDP to be in the positive zone. International Monetary Fund (IMF) has revised their prediction of the GDP for FY22 to be 12.5 percent as against 10.3 percent contraction last quarter (Q4 2020). With the second wave setting in this maybe short-lived. The Chief Economic Advisor of India, however, believes that the impact of the second wave on the Indian economy may not be 'very large' as now there is a lot more knowledge on how to handle the situation.

Stepping into 2021, India was optimistic of attaining stability with the vaccine roll-out and businesses were returning to usual. This was hard stopped by the onset of the second wave with a new strain of the virus, and infections rising to over 100,000 a day in the past two weeks, with the state of Maharashtra (West) accounting for the most infections. The Indian state governments have recalled the precautionary measures and announced partial lockdowns, night and weekend curfews, fracturing the 'return to normal'.

The Union Budget 2021 – 2022 is promising for the construction industry with the government announcing investment plans for the infrastructure sector, creating job opportunities, attracting Foreign Direct Investment (FDI) and promoting connectivity to improve supply chains. If this is executed well, the country's economy is likely to recover well. This, however, will be highly dependent on how soon the second wave is curtailed.

For more on the construction market in India, you can read our latest report here: [A Barometer for Indian Construction Costs](#).



Sector insights

Residential



COLIN FIELD
Senior Director



TESSA BROOKS
Director

Market activity and key trends

The latest Halifax house price index indicates a rise of 6.5 percent in the year to March 2021. Elevated activity is expected to continue due to government support, including the stamp duty holiday extension until June, with further relief available until the end of September, and increased consumer confidence with the vaccine roll-out. There has been an increase in interest in suburban areas, rural lifestyle-relocation areas, and people looking for second homes.

The behavioural changes seen in the past year are fuelling interest in larger properties and more outdoor space to support changes to working practices. Developers are also looking at their indoor space provisions and are making space within new apartments for home working; a separate area that is not a kitchen, lounge or bedroom. Some developers are also looking at residential buildings with space at ground level where a desk/pod can be rented to work from.

Research from PwC has suggested that London's population could be set to reduce for the first time since 1988 due to an increase in home working, people relocating further out, fewer job opportunities and lower international migration. But many expect this to be temporary and that there will be a return to growth. Whilst remote/flexible working is set to increase, it is anticipated that workplace location will continue to be a key consideration for where people choose to live — not everyone can work remotely, and it is expected that people will be in touch with their workplace/go to the office for some part of the week. In addition, whilst immigration from the EU has decreased, a rise in immigration from non-EU migrants has been seen and is expected to continue. Sales values remain good in London despite not being near the peak, and as social distancing and travel restrictions are reduced, it is expected that international demand will pick up.

The government's levelling up agenda is expected to fuel growth in house prices. Similarly, residential schemes are progressing in Wales, Scotland and Northern Ireland as demand for housing continues.



Redwood Glades, Hull

MMC remains on the agenda, although some private developers appear to be cautious. NZC is also a consideration, but viability can be an issue in some schemes, particularly when considering affordability for first time buyers, it can be difficult to justify the uplift and whether demand will support increased prices.

Risks and opportunities

Like in other sectors, there are issues with materials and labour availability. Of particular concern is the demand from larger schemes and what is left for the rest of the market, particularly given the numbers of EU workers who have left/are leaving.

Recladding schemes are ongoing with the support of government funding, however, there are difficulties with the professional indemnity (PI) insurance market and there are limited numbers able to obtain acceptable insurance. Where high levels of PI insurance are being asked for, the premium to be paid to obtain the cover may not be recovered in fees and there is a risk/reward evaluation. A survey conducted by the Construction Leadership Council (CLC) showed that nearly one third of firms have lost projects due to inadequate PI

insurance. It is hoped that the government will provide more support to enable schemes to progress. Whilst a further £3.5 billion of funding was recently announced in addition to the £1.6 billion Building Safety Fund previously committed to remove unsafe cladding from high-rise buildings of over 18 metres at no cost to homeowners, there has been criticism of the offer of low-interest loans for residents of buildings under 18 metres and the financial burden this presents. Overall estimates are in the region of £15 billion for remedial works required to all buildings.

The increase in remote/flexible working is driving commuter zone developments. Some housebuilders are evaluating their standard models to incorporate home working space, and amenities to support increased time at home are being considered in build to rent developments.

There is a great opportunity for residential to play a role in rejuvenating high streets and town centres, particularly specialist products such as retirement living, build to rent and student accommodation. Schemes are considering placemaking and how to build a sense of community. With planning changes, repurposing schemes are coming forward.

Hotels and Hospitality



GILLIAN BREEN
Director

Market activity and key trends

“Are we there yet?” ... sound familiar? Many of us will hear this question from the back of our cars as we make our way around the country to the UK’s new and re-found favourite staycation hotspots. And similarly, it is this question the hotel, hospitality and leisure sectors really wants answering. It’s a hard one to call – are we looking at “a glass half empty” or “a glass half full”? It’s true, things are improving. The COVID-19 vaccine roll-out is a remarkable success and has led to the population now being allowed to travel beyond local neighbourhoods for limited outdoor leisure. Most hotels are open and making the most of their outside dining and bar areas. Our city centres are gradually coming back to life, al fresco dining is the new norm, with pavement dining, rooftop bars and terraces back in demand. This is good news for hotels – it means desperately needed revenue is coming in, and staff are returning to work, having been on furlough for months. But the situation will, in many cases, be precarious, and there will be casualties. Commentators in the sector are predicting a trail of “fire sales” in Q3 – Q4, as owners and operators struggle to make ends meet. Meanwhile, investors are on the lookout for acquisition opportunities both on and off-market in the hopes of getting the best pickings of the forecast distressed sales.

Risks and opportunities

For those that have weathered the COVID-storm more favourably, the slower pace of business presents an opportunity to improve existing assets, ranging from light touch refurbishment projects to fuller, more ambitious cut and carve alteration projects aimed at modernising and repositioning hotel properties. Many hotel properties in central London, and other major cities in the UK, deferred refurbishment works pre-COVID, simply because occupancy and revenue levels were at an all-time high; they are now looking dated and tired and in much need of improvement, particularly if they are to be successful in today’s more competitive environment.



Double Tree by Hilton, Leeds

Either way, as the COVID-health crisis eases, we are sure to see capital start to flow into the sector again. Blackstone hit the headlines recently with 1Q 2021 investments in the tourism sector totalling \$17.7 billion that included a number of hotel acquisitions including, Extended Stay America Inc, private jet operator Signature Aviation and the UK’s Bourne Leisure. These are serious investments in the sector indicating improved investor confidence of a post-COVID economic recovery and a reminder that this has been a health not a financial crisis.

Gleeds’ hotel specialists are supporting clients to explore property improvement options and new-build scenarios, particularly mixed-use schemes where hotels and hospitality are increasingly being introduced to add vibrancy, diversity of space and placemaking. Gleeds’ hotel specialists are committed to supporting clients safeguard properties and investments from undertaking building condition surveys, technical due diligence, to feasibility option appraisals, and project delivery on individual properties to programmes of works and portfolios. We understand the challenges the hotel and hospitality sector has faced during the pandemic and are committed to supporting our client’s recovery with agile, responsive, and creative solutions.

Commercial Office



PAUL SWEENEY
Head of London Region



KARA THOMPSON
Senior Director and Head of London
Project Management

Market activity and key trends

Activity in the commercial offices sector is increasing as a result of pent-up demand following reduced activity over the past year. The vaccine roll-out has increased confidence. There are a number of schemes coming forward to meet shorter term social distancing requirements and meet changing demands for how the office will be used — for collaboration, meetings and knowledge exchange. Different industries and disciplines will have distinct working models and needs, with larger floor plates and flexibility becoming increasingly important.

There has been an increase in speculative office schemes coming forward. The challenges are the lifecycle of the building and consideration of the future needs of the office by the time it has been constructed. Tenants are looking for great buildings with amenities in fantastic locations. For younger generations, sustainability is a key concern and as millennials take up decision making positions there is going to be ever-increasing consideration of the planet.

