Glenigan CONSTRUCTION

September 2014

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Glenigan Index edges up 2% as industry momentum slows

• Growth in the value of the Glenigan Index brakes as public sector work declines and office projects dip.

fallback in non-residential construction and a dip in office projects mean that the Glenigan Index in the three months to August 2014 is just two percentage point higher than at the same point a year ago.

The Glenigan non-residential index crept up just 1.3%, while a strong run of rises in the underlying value of new office projects was capped this summer.

This hiatus is also evident in more historic data from the Office for National Statistics (ONS) covering the year to Q2 2014, which showed public non-residential new build output still down 19.2% on its pre-downturn peak in Q1 2008.

More recent Glenigan data shows some reasons for optimism. The underlying value of civil engineering work might be static but in the long term there is a growing pipeline of major projects. In the short term, the underlying value of health and community & amenity projects showed modest rises in the three months to August 2014, while the outlook for private sector residential work remains bright in terms of both site starts and in the planning pipeline.

Regionally, there has been a decline in the value of project starts in Scotland. This can be partly ascribed to project investors adopting a more tentative approach ahead of the vote on independence later this month. In the other parts of the UK there is a far more positive outlook, with strong growth recorded in Northern Ireland and Wales.



Long term prospects remain positive

OUTLOOK

G lenigan research suggests that the slowdown may only be a temporary slip. There is a seasonal element to the slowdown and a number of positive indicators going forward, particularly in the private sector.

There was strong double digit growth in the industrial, retail and hotel and leisure sectors last month and Glenigan



expects a continuing rise in private sector work to compensate for the summer lull. The longer-term indications for all these three sectors is strong and Glenigan's information on the planning pipeline for new build private housebuilding also suggests that the current slow-down may be a blip.

Housebuilders are continuing to open up new sites in response to strengthening demand with Help to Buy (HtP) stimulating activity. Contrary to a media image of HtP supporting older buyers in the London market, 84% of supported loans are going to first-time buyers and 94% of supported sales are outside the capital. Overall, Glenigan research indicates the value of private housing starts during the three months to August 2014 was up 11% on a year ago – marking 17 months of consecutive growth. This should be supported in the longer-term by continued growth in site starts as Glenigan data shows a 47% rise in the number of units in the planning pipeline.

The civil engineering sector also continues to perform strongly, with the underlying value of project starts (excluding schemes of £100 million or more) now up by 28% on a year ago. In addition, major projects from decommissioning nuclear reactors to major regional roads projects are starting, which will stimulate further growth.

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The Regional Picture













Regional overview

Over the past year, the underlying value of construction starts has grown in every region of the UK. However over the latest three months to August 2014, the value of project starts is down in the East of England, London and Scotland, on an annual basis every UK region shows a rise.

In the East of England, project starts are up 13% annually and by 7% in Scotland. In London, private residential work continues to buoy workloads and the value of starts in the year to August 2014 has risen by 17%. There is also a rise of 15% in the neighbouring South East, which, along with London, has experienced the largest amount of project starts by value over the past year.

On a quarterly basis, Yorkshire experienced the largest annual rise with an increase of 82%. Over the past year, the value of project rose 28% and by 20% in the North East, which is the next fastest growing region.

The biggest annual rise in construction workloads is outside England. The boom in Northern Irish construction work continues, with the underlying value of project starts up by 38% in the year to August 2014. This was the largest increase in any of the 12 economic regions of the UK.

The most recent data from Northern Ireland's Department of Finance and Personnel on construction output dates back to Q1 2014 and this does not reflect this recent rise, but Glenigan's planning data suggests that private residential work is also resurgent in Ulster. % change 12-months to August 2014











Percentages in Charts compare 12 months to August 2014 to previous 12 months





Sector Performance











Sectors: Private Housing

Private residential work continues to expand at a strong rate, with the Glenigan Index showing an 18% rise in the value of work starting on site in the year to August 2014. Only industrial work has grown more over the past year, and then from a very low base.

The private residential boom looks likely to continue, with Glenigan data pointing to a major upswing in the level of planning applications for private residential schemes over the past year.

Glenigan research shows that planning applications to build 114,875 units were submitted by private housebuilders in the year to Q2 2014. This is an overall rise of 47% on the preceding 12 months. Although London and the South East have experienced the largest level of project starts by value, the rest of the UK looks likely to experience the next flow of work.

Ten of the 12 regions experienced a major rise in the number of units being proposed through the planning system

over the past 12 months. This increase illustrates a groundswell of support for private housebuilding that has seen the North West overtake the South East as the region experiencing the largest number of new homes proposed in the latest planning pipeline.

The only regions to record declines were Wales, where the drop was marginal, and the East of England, where the planning pipeline shrank 15% against a strong total a year ago.

All the major privately-owned housebuilders are planning significant expansion and this rise in submissions has been driven as much by the major housebuilders as by an increase in the number of applications being submitted.

In the year to Q2 2013, 1,297 planning applications for private housing schemes of 10 or more units were submitted, according to Glenigan research. In the most recent 12-month period, the figure had surged to 1,614.

Private Housing (£ million)

Region 2010 2011 2012 2013 2014 ytd* East Midlands 559 324 488 600 470 East of England 705 656 651 716 538 1522 1734 2022 1748 London 1066 North East 237 173 266 349 275 Northern Ireland 307 125 209 160 95 North West 491 534 760 670 700 South East 866 833 1262 1533 840 South West 665 648 1056 945 778 Scotland 490 474 631 671 746 West Midlands 393 453 660 524 464 303 Wales 200 214 257 214 Yorkshire and 416 393 570 727 481 the Humber

Underlying value of construction projects starting on site. (Excludes individual projects of more than £100 million and framework agreements). *August 2014

Percentages in Charts compare 12 months to August 2014 to previous 12 months



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