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Winter 20/21
Market Report
Webinar

Wednesday 27th January, 4pm

Here with you today



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Today's discussion

- 1.0 Economic overview
- 2.0 COVID-19 and the impacts on site productivity
- 3.0 Brexit update
- 4.0 Contracts and claims
- 5.0 Threats to the construction industry
- 6.0 2021 inflation
- 7.0 Sector analysis
- 8.0 Summing up
- 9.0 Questions and answers



Poll one

What type of
organisation are
you part of?

1.0 Economic overview

Negatively affected areas

GDP

GDP fell 2.6% in November and 8.9% in the 12 months to November 2020
(ONS)

Employment

Unemployment estimated to be 1.2% up on the previous year - impact of furlough ending
(ONS)

Positively affected areas

Brexit

Deal 'gives certainty at a time when it is needed most'
(CLC chair)

Vaccine

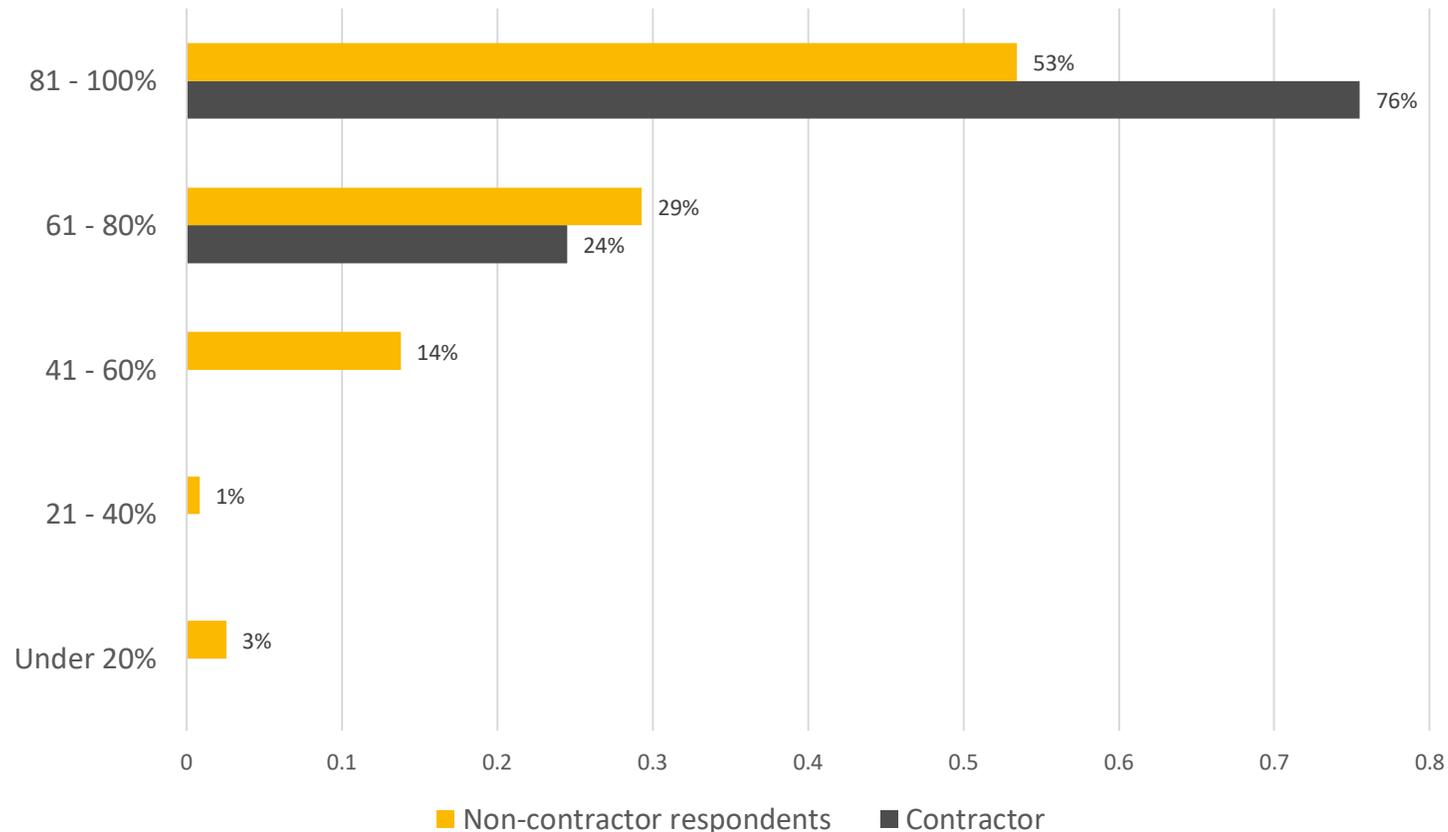
'Vaccine roll-out to power construction growth in 2021'
(CPA)

