

# the Glenigan Index

Construction Insight



March 2010

## Construction starts hit by drop in projects

- Glenigan Index down 15% on a year ago
- Non-residential Index down 24%

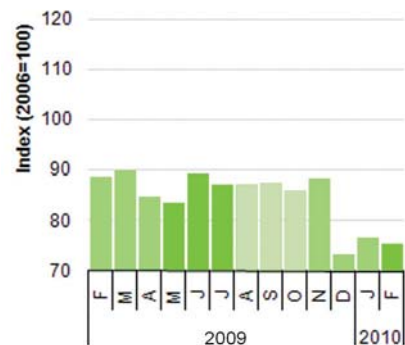
The Glenigan Index for February was 15% down on a year ago, despite a strengthening in residential projects starting on site. Despite being hampered by poor weather earlier in the winter, the Residential Index posted a robust 13% increase on a year ago, supported by rises in both private and social housing starts.

In contrast the Non-residential Index for February was 24% down on a year ago due to the continued weakness of the private industrial and commercial sectors combined with a slowing

in Government funded projects. In particular, a recent easing in health and community & amenity projects and a sharp dip in the previously strong flow of education projects exacerbated the fall in the February Index.

The Civil Engineering Index was also sharply down on a year ago. However, whilst fewer road and rail projects have started on site in recent months, the fall in the year-on-year comparison is in large part due to a surge of project starts a year ago which amplifies the comparative decline.

### GLENIGAN INDEX



### OUTLOOK

## Firms return to shelved projects

While project starts are down this month compared to a year ago, this isn't expected to hold over the medium term. A renewed flow of projects is anticipated for later this year, as the general economic outlook improves.

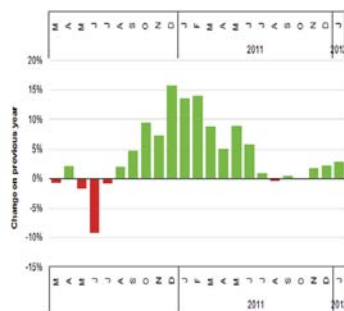
Despite the dismal demand for fresh industrial and office projects for much of the past two years, there is an anticipation that as business picks up and firms return to shelved projects there will be a stronger market in the second half of the year.

Improvements in the economy are also benefitting private housing, as the extra liquidity introduced

into the financial system by the Government and Bank of England supported lending. However, social housing, and education projects are forecast to dry up later in the year as the Government tightens its belt post-election.

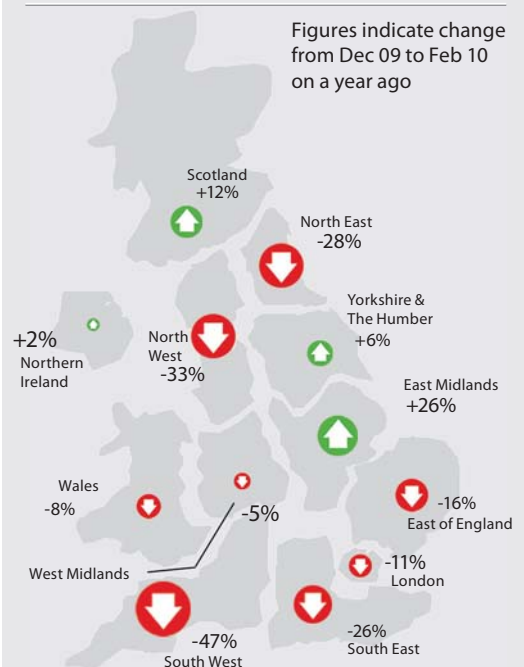
**Civil engineering sector should benefit from new projects**

Civil engineering projects are predicted to continue their upward trend, despite a dip during the current quarter. Looking ahead into the second quarter, the civil engineering sector should benefit from renewable energy projects and additional spending on the transport infrastructure.