Sustainability is key on the agenda, but it is important to consider what this truly means, and to look beyond carbon offset schemes. British Land recently introduced an internal levy on its carbon emissions to create a fund to retrofit its existing building stock. It has also been considering the role that circular economy can play in reducing carbon emissions by repurposing existing materials and furniture. It is expected that CAT B occupier refurbishments will come back in force, not just due to lease events but to offer something better for employees.

Risks and opportunities

Feedback from agents is that the market remains tough. However, the optimism of coming out of lockdown brings an expectation that the commercial sector will be busy later in the year and into 2022 as people return to the office and changes to work practices and patterns are better understood.

Repurposing offers opportunities for commercial, particularly the development of mixed-use hubs where offices help to bring life to cities. The increase of joint ventures with local authorities is bringing a focus on the creation of places with purpose.

Wellbeing is a key theme as mental health has been a concern during lockdown restrictions. Research also links wellbeing to increased productivity and health benefits, and consideration is being given to lighting, biophilic design, air quality, acoustics and thermal performance to promote this.

There is also the increased implementation of technology to develop smart buildings. As it is believed by many that COVID-19 will not be the last pandemic, smart buildings are seen to be important to manage responses to future public health issues such as tracking when buildings need to be cleaned/ quarantined, and to manage social distancing. Finishes and layouts are also being considered to reduce risk and promote confidence.



Sports Direct HQ, London

Higher Education



HEATHER MAKIN
Director

Market activity and key trends

Activity in the higher education sector has remained steady as there is caution on what the new normal will look like. Students on all university courses in England will return no earlier than 17th May. In Wales, students returned for mixed face-to-face and online teaching during mid-April, Scottish universities will return to a blended model of learning from 17th May, and in Northern Ireland hands-on courses have been taught in person but other courses are expected to remain online for the remainder of term. Being away from campus since returning home for the Christmas holidays has had a big impact on many students and there are concerns about the impact on mental health. Universities are expected to divert funds to support students, and there are reports of some fee/accommodation refunds being given, putting further pressure on university finances.

Commercial pressures are leading many universities to focus on projects related to essential maintenance and facilitating social distancing. Some are looking to strengthen their existing propositions by consolidating courses and seeking growth opportunities to diversify customer base and attract international students. There is also investment in IT, to facilitate blended learning and ensuring sufficient infrastructure.

Risks and opportunities

There is concern from some that the experience of students during the past year will detract the appeal of attending university in September, as student experience is so key. Coupled with the vaccine roll-out and decision for the Oxford AstraZeneca vaccine not to be used for under 30s, fears remain around whether other vaccines will be available and if students will feel confident in moving for university.

There is also concern about international student numbers, with data from The Universities and Colleges Admissions Service (UCAS) showing a 40 percent reduction in applications from EU nationals for undergraduate degree courses. This is largely

attributed to a spike in tuition fees as students from the EU, other EEA countries and Switzerland will no longer be eligible for home tuition fee status and student loans for courses beginning for the next academic year. Applications from outside the EU continue to increase and were up by 17 percent. It is hoped that the International Education Strategy and the new graduate route visa, which will be introduced in July, will allow applicants to work or look for work within the UK for two or three years, and boost global applications going forward.

There may be increased interest in modern apprenticeship and part-time forms of study due to the experience and employability gained, and this may provide possibilities for universities to diversify and attract new students. There may also be opportunity to help upskill for new roles developed in different sectors as part of the economic recovery.

As high street voids are redeveloped, some universities are taking the opportunity to locate in the city centre. The University of Gloucester has recently bought a vacant Debenhams store for refurbishment, to provide lecture halls and training spaces for nurses and healthcare workers.



Medicines Discovery Institute, Cardiff

Public



JONATHAN STEWART
Public Sector Lead

Market activity and key trends

Activity in the public sector slowed slightly in anticipation of the funds as departments were awaiting feedback on budgets since there has been an increased number of opportunities coming forward.

The launch of The Construction Playbook has been welcomed and embraced by departments; policies are being reflected in tenders and frameworks, particularly considering MMC and early supply chain engagement and collaboration. There is a real drive to understand outturn costs, aligning with the should cost model/benchmarking agenda, assisting with optioneering and managing expectations.

Many projects are focused on the post-COVID response and ensuring public buildings are fit for purpose to meet safety and social distancing requirements, particularly ensuring that ventilation systems are compliant.

With the UK hosting COP26, there is opportunity for the UK to lead by example and showcase progress on the targets to achieve NZC emissions. The Department for Education has been developing a NZC school and it is expected that as more clients take up sustainable building methods and with greater use of MMC, costs will reduce. The retained estate is considered to be more of a challenge; however, it is recognised that retrofitting is crucial to meet NZC and investment is being targeted — in March the government announced funding for local authorities to retro-fit social homes.

Larger departments set up teams to tackle issues such as NZC and the response to COVID-19. They need to find a way to knowledge share with local authorities/borough councils/smaller entities in an efficient way to ensure that widespread progress is made.

Risks and opportunities

With recent material price rises there are concerns about the effect of these on previous estimates and budgets, particularly as demand increases for low carbon products. With the government's presumption in favour of MMC continuing, it is important that projects are planned ahead to cater for lead-in times and that projects are designed at an early stage to facilitate MMC.

Opportunities coming forward are shovel ready projects to assist economic recovery, with focus on social value and wellbeing to ensure projects deliver benefits to the wider community. The Construction Playbook will be a continued source of attention to ensure that projects and programmes are right from the start, harnessing excellence and innovation.

For more on should cost modelling, you can read our latest article here: [Should cost modelling: using data and benchmarking to 'build back better'](#).

Health and Care



ROGER PULHAM
Director



JOHN WALKER
Director

Market activity and key trends

Across the UK, the direct effects of COVID-19 have gradually reduced to a more manageable level from the crisis levels seen at the start of the year. However, the NHS is now having to advance a comprehensive 'recovery programme for elective procedures' with a waiting list reported to be in excess of 4.5 million. Tackling the backlog of clinical work, on top of keeping pace with the normal workload, will place an increased pressure on the treatment infrastructure, forcing all planned maintenance to be undertaken in the silent hours. Facilities management (FM) teams will continue to be under pressure until the elective procedures backlog has returned to normal.

A large pipeline remains and, in March, government reconfirmed both revenue and capital spending will continue as previously planned, with carefully targeted additional ring-fenced funding approved for modernising replacements for A&E Departments. Further direct funding for Sustainability Transformation Partnerships (STP's) and Integrated Care Systems (ICS's) has been agreed in the 2021/22 financial year.



Queen Elizabeth Hospital, Birmingham

Additionally, there are invitations to these organisations to bid for a new wave of Health Infrastructure Plan (HIP) schemes.

A new regeneration fund is being advanced to bring primary and community care into the high streets of towns and cities, STP's will take the lead role in making this initiative happen. With the new hospital programme reaching the build stage for early phases and enabling works, framework contractors are now mobilising to secure business from this huge programme. Reinforced Autoclaved Aerated Concrete (RAAC) hospital buildings will have access to a ring-fenced fund which is to be allocated on a case-by-case basis.

With both revenue and capital funding plans being reconfirmed and in some instances being increased disproportionately, spending to keep the NHS operational premises safe and fit for purpose is a trend which is likely to prevail for upwards of two years, until the HIP/NHP programmes move into their delivery phase. With a further increase in funding via STP's and ICS's, community and primary care investment is likely to increase significantly until 2023/24.

There has been a noticeable reduction in opportunities being brought to the market in the past quarter due to schemes and budgets not being ready to be advanced. There is usually a tail-off of activity in the final quarter of the financial year, however, the impact of COVID-19 has exaggerated this profile.

Risks and opportunities

Ensuring the existing estate can perform safely and efficiently until the major capital programmes arrive on site is a challenge NHS Trusts must address over the next year, spending the increased budget awarded by government to deal with these predicted challenges. All NHS Trusts will be required to accurately report the benefits being realised from this targeted spend.