Poll two

Have you seen an
upturn in activity
since the beginning
of the year?

2.0 COVID-19 and the impacts on site productivity

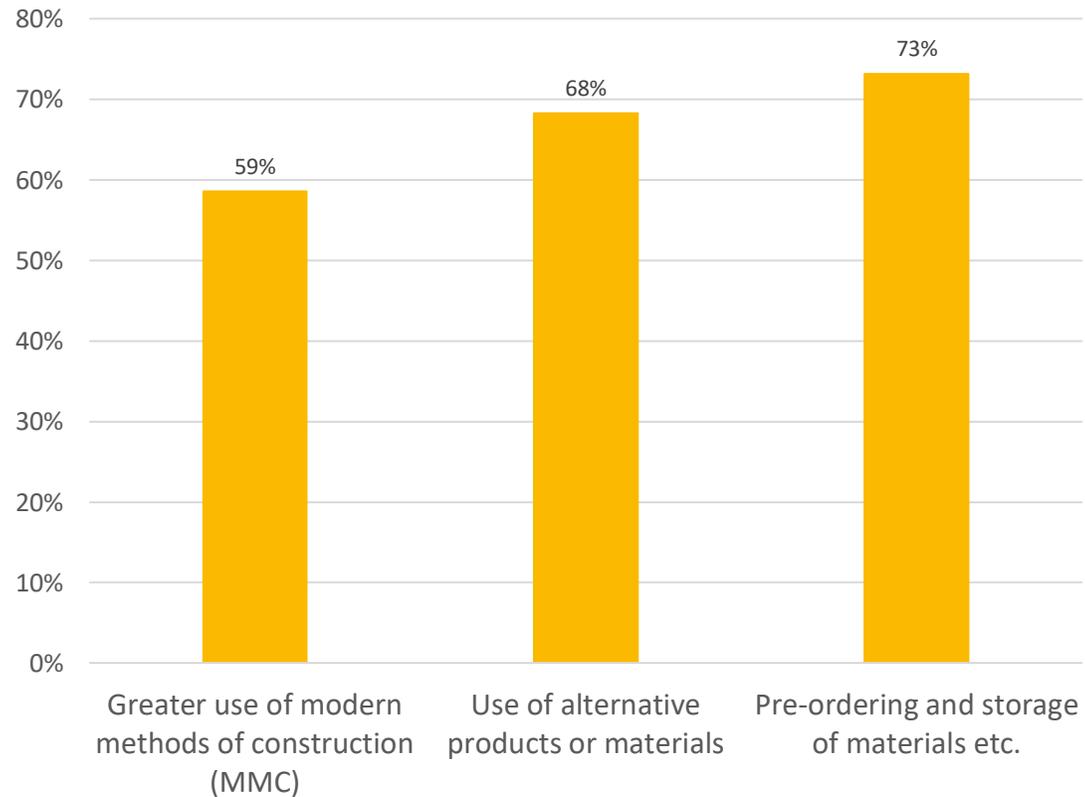
What would you say the average site productivity is at present on your projects?