## Regional Overview

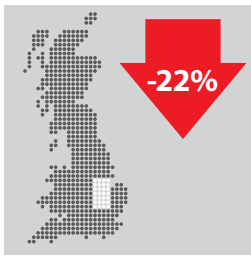
Figures indicate change from Dec 09 to Feb 10 on a year ago



The rise in retail and private housing work helped lift starts in London, the North East, Northern Ireland and Scotland. The North of England and West Midlands have missed out on the rise in private housing activity. This may be due to extreme weather conditions in December and January delaying projects.

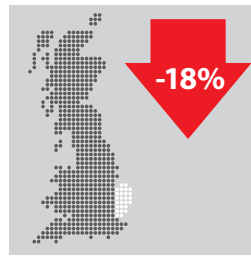
For more insight go to [www.glenigan.com/index0310](http://www.glenigan.com/index0310)

# The Regional Picture



## EAST MIDLANDS

The value of work during the three months to February recorded the first year on year rise since July 2008, despite disappointing results from the retail, hotel & leisure and social housing sectors. A strengthening in project starts is anticipated.



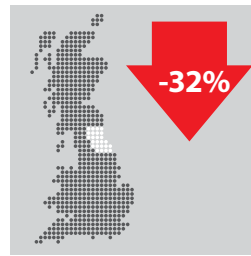
## EAST OF ENGLAND

Increases in the value of private housing and health work failed to halt the downward trend in project starts in the region. Falls in civil engineering, community & amenity and industrial projects were among those depressing the region's performance.



## LONDON

The value of underlying project starts fell 11% during the three months to February, despite a strong rise in the private housing and health sectors. The flow of project starts is forecast to remain weak well into the second half of 2010.



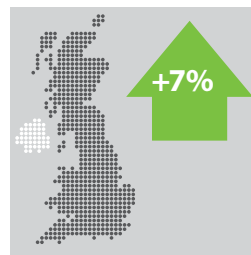
## NORTH-EAST

A dearth of civil engineering projects and continued weakness of private non-residential work left the value of construction starts during the three months to February 28% down on a year ago. The fall was despite a jump in health and education projects.



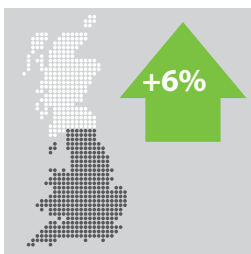
## NORTH-WEST

Poor weather exacerbated the decline in project starts. Fewer private housing, education and health projects, combined with weakness in the private non-residential sectors, left the value of construction starts at half the level of a year ago.



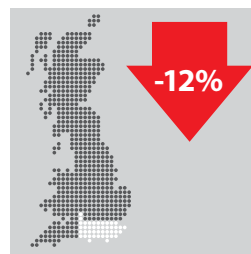
## NORTHERN IRELAND

The flow of project starts has stabilised after the sharp drop seen in recent months. A rise in detailed planning approvals during the final quarter of 2009 should continue to support a rise in project starts near term.



## SCOTLAND

A buoyant private housing market has supported the 12% rise in project starts, along with increases in education and community & amenity projects. The latter two are expected to come under pressure as Government finances are tightened.



## SOUTH-EAST

The value of project starts was down by a quarter on a year ago during the three months to February, with the value of project starts down almost across the board. Only the community & amenity sector secured a rise in project starts.



## SOUTH-WEST

The value of new projects during the three months to February was around a half of that a year ago. Civil engineering and office construction were two of the worst performing sectors, public non-residential and private housing work also dropped.



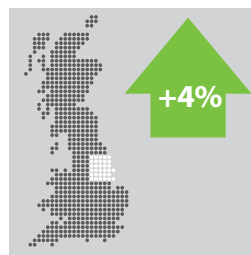
## WALES

A strengthening in private housing, education and health project starts has helped offset a weakening in other areas. This limited the decline in the value of underlying project starts to 8% during the three months to February.