UHW Lakeside Wing, Cardiff

With government requiring schemes featuring in the NHP to achieve a minimum of 70 percent MMC and renewables, manufacturing capacity is now under great strain. Until more capacity comes on stream, programme savings in delivery terms will not be realised, potentially leading to appreciable increases in unit costs.

Business cases are not achieving the 'right first time' profile, which is forcing the 'approvers' to seek further detail and improved benchmark data. Feedback from the Infrastructure Projects Authority (IPA), the Cabinet Office and the NHS Regulator NHSE&I has emphasised these deficiencies and promoted strengthening of measures for success.

Principles from the Construction Playbook are being seen, particularly details of pipeline, outcome-based approach and benchmarking, and should cost models to achieve better project outcomes.

Example of outcome-based approach:

Mental health dormitory eradication is a centrally funded programme to enhance in-patient privacy and dignity. Gleeds is supporting both NHS Trusts and University Health Boards to meet modern standards. Procurement of hard FM and life cycle replacements has materially moved from simple outsourcing to outcome orientated commissions.

Example of should cost models and benchmarking:

The IPA has just published a new cost estimating guide, which is to be read alongside the Government Commercial Function, Should Cost Modelling Guide. These new publications and the enhanced emphasis on evidence-based benchmarking should inform business case costings.

Life Sciences and Pharmaceuticals



GALVIN TARLING
Director

Market activity and key trends

Boosted by the resolution of Brexit uncertainty, an unprecedented vaccine roll-out programme together with the reality that life science research and pharmaceutical discovery and manufacture cannot be done from home, sector expansion has continued throughout Q1 2021.

Financial market analysis suggests that with every £1 invested in university research, it generates a further private sector investment of £1.60. It is no surprise that funding continues to be channelled into our leading knowledge centres, which bring together universities, hospitals and private businesses. Record venture capitalist investment has flowed into the sector. Bruntwood Sci-Tech's acquisition of Melbourn Science Park south of Cambridge and Brockton Capitals' purchase of stock on Cambridge Science Park are Q1 2021 deals that highlight the appetite for the sector.

Whilst development on the established science parks remains a focus, investors are also targeting city centre locations. Development costs may be higher, and prospective office to laboratory conversions more technically challenging but the abundant utility infrastructure, strategic transport hubs and strong talent pools offer compelling value for investors. Irrespective of location, employee wellbeing is high on the occupiers' agenda: amenity space, sustainable transport modes and cycle storage are expected norms.

Supply chain disruption caused by the first wave of the pandemic-led calls to onshore more production of vital medicines. Stimulated by government backing, major pharmaceutical companies will continue to invest in their production and logistics activities. Following the suspension of some research and development (R&D) programmes, beyond those related to COVID-19 vaccine discovery, investment into the automation of R&D activities is re-emerging. Robotic centred R&D is set to become prevalent.

Risks and opportunities

Could the sector growth witnessed through Q1 2021 be tempered by cuts to research funding? A cut was announced in the budget with the reduction of the international development budget. The consequence was an initial £120 million cut to research programmes. With an about turn, a recent eleventh hour reprieve, the government has stepped in with an additional £250 million in funding to help pay for the UK's association with Horizon Europe, the European Union's funding programme for research and innovation. This supplements last month's announcement that Abu Dhabi-based investment fund Mubadala would pump £800 million into the life sciences sector, backed by a further £200 million from the UK government. With conflicting tensions emerging between economic austerity measures and longer-term commitments to R&D investment, the translational impact on prospective development and construction activity will undoubtedly be noticed.

With 1Q 2021 being viewed as a turning point between the pre-COVID and post-COVID worlds, the sector is entering a new era. As the pharmaceutical industry refocuses, new trends will emerge. Major players will be evaluating their manufacturing capacities, their supply chains (from raw materials through to last mile delivery), their manufacturing technologies together with their drug development programmes linked to regulatory changes and patent expiry. Every aspect of their business change will impact their built environment. In turn, this presents significant opportunity for our construction related goods and services to be in sustained demand for the long-term.

Retail



EMMA WIGGIN
Director

Market activity and key trends

Retailers have remained wary in the past quarter with continuing restrictions. There is some cautious optimism for the sector as data from Springboard showed that footfall increased in UK retail destinations by 155 percent in the week as non-essential shops opened in England on 12th April. Retail parks have performed better during the pandemic due to the presence of food stores, more space for social distancing and availability of parking so that people can avoid public transport — footfall was 7.8 percent higher in retail parks than on the same Monday in 2019. Some developers are investing in retail parks and warehouses, recognising the shift to e-commerce and the support that retail parks can play with Click and Collect presence.

Activity has been carefully considered and has continued to be mainly focussed on refreshes and Click and Collect. Those with mixed food and non-food offerings have re-evaluated space to maximise profitability. Food retailers have been buoyant through the restrictions, and some are repurposing to make their space work harder whilst others are opening new stores. In London during March, Amazon opened its first Amazon Go store outside of the US, and Aldi has recently announced a £22 million investment in new stores.

Recently published research from Unibail-Rodamco-Westfield shows that 52 percent of consumers are shopping more locally than last year, and this is a trend expected to continue with people supporting independents.

Risks and opportunities

Risks remain for the sector after a tough year, and whilst there is obvious pent-up demand, there is also concern that there may be nervousness from different age groups to shop in the same way as they were pre-pandemic. Many retailers have taken stock of their stores and are closing those which are unprofitable.

There are concerns about the impact of store closures on communities, with petitions being signed against the closure of John Lewis's Sheffield branch after 80 years. Some city centre voids are being repurposed to attract footfall and give local independents and SMEs a space.

John Lewis has permanently closed nearly a third of its stores and expects 70 percent of its sales to be made online by 2025. Despite this, it has recognised that stores still have a role for their business in the future: 'They provide a sensory experience that online cannot, supported by the expertise of our partners.' This will be a key trend: retailers thinking of creative ways to get people to visit stores — what is the benefit of going to a store and how can an experience be curated? Innovation is needed to marry online and offline shopping, to make space work harder and attract customers, particularly in the short-term, when making people feel comfortable and safe will be of paramount importance.



Dolphin Retail Park, Salisbury

Town Centre Regeneration



SARA BOONHAM

Head of Cost Management and Town and City Centre Regeneration Lead

Market activity and key trends

As we emerge from the latest (and hopefully final) lockdown, there is a sense of release as non-essential shops reopen and footfall returns to our towns and cities at encouraging levels. This will be further supported by the re-emergence of indoor food and beverage offers scheduled for 17th May 2021 in accordance with the government's COVID-19 roadmap.

We acknowledge the pre and post-COVID-19 legacy issues within our urban centres and, in particular, the significant volume of high street voids after the closure of 11,000 units in 2020 and the fear of 18,000 more closures in 2021 across retail, café and restaurants and leisure sectors as the structural decline in physical space continues. The rent collection data for our urban centres also speaks volumes about the health of our high streets, noting only 50 percent collection from retailers and 32 percent from food and beverage operators some thirty-five days after payment became due on December quarter day. However, the commercial market is seeing better results for landlords with 90 percent of rents collected in the same period.

The gradual evolution of our town and city centres has been taken over by an urban revolution and our collective challenge going forward is getting it right in the 2021 context and beyond. The disruption to our urban life in 21st century is not simply about COVID-19 but also reflects technological change being another form of industrial revolution which we are living through. What was once essential, is now discretionary as we do not need to come together, albeit we may still choose to do so.

One of the compelling reasons for creating thriving city centres is the economic benefit, recognising that 14 percent of all jobs are created in our city centres which only account for 0.1 percent of land take. As such, the UK's economy is driven by the success of its largest cities and towns, which generate opportunities and prosperity for people in all parts of the country.

Our towns and cities are also undoubtedly the glue in our society, offering the place where we choose to come together to work, live and play and the 6,000-year history of the city shows us clearly that they survive, adapt and overcome all challenges to their very existence including disease, conflict and economic change. The benefits provided by the density on our urban centres will return as the 2020 working environment has already become tiresome and the value of face-to-face interaction is likely to become ever more important to the UK economy in the coming decades.