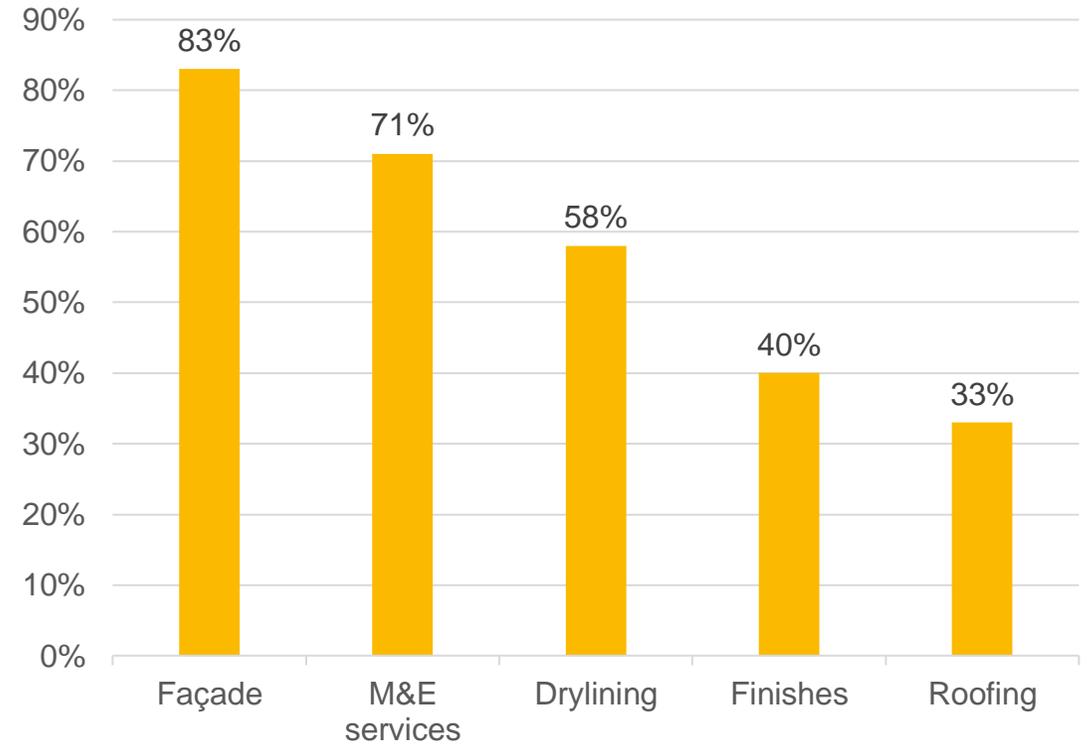
- Site productivity is stabilising
- Contractors are more confident with COVID-secure site measures
- Many sites undertaking temperature checks, regular testing, “local” track and trace etc.
- Use of offsite components to reduce onsite labour
- There is an impact from the new strain – more positive cases / self isolation

3.0 Brexit update

82% of contractor respondents said that their organisations had **contingency plans** in case of issues importing materials due to Brexit, these are....



For which packages do contractors foresee most Brexit risk?



4.0 Contracts and claims

Commercial pressures remain for contractors – many clients are taking a longer-term and collaborative view

Industry continues to be less adversarial than anticipated

41%

noticed a more adversarial approach in the **previous** quarter report

44%

there had been a more adversarial approach taken on their projects **this** quarter