## WEST MIDLANDS

Project starts had been buoyed during the final quarter of 2009 by a clutch of education schemes that has now petered out. The region has seen a broad improvement in a number of sectors, including civil engineering, office and retail.

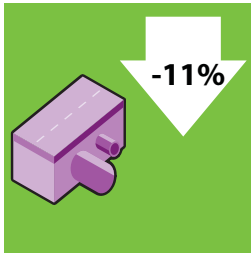


## YORKS & HUMBER

Yorkshire & the Humber had secured a modest 6% rise in project starts during the three months to February. The rise was supported by a consistently positive performance across sectors, with the exception of offices and civil engineering.

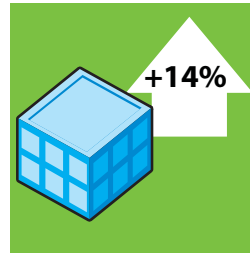
Figures indicate changes 12 months to February 2010 compared to previous 12 months

# Sector Performance



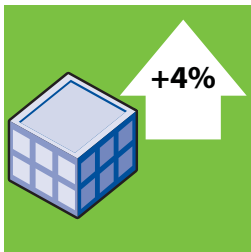
## CIVIL ENGINEERING

The value of underlying civil engineering project starts during the three months to February was down by a third on a year ago. Whilst the flow of road and rail projects has slowed during recent months, the sharp year-on-year decline is due to a surge of project starts a year ago which amplifies the decline.



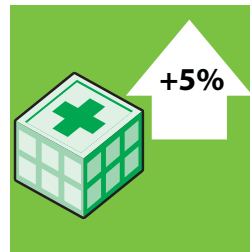
## COMMUNITY & AMENITY

Despite a growth in the construction of fire stations and libraries, project starts in this sector have been contracting since the fourth quarter of 2009. The decline follows a sustained period of expansion during the middle of last year. The sector is expected to remain under pressure during the year ahead.



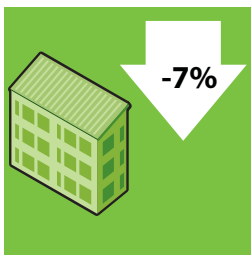
## EDUCATION

The second half of 2009 was a growth period for education projects, as additional Government funding boosted school developments. However, project starts slipped back during the three months to February and a further contraction is anticipated as public spending is restricted.



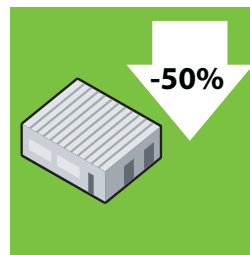
## HEALTH

The flow of project starts during the three months to February was 3% down on a year earlier. Whilst a temporary rise in project starts is expected near term, a further weakening in starts is anticipated for 2010 as a whole.



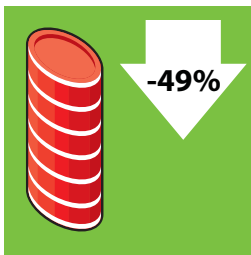
## HOTEL & LEISURE

Along with the retail sector, hotel & leisure felt the brunt of the fall in consumer spending during the credit crunch. As investor confidence starts to recover, the three months to February brought the first year-on-year rise in the value of new starts for over six months. There is a brighter outlook for the medium term.



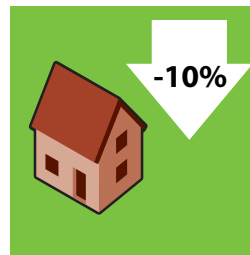
## INDUSTRIAL

The industrial sector saw a large 54% fall in the value of projects starts compared to a year earlier, continuing the downward trend of the last 18 months. Whilst sector prospects remain weak near term, improved economic conditions are expected to gradually lift project starts during the second half of 2010.