Risks and opportunities

Local authorities need to be totally immersed in reshaping their urban centres, but the timing of the boom in council backed regeneration has been unfortunate. Prior to the pandemic, councils across the country were acquiring shopping centres and high streets and dreaming up plans for exciting, mixed-use offerings with the aim of both regenerating the town and providing much needed income to fund front line services. A review of balance sheets post-COVID-19 and dramatic headlines such as 'the bankruptcy of Croydon Council' will however cause some inevitable pauses in momentum as we acknowledge that regeneration is difficult with a fair headwind in good circumstances.

However, local authorities are generally acknowledging that the private sector alone can no longer transform their urban centres which cannot be allowed to wither and die, hence some form of partnership approach including shared risk and responsibility mechanism is vital to kick start the recovery and provide wider economic and social benefit. Many examples now exist of local authorities both providing funding and accepting delivery risks for urban schemes which will stimulate further investment in line with their local plans which is most encouraging. Clear leadership, sufficient resource, plus a strategy accompanied by an economic plan is required by local authorities, not a request for a masterplan which is not founded on the reality of market requirements and hence is neither fundable nor deliverable.

As we continue to see unprecedented levels of government intervention into all aspects of our lives and in particular their support of the economy, we embrace central government's ongoing commitment to revitalise our towns and city centres through the £3.6 billion Towns and Future High Street Funds and the town centre and high street component of the £4 billion Levelling Up Fund. We must however, support MHCLG, their advisors and the local authority applicants in making sure these funds are spent wisely on schemes which are relevant to the new world in which we find ourselves and connect to an overarching vision to stimulate further place intervention and attract private sector and/or local government funding.

We should briefly reflect that it was only just over a year ago when the government made a commitment to 'level up' the economy with the aim of reducing the inequalities between different parts of the UK by supporting places outside London and the south east to be more successful economically. Before the pandemic, the UK's north-south divide was unmistakable but as we are all too aware, COVID-19 has left no corner of the UK unaffected.

As such, the economic impact of the pandemic has not followed traditional north-south patterns thus creating a new challenge in the south as well as adding to the scale of the existing challenge in the north and midlands. Unlike levelling up, bouncing back from COVID-19 is likely to be a shorter-term challenge for many places but further funding allocation will be vital as short-term support for the south whilst we review if the levelling up pot is sufficient to stimulate our town centre revolution in the north.

Hyper localism is clearly the silver lining of the pandemic, and the driver behind a new urban planning model to create stronger local communities creating complete and connected neighbourhoods. Maybe the French concept of the "15-minute cities" in which all residents are able to meet most of their needs within a short walk or bike ride from their home will be more relevant than ever as a principle for urban development as we work towards COVID-19 recovery and also respond to the climate crisis by bolstering green initiatives at neighbourhood level and reducing travel.

We need to apply the principles of good placemaking to create resilient towns and cities focusing upon accessibility, connectivity and the provision of multi-layered places with green and blue infrastructure and, of course, the footfall drivers that keep people coming. The key is unlocking the values which requires a clear but flexible plan, and a legible story which is different for every place and considers the whole town in its entirety rather than concentration on plot red line.

The quantity of space usage is not the dominant factor but rather the quality facilitating an uplift on existing and adjacent values, particularly when set against an appropriate backdrop noting that the public realm is the most important piece of town centre infrastructure. Creating the right environment for people to dwell, with a focus on people and community not built form, is essential to foster a strong sense of place and belonging which leads to places that are vibrant, valued and sustainable from the outset.

We must place people at the heart of the creative process in replanning our towns and city centres, unearthing the real needs of the community and empowering stakeholders to build a vision together. Hence, we should and must leave some of the detail to the communities to be coloured in later in the process, not offering today's solutions as an answer to tomorrow's challenges.

The good news is that the board has been wiped clean on preconceptions around the occupiers of our urban centres due to decline in retail demand and plummeting values, plus the mid-market dining crunch which sets the scene for new classes of occupiers to come in and, of course, enabling independents to take centre stage. However, we do need to take a 20-year view as these regeneration schemes simply will not happen if return on investment in the short term is obligatory.

We can no longer predict what the future looks like and dictate today what we will provide tomorrow, but rather we should create permissive environments for the adaptation of our towns and city centres, which are supported by the changes in planning use classes and enable the creation of coalitions who take responsibility and ultimately deliver. Our goal must be to create places where life in all senses can flourish, places that are economically thriving, artistically stimulating, environmentally footprint free with a strong sense of identity. In short, places where people feel they belong.

Rail



PAUL ROBINSON
UK Rail Lead

Market activity and key trends

Work on High Speed 2 (HS2) continues to ramp up, with work recently starting on a key bridge in Calvert, Buckinghamshire, where the East West Rail (EWR) line will cross the HS2 route. Following concerns about the impacts of the projects on the local community, 3 kilometre of earthworks and bridges for the EWR project are being delivered by HS2's main contractor, EKFB, to minimise disruption. There has also been a programme of rail freight deliveries to site.

Network Rail work continues, focusing on renewing the track layout, signalling, and overhead line equipment in the King's Cross area. The work is part of the east coast upgrade programme for improvements to the East Coast Main Line, which serves journeys between London, Cambridgeshire, the north of England and Scotland. The works are due to complete later in 2021 and deliver an extra 10,000 seats per day. There has also been significant progress in the Werrington Grade Separation project, progress on Transpennine Route Upgrade and continued investment in the electrification of the London to Corby section of the Midland Mainline. In Scotland, Network Rail continue with their plans for the future de-carbonisation of their rail network.

Considerations for meeting NZC targets are leading to proposals to restore disused lines and reopen passenger rail services that were axed in the Beeching review of the 1960s. As well as offering a low carbon form of travel, significant benefits are the improvements to local connectivity and social mobility aligned to the national 'Levelling Up' agenda. Regional transportation investment plans are being developed and promoted by the combined authorities.

The Edinburgh City Mobility Plan 2021-2030 looks at the role that transport will play in the city becoming net zero carbon by 2030, and how people and goods can be moved around effectively, safely and sustainably. Transport North East has developed a hugely ambitious multi-modal transport strategy that has the potential to transform the regional economy.

The rail industry is eagerly awaiting the government's Integrated Rail Plan. Based upon the Oakervee Review recommendations, this key document will finally create clarity in how the major rail investments will be integrated, developed and funded. This is seen as a key stage in the progression of HS2 Phase 2, Northern Powerhouse Rail and other planned investments, finally progressing from strategies and diagrams into 'spades in the ground'.

We also look forward to the progression of HS2 Phase 2A, the submission of the Phase 2B Hybrid Bill and additional clarity on the future and funding of Transport for London (TfL) once the mayoral elections are concluded.

Risks and opportunities

There remains uncertainty about passenger numbers and how quickly demand will bounce back to pre-pandemic levels. Coupled with rising materials costs, this affects funding and viability, particularly the impact on previous estimates.

Skills shortages remain a concern in the sector as clients, consultants and delivery partners are all hiring for large programmes. Over 100 organisations have backed the joint 'Equality, Diversity & Inclusion Charter', led by the Railway Industry Association and Women in Rail, which marks a commitment to build a more balanced, higher performing sector and to attract and harness skills, knowledge and insight to represent all parts of society and customers.

It is important for projects funded by the Department for Transport to be long-term, complementary and integrated solutions to ensure maximum benefits. There is great opportunity with the Northern Powerhouse Rail (NPR) agenda to help with regional levelling up, the investment in infrastructure will deliver wide ranging benefits to the economy, quality of life and the environment. With news that Royal Assent has been granted to the HS2 Phase 2a Bill (West Midlands to Crewe), it is hoped that this will be followed by certainty on the delivery of Phase 2b along with progression on NPR to deliver transformative change.



Energy



ANDY ELLIS

Regional Director for Gleeds Energy

Market activity and key trends

Market activity has remained steady despite ongoing challenging conditions with continuing restrictions and lockdowns due to COVID-19, which we are finding is driving improved collaboration and smarter ways of working. In UK energy space, our clients and colleagues remain busy and productive, largely due to the nature of their businesses which means they cannot afford to slow down.