Pro-active drafting of contract amendments on key issues is beneficial

92%

contractors are requesting COVID-19 contract amendments

86%

contractors are requesting Brexit contract amendments/provisions

5.0 Threats to the construction industry

Contractors' top threats

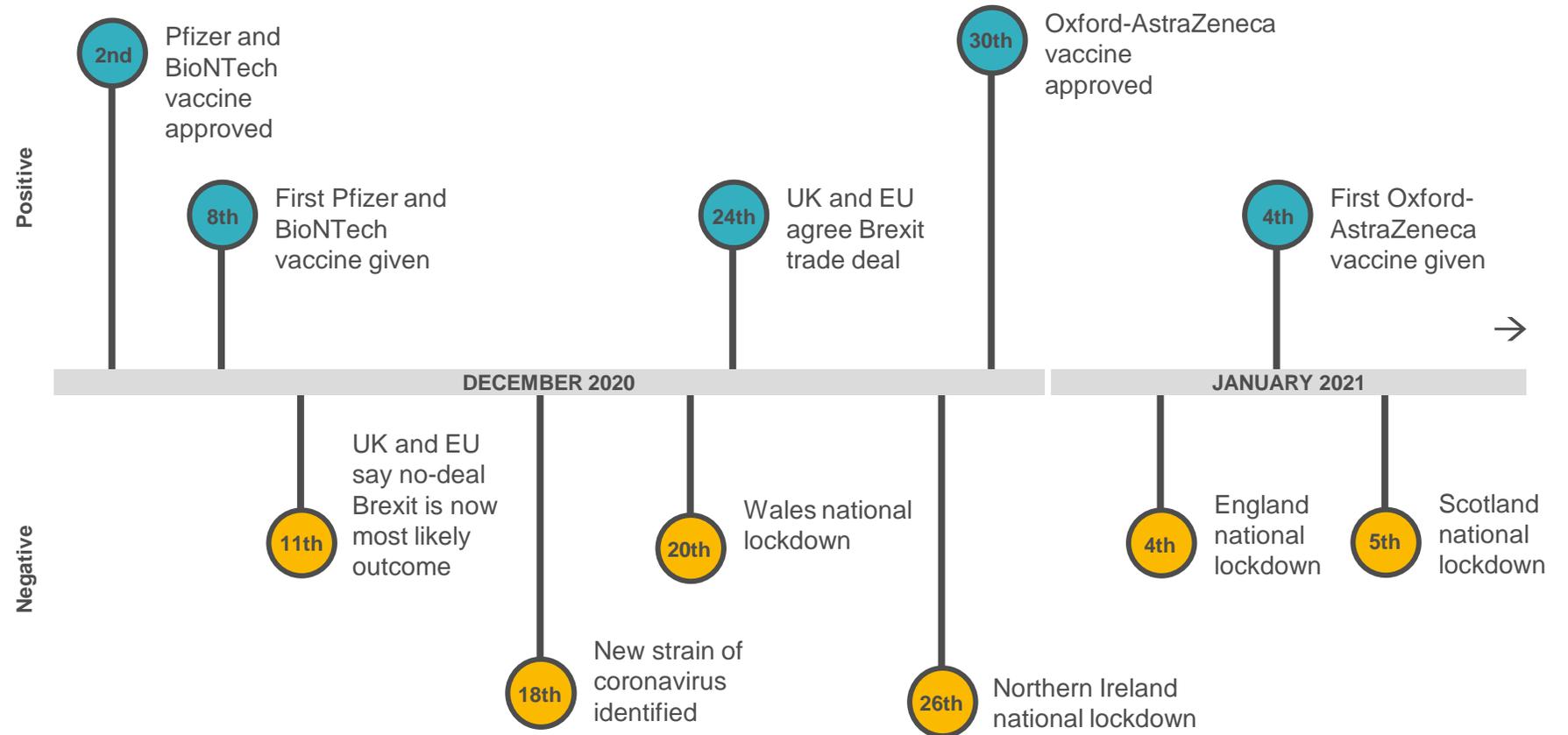
December 2020

1. No-deal Brexit / Brexit related issues (62%)
2. Further waves of COVID-19 and further lockdown(s) (31%)

January 2021

1. Further waves of COVID-19 and further lockdown(s) (47%)
2. No-deal Brexit / Brexit related issues (24%)

Timeline of key events



6.0 2021 inflation



Q1 and Q2

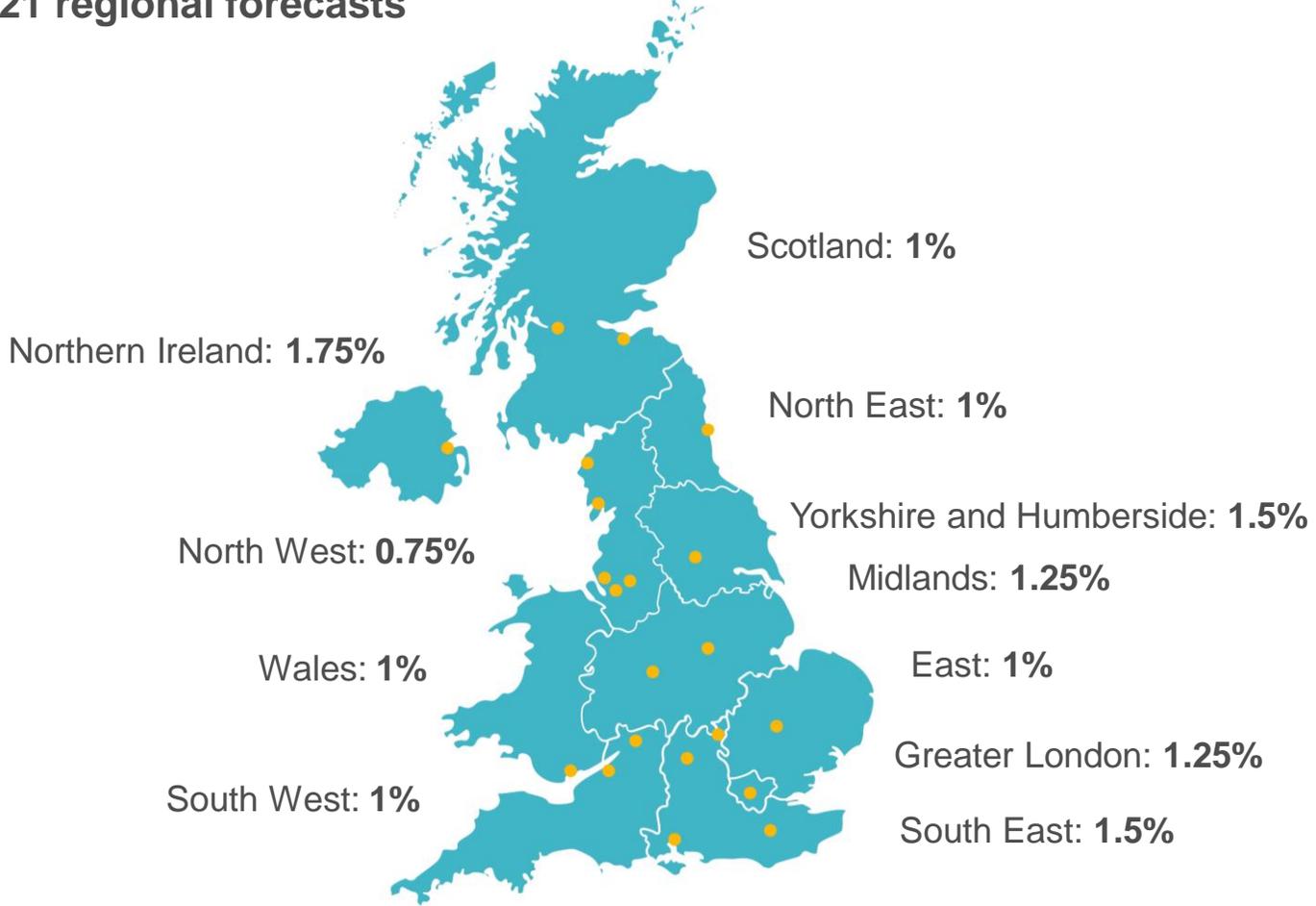
- Reduced number of tender opportunities creating a competitive market
- Subdued market, affected by COVID-19 restrictions and effects of project approvals having slowed down/been put back during 2020
- Wider economy struggling due to lockdowns and restrictions

Q3 and Q4

- Emergence of larger projects
- Large infrastructure programmes continuing
- Public spending e.g. first batch of schools from 10 year DfE programme are due to start on site in September
- Cost pressures from Brexit (labour and materials) and global demand for materials (e.g. steel)
- Contractors have fuller order books
- Economic growth from reduction in social distancing requirements and pent-up demand

6.0 2021 inflation

2021 regional forecasts



Regional inflation forecast ranges 2021 - 2023

1Q21 - 4Q21	0.75% - 1.5%
1Q22 - 4Q22	2% - 3%
1Q23 - 4Q23	2.5% - 3.75%

Poll three

Which sectors do you think will be most **positively** affected by the market conditions in 2021 and beyond?