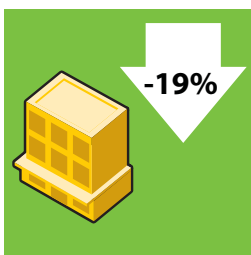
## OFFICES & COMMERCIAL

After a pre-recession office construction boom, the sector is still dogged by weak demand and oversupply of office space. The latest figures show no sign of recovery in project starts, but investor interest in the commercial property market is returning. We expect this to feed through to project starts.



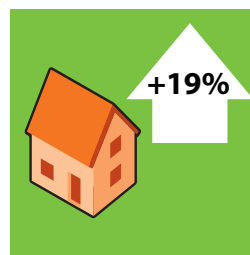
## PRIVATE HOUSING

As predicted, the value of new starts has begun to increase following a difficult period. Although housebuilders' confidence had increased over the second half of 2009, adverse weather conditions led to postponed project starts over the New Year. The recovery is expected to gain momentum over 2010.



## RETAIL

A rise in the value of project starts during the three months to February is encouraging after the sector's dismal performance over recent years. In addition the latest British Retail Consortium data suggests that retailers' prospects are also brightening, with like-for-like sales 2.2% up on a year ago.



## SOCIAL HOUSING

The flow of social housing projects remains firm, coming off the back of a sustained period of growth stretching back to April 2009. This growth, buoyed by Government funding brought forward from the 2010/11 financial year, is projected to suffer later in 2010 as Government spending is reined in.

Figures indicate changes 12 months to February 2010 compared to previous 12 months

## COMPANIES CHOOSE GLENIGAN BECAUSE:

**We help companies win more contracts, increase profits, build the right company relationships and make informed sales pitches to the right people at the right time.**

- We do this by providing comprehensive, up-to-date intelligence about planned and current UK construction projects and the companies and decision makers involved.
- Our online database uses a powerful search engine to provide instant access to the precise information our customers need.
- Customers can flag projects and companies as favourites and receive email alerts when updates are made so they can act on the very latest information.

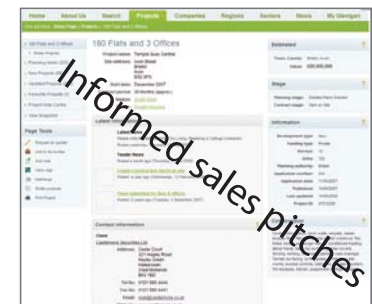
**Our customers reduce risk, identify new business opportunities, track and forecast market trends.**

- We provide extensive construction activity data, analysis and forecasting by region and sector and in-depth company profiles.
- Customers can interrogate our vast database using custom statistics tools to answer business specific questions and inform strategic decisions.
- Tailored company profiles, graphs and charts can be exported into presentations with ease.

**We enable companies to increase efficiency by spending less time searching for and interpreting information and more time using it.**

- We do this by combining comprehensive data gathering, exhaustive research, detailed statistical modelling, expert analysis and a user-friendly online database with training and ongoing support for every user.
- We make over one million telephone calls per year to provide data that can be depended upon.
- We have support people ready to help customers get the best from our information so they can focus on driving their businesses forward.

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## DELIVERING EXCEPTIONAL VALUE TO OUR CUSTOMERS

**“Glenigan hold the definitive register of active clients and contractors in the construction industry that is maintained using robust research processes. Through continual tracking of the progress of construction projects Glenigan hold timely data that will improve the KPI survey process. Awarding the contract to Glenigan will ultimately increase the value of the KPIs to the industry.”**

Graham Sharp, Head of Construction Statistics, ONS.

**“Woodteam generated £3 million of new business in the first year with Glenigan”.**

Jon Brennan, Sales Manager, Woodteam.

**“Glenigan were selected after a rigorous post-tender evaluation process lasting almost a year due to their comprehensive coverage of all projects, the accuracy of their data and their flexible and innovative approach.”**

Neil Ackroyd, Data Collection and Management Director, Ordnance Survey.

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