In general UK terms, the demand for electricity fell by around five percent in 2020, mainly influenced by a sharp reduction from the industry due to COVID-19 restrictions. At the same time, a rise in domestic use was accompanied by a change in seasonal trends due to changes in the way we took holidays, if we were able to.



The latest data showed January 2021 demand up slightly from 2020 but still below levels seen in 2019. We can expect this to increase again as we come out of lockdown and industry and service sectors start to ramp up.

Not surprisingly, renewable sources increased power generation by 11 percent in 2020, while conversely, we became less reliant on fossil fuels which were down by 14 percent, which was reflected in the generation mix. We can expect further moves in this direction as we work towards NZC and embrace the opportunities set out in the UK Energy White Paper.

Risks and opportunities

The UK Energy White Paper continues to promote positive discussion and investment in the energy sector. Central to this is the Sizewell C project led by NNB GenCo (SZC Co), who are also exploring how this could be part of a wider hub of low-carbon energy technologies ('the Energy Hub'), which would further support the UK government's commitment to reach NZC by 2050. SZC have also announced they are looking to partner with the newly announced 'freeport' of Felixstowe and Harwich, to create a hydrogen hub. Further carbon capture and storage (CCS) projects continue to develop around the UK, which is hugely exciting, such as those in Teeside (NZT) and Cheshire (HyNet), who are working towards meeting the NZC goals by creating low-carbon clusters which can act as models for clean energy growth, within the UK and internationally.

The White Paper also committed to investing £170 million of Advanced Nuclear Funding to the development of Advanced Modular Reactors, led in the UK by the Rolls Royce-led consortium, who are now in talks to export this technology to support global low-carbon energy futures, which can only be good news for the UK economy.

Remote working has provided a range of new opportunities seldom experienced in recent years, allowing us to service some of our more remote clients from all around the UK with increased productivity, reduced environmental impact and lower costs, more flexibility in service provision and, generally speaking, a better work/life balance for our staff.

As a result of geographical location being now largely irrelevant, this has enabled us to provide a more varied and, at times, improved level of service offering to our clients. Restrictions of the past which have limited our capacity to mobilise support at short notice due to logistical issues or availability are now far reduced, allowing the resource net to be cast much wider across a more diverse staff demographic, providing new opportunities for both clients and staff alike as we embrace new ways of working.

The test in the future as we move out of lockdown and towards the 'new normal' will be retaining this approach where it is mutually beneficial for clients, staff and our businesses, striking a better balance with a focus on the associated benefits realised in the last 12 months and without reverting to type as soon as the opportunity allows.



Defence



SUZANNE TEARLE

Senior Director, UK Defence Lead

Market activity and key trends

Activity has increased in the defence sector, helped by the direction and certainty of the budget and Integrated Review (IR) 2021: Global Britain. The IR describes the vision for the UK's role in the world over the next decade, setting four overarching objectives: sustain strategic advantage through science and technology, shape the future open international order, strengthen security and defence and, in turn, build resilience at home and overseas. This is a time for balancing the "hard" or traditional deployment of power, often considered in equipment and infrastructure terms, with "soft" power enabled by cyber, digital, climate and resilience from disaster recovery, not least the recent global pandemic. In an age of ever-greater need with scarcer resources, intellect, innovation and adept use of information will drive improvement and reduce waste.

In its Climate Change and Sustainability strategy of March 2021, the Ministry of Defence set the context for becoming more resilient and sustainable, recognising that global security is threatened by climate change in addition to conventional threats. Green industrial initiatives and sustainability of equipment and infrastructure will be embedded into client requirements and decisions; adapting our services will lead and support the pace of change.

The 25-year Defence Estate Optimisation programme, launched in 2016, continues to shape a smaller, more modern and capability-focused estate. Land disposal to local authorities and lead developers is intended to support residential or commercial use depending on local need. The first wave of c£2Bn investment, to provide accommodation and training facilities, is expected to come to market late 2021. We assess there are substantial opportunities for use of MMC, particularly Design for Manufacture and Assembly, in addition to providing assets which contribute to NZC by 2050.

The Construction Playbook has the potential to cause a step change in how clients let and assure projects, embedding collaborative and digital working practices to increase use of data, learn from experience, foster long term partnerships and increase effectiveness. Gleeds is working with the Defence Infrastructure Organisation to design and implement the Cost Price Analytical Capability programme which, from 2022, will improve delivery of estimated cost and provide in-house expertise for new build and whole life costs.

Risks and opportunities

With an ambitious pipeline of work ahead, there remains an industry risk with capacity and capability — reliant upon projects being brought to market as planned, whether sufficient people are available with the skills for delivery, and, once commissioned, if timely decision making can keep intent to schedule. Whilst defence has been protected and in some ways strengthened as the nature of global power changes, threats from climate change, global health risks, terrorism and wider pressures on the economy from the pandemic create reasonable concern around whether Treasury can sustain required funding.

In a season of strategic intent, there are numerous opportunities to influence and improve the way the sector operates. The principles of the Construction Playbook shift to contracting for outcomes, rather than outputs. The recently published Defence Command Paper sets a tone by which defence fundamentally changes its interaction with industry: less about equipment and infrastructure and more about consequential effect. Recognition and emphasis is placed upon defence personnel, their recruitment and retention, and how this is influenced by living and working environments. We can assess and lead decisions to help client achieve objectives, with outcomes ranging from optimal military capability to end-user lived experience.

Market snapshot: EMEA



EDNA BENAVIDES
Insights & Analytics Manager (EMEA)

Although the 2020 pandemic has caused hesitance in some construction sectors across the EMEA region, others have seen an opportunity to invest and grow.

An increase in government spending, especially for infrastructure projects, is being witnessed in Egypt, France, the Kingdom of Saudi Arabia, Portugal, Qatar, and the United Arab Emirates.

The private residential sector, including build to rent, is starting to show significant signs of increased activity, particularly in the Czech Republic, Egypt, France, Germany, Hungary, Qatar, Romania and the Iberian Peninsula.

Growth in data centres, student housing and logistics continues in western mainland Europe, and is expected to increase across the whole EMEA region in the near to medium future.

Supply chain issues caused by the 2020 pandemic across all countries, especially in the M&E fields where cross border shipments are frequent, are expected to decrease throughout 2021, bringing stability to construction pricing.

There are some regional hotspots with positive inflation rates but there is currently no tendency towards this in general.



Regional updates

Scotland



LAURA BANKS

Associate Director, Edinburgh office

Market activity and key trends

In our winter 20/21 report, we had alluded to the potential closure of non-essential construction sites, which — thankfully — did not materialise.

There is still a general feeling of optimism and evidence of future plans, which has been emphasised by the release in February of the Infrastructure Investment Plan for Scotland 2021-22 to 2025-26. The plan details over £26 billion of major projects and large programmes and ‘plays a vital role in helping businesses and communities to adapt and recover from the COVID-19 pandemic.’

Furthermore, City of Edinburgh Council have just confirmed the appointment of a new planning and transport expert who will bring together placemaking and transport strategy.

Infrastructure remains one of the clear expansion sectors for the Scottish market. Scotland’s focus is firmly on the transition to net zero emissions and environmental sustainability, with the upcoming COP26. The industry will have to ensure it is fully equipped to meet the NZC targets.



John Burnett Halls, Glasgow

Risks and opportunities

Some of our key clients who had previously frozen projects are now cautiously revisiting feasibility studies, albeit in some cases with a revised specification and a reduced budget.

Some local consultants – including Gleeds Scotland – are in a position where they are expanding their teams due to key project wins and increased workload.

Productivity is showing signs of improving, with 90 percent of survey respondents stating between 60-100 percent of average site productivity, depending on the works.

The market is showing signs of pressure, and we have noted a substantial drop in recent tender returns/interest. The subcontractor market is being cited as one of the main causes for multiple withdrawals from tendering. A lack of resource offset against the level of activity looks to be stretching some sub-contractors beyond their limit. This may reduce the level of competition in tender returns which could have an upward impact on price levels.

Sub-contractors have advised they are experiencing difficulties in obtaining material prices. As a result of this, we are finding that subcontractors are less likely to commit to fixed quotes due to the volatility of material prices.