7.0 Sector analysis: anticipated growth



Healthcare

66.67%

- Current focus is on situation with COVID-19 and new variant and considerable government funding has been given to minimise cross infection risks
- Longer term pipeline of major schemes
- Focus on net zero carbon, modern methods of construction and delivering at pace



Public sector

56.25%

- Activity has slowed where focus is on frontline delivery related to COVID-19
- Local authorities diverting money for COVID
- “Build, build, build” to support economic recovery
- Some public projects are being accelerated
- Construction Playbook



Infrastructure

52.08%

- Recent Spending Review confirmed an investment in infrastructure of £100 billion in 2021
- £4 billion fund for “levelling up”
- Post-COVID recovery linked to town centres, energy, flood defences, waste, roads and rail

Poll four

Which sectors do you think will be most **detrimentally** affected by the market conditions in 2021 and beyond?

7.0 Sector analysis: adapt to survive



Commercial offices

91.84%

- The working from home revolution is likely to impact office use in the future
- Less space may be required by companies, but higher quality spaces will be needed to attract and retain talent and to build company culture and reputation
- Focus on wellbeing, sustainability and collaboration



Retail

88.76%

- COVID-19 has accelerated the online shift
- Retailers focusing on online and click and collect
- Going forward, emphasis on customer experience, pop-ups, product showcases etc.
- Food performing strongly – local convenience stores and urban centres are trends

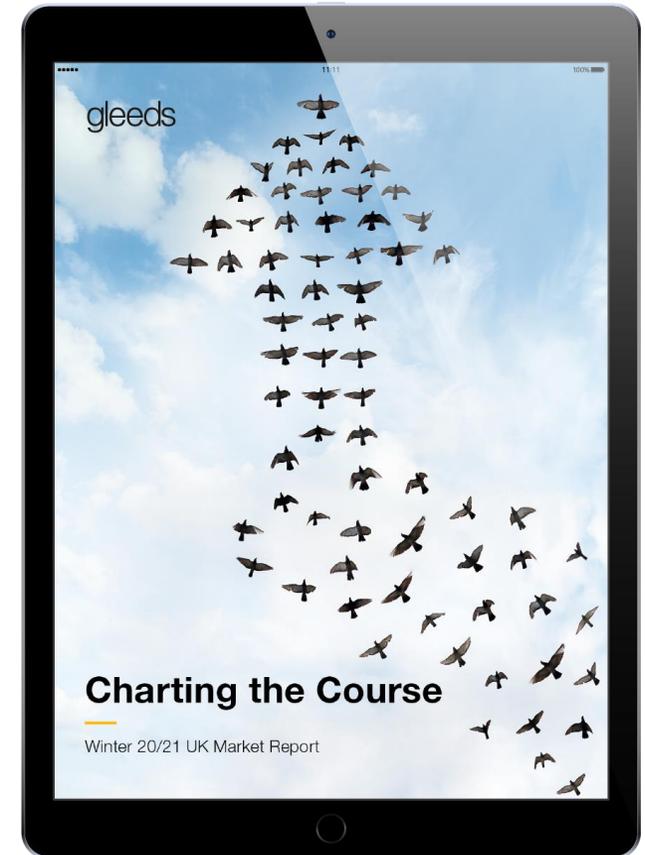


Town and city centre regeneration

- Repurposing of buildings and new uses coming to the high street
- Mixed-use: residential, education, health and community, focus on learning and well-being
- Central and local government funding and partnerships with the private sector are key for reinvigoration

8.0 Summing up

- A mixed year ahead but there is hope on the horizon
- The construction industry has continued to demonstrate great resilience
- **Flexibility, adaptability, collaboration and innovation** will continue to be key watchwords to help the construction industry *chart the course* of 2021
- Want to know more on regional analysis, inflation forecasts and sector insights? Look out for our full reporting being published next week →



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Thank you
for listening

Questions and answers