Inflation forecasts for 2021-22 are being reviewed in line with the volatility of the tender market, key material price increases (including steel and plastic) and the lack of availability of specific materials. 96 percent of Scotland survey respondents believe that tender prices will increase throughout the course of 2021.

North East



ANDREW SMITH
Project Director, Newcastle office

Market activity and key trends

The north east market remains steady with continued investment in the industrial and manufacturing, health, infrastructure and commercial sectors.

The announcement that Teeside will be a location of one of the new Freeports will bring regeneration to the area and likely investment in industrial, manufacturing and infrastructure to support its ambitions.

Sunderland Council continues to invest in Sunderland Riverside, with many key projects coming forward, such as Culture House. Combined with the investment in residential, commercial and infrastructure projects on the Riverside area, this is creating an interest in the city that has attracted investment from Legal and General. Significant investment in digital infrastructure is planned to support the redevelopment.

The second phase of infrastructure works at the International Advanced Manufacturing Park (IAMP) in Sunderland is progressing. This is to support the plans for the development of manufacturing and industrial facilities. Other large-scale distribution centres are being planned for the region, and the manufacturing and distribution sector remains strong.

Newcastle City Centre has seen work begin on the Bank House project and is set to create 120,000 square foot of office space.

Health Trusts across the region are investing, with works such as the New Eye Infirmary at Sunderland and the remodelling of existing building stock at University Hospital Durham and Wansbeck General Hospital.

The North East Transport Plan will influence investment in local transportation. Projects such as the redevelopment of Sunderland Central Station and the potential expansion to the existing Metro system are coming forward, as well as the work required to maintain the existing transport network.

Risks and opportunities

At the turn of the year, there were reported supply chain issues for dry lining materials due to delays at borders which were impacting the final stages of projects, but this seems to have levelled off.

Changes being introduced to projects already on site are seeing some push-back from contractors, particularly around responsibility and risk associated with the supply of materials.

We are now seeing contractors and clients looking to introduce COVID-19 relief clauses (time only) into new and existing contracts to reflect the potential impact on the availability of labour, movement of materials, access to site and restrictions to site operations.

It is anticipated that the coming year will see significant investment in infrastructure, industrial and manufacturing and public spending. However, local authorities have reported that cost saving measures and spending reviews will be required to balance the books following COVID-19.

NZC, and what this means for cities, is high on the agenda for projects with clients seeking more information on Embodied Carbon Assessments and Whole Life Carbon Assessments.

North West



ALEX HALLIDAY
Director, Manchester office

Market activity and key trends

Local market activity has remained steady in the past quarter, however activity in some sectors such as residential and retail appears to have slowed/ be slowing down. Education, industrial, logistics and warehouses are the current key sectors for the north west, with distribution and data centre projects increasing in volume from the growth of e-commerce and more digital ways of working. There are also a number of hotels being planned in the region; a mixture of new-build, refurbishments/repurposing and extensions.

Manchester is still buoyant in terms of activity, as people want to live and work in that area. Manchester Metropolitan University is continuing with projects at their new campus and works on the restoration of Manchester's Grade-I listed town hall are continuing, including the construction of a new visitor centre and conversion of the building's upper floors to flexible office space.

For the Liverpool City Region and surrounding areas, the market remains active in terms of opportunities. Everton recently gained planning permission for their new 52,888 capacity stadium at Bramley-Moore Dock, and it's hoped that the development will help with the regeneration of the north of the city.

Due to the scale of the development, it has been passed to the Secretary of State for Housing, communities and local government for consideration. If there is no objection at that level, it is planned for work to begin early summer.

Other cities/regions such as Chester, Bolton and Warrington, amongst others, have all commenced with significant developments or brought large-scale regeneration plans forward, leading to increased confidence for forthcoming years.

Risks and opportunities

COVID-19 continues to impact site productivity, and the extension of project programmes and delay of project completions will have impacted on the profitability of projects. It is thought that furlough is masking the current status of the market.

Materials supply issues are continuing in the region causing issues with programmes and leading to supply chain prices increasing, particularly for steel, polypipe and copper. It is very difficult for contractors to fix costs as quote validities have reduced, with some now as low as five days.

Main risks for the upcoming period are resource and availability, liquidity of the supply chain and increased materials costs.

NZC and reduction of carbon emissions is becoming a strong theme and natural ventilation solutions are being used to help assist with requirements. There are significant opportunities in renewable energy, including hydrocarbon, battery storage and wind.

Yorkshire and Humber



PAUL MANN
Regional Director, Manchester office



ANDREW MCNULTY
Director, Leeds office

Market activity and key trends

Regional productivity across Yorkshire and the Humber is approximately 17 percent below the national average. However, the manufacturing and distribution sector remains strong, with plans submitted for a new 100,000 square foot manufacturing facility in a further extension of the Advanced Manufacturing Park (AMP) in South Yorkshire. Meanwhile, Siemens Gamesa has applied for permission to more than double its wind turbine manufacturing facility at Alexandra Dock in Hull to some 835,000 square foot to support the growing North Sea wind energy industry.

Manufacturing is the largest industry in the region, corresponding to almost 14 percent of regional Gross Value Added (GVA) and over 9 percent of the total UK manufacturing industry. The most important sectors being food products, beverages and tobacco and basic metals and metal products. Whilst the region is exposed to the effects of the 2020 downturn through its large manufacturing sector and high reliance on exports, it has fewer small firms than the UK average, which helps to reduce its vulnerability.

The region is also home to 11 universities, including three research intensive institutions (the universities of Leeds, York and Sheffield), with strengths in science and technology. Along with the hospitality sector, the higher education sector has been heavily affected by the pandemic and lack of revenue, though there remains a commitment to estate redevelopment plans already commenced at Sheffield Hallam University.

The region is also home to a small number of public sector research establishments such as the Food and Environment Research Agency and the Centre for Terrestrial Carbon Dynamics. The region also hosts five science/innovation parks and York has been designated a 'science city'. Investment in these businesses show no sign of slowdown.

Outside of manufacturing and distribution which the A1(M) and the M62 networks service, we have experienced an increase in infrastructure activity through Homes England sites in York and Harrogate, (the former being a £60 million investment which the Gleeds team have recently secured).

Overall, construction activity remains strong in the region, with feedback from some contractors that activity is still as high in bidding opportunities as the fourth quarter of 2019.

Risks and opportunities

Despite a rebound in employment in 2021, the region's number of jobs is likely to be lower in 2021 than it was in 2019, at 2.67 million compared with 2.75 million.

The service sector accounts for around 80 percent of west and north Yorkshire businesses and contributes significantly to employment and the economy. The sector has significant clusters including professional and financial services, banking, legal and digital, and creative across the region. It is anticipated that the service sector will remain stable.

Despite extra financial help from central government to counteract the effects of COVID-19, Leeds City Council now claims it needs to make £87.5 million of cuts by March 2022, with estimated redundancies of 791 full time equivalent staff. This may well lead to delayed decisions on a number of capital project opportunities including those in social housing, some of which Gleeds are currently providing project management and cost management services on. Similar patterns are experienced in most local authorities throughout the region.

Wales



NIGEL WATKINS
Director, Cardiff office



SIMON WILLIAMS
Regional Director, Cardiff office

Market activity and key trends

In Wales, construction is the fifth largest industry, directly employing 8.2 percent of the Welsh population. The Welsh construction market, especially around major population hubs, remains buoyant with a strong mix of projects currently on site or in various stages of planning and procurement.

As always within Wales there is strong public sector activity especially in healthcare, education and infrastructure but we are also seeing significant activity from the private sector in the residential, commercial and leisure sectors.

There is a constant number of tender enquiries being published from both the public and private sectors resulting in contractors order books filling up, with little change to pre-pandemic overheads and profit levels. Where tender lists are particularly long or contractual conditions too onerous, it is difficult to get valid returns.

Following last year's decision by the UK government not to fund a series of energy generating tidal lagoons around the Welsh coastline, the Welsh government has recently launched the "Welsh Tidal Lagoon Challenge" to ascertain the appetite for developing private sector proposals and potential procurement options with financial support from the Welsh government.

Pentre Awel, a £65 million Llanelli project featuring world class business, research, education, health and leisure facilities has been approved by the UK government and Welsh government with a £40 million funding contribution confirmed from the Swansea Bay City Deal. Contractor procurement will begin in April 2021.

Rhydyar West developers Marvel Limited are set to submit a planning application this summer, after collaborating with international operators GB Snowsports and Snowsport Cymru Wales, for a resort set to include a tropical indoor water park,

luxury hotels and the UK's longest indoor snow centre comparable to the largest in Europe, alongside guest lodges, an adventure centre and glamping.

With the 15,000 seat Cardiff Arena now progressing, it is hoped to be the catalyst for further development in Cardiff by redevelopment of the existing Motorpoint Arena site in central Cardiff along with regeneration of surrounding areas.

Welsh government elections take place in May 2021 which may impact some of the more controversial investment decisions which were stopped by the current leadership, such as the M4 Relief Road Scheme.

Risks and opportunities

Site productivity has remained relatively strong now that contractors are experienced in working with COVID-19 restrictions. This has resulted in minimal impact to programme completions in the vast majority of cases, and with the country coming out of lockdown the risk to productivity should reduce further.

However, contractors are identifying concerns around the supply of some materials such as cladding and are currently advising that structural steelwork lead-in times for typical sections are taking up to 12 weeks. Additionally, contractors are beginning to feel the actual impact of Brexit on imported materials and components, affecting both cost and programme.

We are beginning to see more interest from the private sector in carbon reduction and the long-term benefits for developers and landlords of commercial space. This is however being somewhat hampered by potential tenants with the main objectives of minimising their rent.

Modular construction and prefabricated building is seeing a major boost of interest and will continue to gain prominence in the post-pandemic era.

Midlands



ANN BYTHEWAY-THOMAS
Director, Nottingham office



KATHRYN PARSONS
Trainee Quantity Surveyor, Nottingham office

Market activity and key trends

Market activity in the midlands is steadily recovering following the consequences of COVID-19. The residential and industrial sectors lead the way, with the first phase of Leicester's £450 million Sustainable Urban Extension being approved. In Nottingham, the government has agreed a package of £83 million to deliver 3,000 homes on a £800 million mixed use development scheme at Fairham.

In Birmingham, Gleeds have been working on the landmark £100 million Beorma 30-storey mixed-use tower project, with the aim of being released for competitive tender in May 2021.

The redevelopment of Broadmarsh Shopping Centre has resumed due to Nottingham City Council receiving £8 million in funding from the 'D2N2' Local Enterprise Partnership's Getting Building Fund, together with a further £4 million coming from the Transforming Cities Fund. The project's aim is to turn the centre into a pedestrian-friendly public realm area, and work also continues across the city's £2 billion southside redevelopment.

Leicester's latest major development is scheduled to open at the end of summer 2021. The investment of £17 million by Aimrok Holdings aims to transform an iconic Grade II listed former department store into a high-end 133-bed aparthotel, four prime commercial units and 12,000 square foot of state-of-the-art Grade A office accommodation and flexible meeting space, which has already been leased by Leicester City Council.

The education and industrial sectors are buoyant in the midlands, with Lincolnshire County Council extending four Special Educational Needs and Disabilities schools, as part of their £86 million investment programme. In Northamptonshire, Clowes Developments is planning a new Business Park consisting of high specification industrial warehouse units, and in Peterborough, construction is commencing on a 127 acre "Flagship Park".

Derby's economic success has historically been heavily accredited to aerospace and other high value manufacturing, leaving them especially vulnerable to the impact of COVID-19's reduction in worldwide aerospace activity. As a result, Derby created an Economic Recovery Task Force, with schemes being worked on which could inject tens of millions of pounds into the city's economy.

Risks and opportunities

On 3rd March 2021, the government announced that the East Midlands Airport Zone will become one of eight new Freeports in England. This will encourage further investment due to normal tax and customs rules not applying, and is further supported by £5 billion regeneration plan, including the expansion of East Midlands Airport as a major logistics/business park. An opportunity for the residential sector, 4,500 homes will also be built in Toton.

There is an increase of projects utilising off-site manufacturing to minimise carbon footprints and speed-up the project programme. For example, ilke Homes has secured a 227-housing development from the Anderson Group, where the houses will be manufactured off-site. The increase in demand for off-site manufacturing is generating a requirement for new facilities and Gleeds are currently involved in a new 17,000 square metre unit in Derby dedicated to the pre-fabrication of construction components. As the utilisation of MMC increases, we expect that further manufacturing facilities will be required nationwide to support this growing trend.

Gleeds continues to work with several councils in the region to support local authorities reimagining of their town centres in a post COVID-19 environment. Gleeds continues to work with several councils in the region to support local authorities reimagining of their town centres in a post COVID-19 environment. A business case for £6 million for Sutton-in-Ashfield town centre under the governments Future High Streets Fund has been recommended to the minister for approval.

East



MARTIN HALL

Regional Director, Cambridge office

Market activity and key trends

Local market activity is gradually increasing following a slow 2020 for the region.

Life sciences continues to be a strong sector in the region due to the fusion between academia, private sector and hospital/healthcare institutions. Institutional investors are showing a keener interest in the sector and Brockton Capital recently acquired a five-building portfolio at Cambridge Science Park.

Some leisure and retail projects are starting to come through, for instance, garden centres, to meet expected demand as restrictions continue to be lifted. Some short-term projects continue, related to improving townscapes/landscaping to help with social distancing and to ensure that people feel comfortable.

Cambridge is buoyant and there are pockets of activity in other areas of the region which are mainly residential led.

Airfields are being developed to provide housing, including the Bourn Airfield site, which recently gained Outline Planning Approval for a new village of approximately 3,500 homes with the first homes expected to be built by 2023.

The ports of Felixstowe and Harwich were announced as a new Freeport, Freeport East, in the recent Budget. The Freeports will be special economic zones and it is hoped that Freeport East will drive investment to the area with an indicative 13,500 new jobs, £500 million of investment over five years and a £5.5 billion economic boost over 10 years. It is hoped that the Freeport will also help to deliver infrastructure in the region, such as further road improvements to the A14, expansion of the Ely Railway Junction and the East/West rail link between Cambridge and Ipswich. It is anticipated that green energy, offshore wind, will be developed to support the transport sector.

Risks and opportunities

There are some issues with materials supply in the region, with some materials taking longer to arrive from other countries, e.g. Switzerland and Italy, due to COVID-19/Brexit related issues. Increasing lead-in times are being seen for steel, glass and bespoke bricks. Issues with availability and lead-in times are sometimes being influenced by the contractor's buying power, with smaller scale contractors further down in the pecking order.

Carbon reduction remains high on the agenda for clients and early design stages are often being checked for opportunities to integrate sustainability measures/look at alternative materials to reduce the embodied carbon impact. MMC is also being considered on projects but its use is dependent on the type of project — modular is not always taken up due to a need for flexibility.

As the region becomes busier, there is some caution around labour, with consultants currently struggling to recruit.

Greater London



MATTHEW SUMPTER

Director, London office

Market activity and key trends

The London market continues to be buoyant with ongoing opportunities for the industry. The outlook remains positive with a large number of schemes in planning or having reached successful planning outcomes. Additionally, the commercial office market continues to bounce back with several schemes planned for the city as well as clients looking at the refurbishment to align to the change and flexibility of the workplace.

The full impact of COVID-19 on live projects within the region is not yet known and we envisage that this will be better understood over the coming months. Contractors are continuing to run and operate sites well in accordance with the latest regulations, and site productivity remains strong and consistent. One emerging pattern that we are seeing across sites is that the number of self-isolating individuals has significantly reduced during Q1 2021. Additionally, we have seen site-based office staff numbers increasing during the period and envisage this to continue.

The strongest performing sectors within the region continue to be infrastructure and mixed-use, due to continued large investment with the likes of HS2 and the demand for residential, which is utilising the mixed-use/destination model. Whilst generally, the Greater London region remains buoyant with a strong pipeline of projects, there is an element of nervousness that is causing projects to be put on hold or put back in the short-term. One of the risks that we see impacting multiple facets of a project is if a large number of projects commence simultaneously, as this will impact the likes of contractor pricing levels, labour, material pricing etc.

Risks and opportunities

Whilst there was a concern as to the impacts of Brexit, this is not something that has been fully realised as of yet and there continues to be an element of uncertainty. The impacts that we have seen on live projects to date is mainly attributed to deliveries from overseas being delayed and held up through customs. We have, however, seen considerable cost increases for such items as timber and steel, and envisage that this will be a trend for others over the coming months.

We are seeing a considerable increase in projects utilising MMC and targeting NZC within the region as clients are becoming more astute. The Mayor of London has declared a climate emergency, and the recently launched London Plan Policy requires planning applicants to submit a Whole Life Carbon Assessment. This will demonstrate the actions that have and will have to be taken to reduce Whole Life Carbon emissions, including operational carbon emissions (regulated and unregulated), embodied carbon emissions and any future potential 'benefits', e.g. from reuse or recycling.

As a result of the easing of restrictions that are currently in place, we expect that over the coming months there will be an increase in future proofing projects to the likes of commercial offices, hotels, leisure and hospitality, allowing greater flexibility post COVID-19.



Kingsway Hall Hotel, London

South East



GARY SOUCH

Senior Director, Oxford office

Market activity and key trends

Optimism is high while we move into spring for the south east region, there is a continued rise in opportunities, which brings a hope that things are returning to “normal” and “business as usual”.

Education spend in 2021 is anticipated to return to 2019 levels following a slight decrease in 2020. The region includes major universities and independent schools where student intake has been almost unaffected through the pandemic and therefore the optimism that capital expenditure will be reinstated is starting to materialise.

The public services sector continues to be the region’s largest growth area, which is mainly due to adaption of public buildings to make them COVID-19 safe, a roll-out of councils zero carbon initiatives and regeneration of city centres.

Opportunities in the defence sector have increased over the past few years and this trend is expected to continue through 2021. Funding has been approved for 2021 for a number of projects and programmes.

The commercial sector has seen a decrease in 2020 and a further decrease is forecast for 2021. This may be a result of developers not committing to speculative developments and companies re-thinking the way they work, and therefore the demand for commercial space is reducing. There may be an opportunity for redundant commercial space to be re-purposed for residential, life sciences and education in the coming years. The sector will bounce back at some point but is 2021 too optimistic? Probably.

The residential sector has been changing over the last year, with fewer opportunities for private residences, and student accommodation with universities, colleges and independent schools choosing to refurbish existing buildings as opposed to building new. There are still several enquiries for large scale housing developments and PRS and there is likely to be a need for more residential towards the back end of 2021.

Healthcare enquiries are currently at a lower level than 2019, which is probably because hospitals have been concentrating on the current pandemic, therefore delaying expansions and modifications. The backlog of projects is likely to come back online during 2021.

Risks and opportunities

Despite the announcement in March 2021 that the Oxford to Cambridge expressway has been cancelled, the construction of the Oxford to Cambridge railway line is progressing. This is part of the government’s vision, and major investment is anticipated. The government has forecast significant investment along the arc and above UK average growth has been reported in Milton Keynes, Cambridge, Oxford over the past few years.

There still remains a large risk of a “COVID-19 hole” in 2021 for contractors, and some are already experiencing this. Generally, there is expected to be a slowdown in contractor activity in the region until larger scale projects currently being discussed come online in the latter part of 2021 and during 2022. Therefore, it is expected that during 2021 contractors will be more competitive to fill the order books, but probably being more selective towards 2022 and prices rising as a result.

There are concerns in the region about Brexit, particularly around labour shortages and materials price increases where there are limited options or issues with importing. There are workarounds in some cases like early procurement, storage of materials if feasible, but the uncertainty around these issues is adding risk in some contract negotiations.

With the growth seen through the Winter and Spring, and forecasts for 2021, there is a lot to look forward to in the region.

South West



NEIL PEARCE
Director, Bristol office

Market activity and key trends

The demand for housing in Bristol continues unabated. In recent years, reports and articles from numerous publishers have placed Bristol at the top, or near the top, of cities to live within the UK. This has been further enhanced by COVID-19 lockdown reprioritising people's lifestyle choices. There has been a noticeable increase in relocations to the city from London. Demand exceeds supply with houses being sold in near record time. This is no doubt aided by the stamp duty holiday scheme, which was extended by the Chancellor of the Exchequer in the Spring Budget to now close at the end of June.

There are several large residential schemes across the city at various stages of design, planning and construction. These include:

- Completion of stage 2 of Umberslade's Wapping Wharf by Balfour Beatty.
- Bristol City Council are developing a revised masterplan for its 40ha Western Harbour regeneration.
- Appointment of Willmott Dixon by Cubex to construct 297 apartments across two buildings on the former headquarters of Avon Fire and Rescue Services at Finzels Reach.
- Planning has been recommended for approval for the mixed use Soapworks site, including the former Gardiner Haskins warehouse, in Old Market. The project, which will provide c. 250 homes, is now under review by the Secretary of State for Housing, Communities and Local government.
- Having achieved planning consent, Bristol City Council are looking for a development partner to build out c. 1,700 homes in a residential led development in Hengrove Park.
- Development plans for up to 10,000 homes at Temple Quarter are being developed jointly by Bristol City Council, Homes England, Network Rail and the West of England Combined Authority.
- Sweet Contracting have been appointed to convert Alliance House, in Baldwin Street, into 44 studios while retaining retail at the ground and basement floors.

In addition to the above, residential schemes on the northern fringe of Bristol/South Gloucestershire are progressing, notably YTL's Filton Airfield redevelopment, Crest Nicholson's Brookland Park, and continuation of the build out at Lyde Green.

Risks and opportunities

Whilst COVID-19 has impacted upon the funding of higher education sector, The University of Bristol has recently received planning consent for the proposed library building on its Clifton Campus. The expansion of the university into Temple Quarter has been delayed by a year so that the design can be revised to incorporate recent changing methods of working. With the longer impact of COVID-19 yet to be completely understood, and the resultant impact on income streams, it is envisaged that the local south west universities will be remodelling existing space rather than committing capital expenditure to fund new-build works.

Whilst there are variances, most local contractors have stated that the workflow for the upcoming two quarters remains resilient.

Northern Ireland



GEOFF WARKE

Director, Belfast office

Market activity and key trends

The Northern Irish construction industry continues to feel the impacts from Brexit and COVID-19. As a result, activity within the industry is currently reduced with contractors facing lower site productivity levels and increased programme lengths.

Schemes coming through to market currently seem to be mostly related to the residential sector as strong housing demand continues and is expected to continue, with steady population increases forecast for years to come.

Public sector work is slower coming forward to tender and on to site than anticipated and hoped, which is driving competition for tenders amongst contractors. Consultants are starting to see projects progressing, following the vaccine roll-out and in anticipation of pent-up demand, and are recruiting staff. It is hoped that this will translate to increased works and projects progressing to site later in the year and throughout 2022.

Risks and opportunities

There are some issues with materials availability and deliveries, related to delays and backlogs associated with Brexit. Concerns remain around the impact of declaration paperwork checks and requirements, and Northern Ireland's long-term trading relationship with the Republic of Ireland and the UK.

Lead in times have increased and there is concern that materials and delivery pressures may cause cost increases for some materials and products, influencing particular packages and potentially causing cost spikes. There is also concern regarding skilled labour shortages as the market becomes busier.

Innovation in the Northern Irish construction industry has increased to improve project delivery, with consideration of alternate construction methods including MMC and early engagement with supply chains.





Summing up

The construction industry has continued to demonstrate great resilience during the first quarter of 2021, as work continued during the lockdown restrictions and with continued challenges arising from the pandemic.

With a vaccine roll-out happening at pace and increased opportunities coming forward, there is definitely a sense of the construction industry lifting. With continued challenges around materials and anticipated labour shortages, the key watchwords continue to be flexibility, adaptability, collaboration and innovation to help the construction industry find its wings in 2021.

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