



# G Glenigan

Welcome to the  
Glenigan Breakfast Briefing

Feel free to tweet your thoughts and comments using hashtag [#gleniganbb](#)

The background of the slide is a grayscale photograph of a large-scale construction site. In the foreground, a multi-story building's concrete frame is visible, with numerous vertical rebar columns and horizontal beams. Scaffolding and construction equipment are interspersed throughout the structure. To the right, a tall tower crane stands against a cloudy sky. The overall scene conveys a sense of active development and infrastructure.

# Glenigan

- 09:00 - [Welcome](#) | Bernard Johnson, Managing Director, Glenigan
- 09:10 - [Brexit Briefing](#) | Arran Russell, UK Service Manager, DeHavilland
- 09:25 - [Forecast into 2017](#) | Allan Wilén, Economics Director, Glenigan
- 09:55 - [State of the UK civils market](#) | Mark Hansford, Editor, New Civil Engineer
- 10:10 - [Panel discussion](#)
- 10:55 - [Closing Remarks](#)



# Glenigan

Brexit Briefing  
Arran Russell | DeHavilland

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**DeHavilland**

Definitive political intelligence

# Brexit – what happens now?

Arran Russell, UK Service Manager

**DeHavilland**

*Tuesday, 5 July 2016*

# What don't we know?

- Who will be Prime Minister in September?
- Who will lead the negotiations on leaving the EU?
- What is our position on leaving the EU?
- When will the negotiations take place?
- Will there be a second Scottish independence referendum?
- What is going on with the Labour Party?

# The process for leaving the EU

# Article 50

- It's the only way to leave
- Have we already invoked it?
- Two years
- Cameron deal is done
- Back of the queue



# Negotiation - Players

- European Council - mandate
- European Commission - negotiator
- European Parliament Consent
- UK - ?





# Negotiation - Issues

- Withdrawal
- Future relationship
- Time Limit
- *“The long-term ghastliness of the legal complications is almost unimaginable.”* Sir David Edward KCMG, QC, PC, FRSE
- Single Market or trade deal
- Freedom of movement/immigration

# Westminster – A Paradigm Shift

# Conservative Party Leadership Election



Home Secretary  
**Theresa May**



Work and Pensions Secretary  
**Stephen Crabb**



Justice Secretary  
**Michael Gove**



Conservative MP  
**Liam Fox**



Energy Minister  
**Andrea Leadsom**

## Key Players



Cabinet Office Minister  
**Oliver Letwin**



Chancellor  
**George Osborne**



# Theresa May

- Current front-runner and political heavyweight
- Immigration record?
- Competent, but lacks vision?
- One-nation Conservative pitch – liberal conservative
- Serious social reform, no budget surplus, out of ECHR
- No snap election and no Article 50 this year

# Michael Gove



- The Frank Underwood of real-life UK politics?
- Brexit Intellectual with a vision
- May and Gove hate each other
- One-Nation pitch with a good personal story
- Mixed record in government
- Support is draining
- No snap election and Article 50 in 2017

# Andrea Leadsom



- Had a good campaign
- City background
- Will devolve power – departments and locally
- A new Iron Lady?
- Had previously supported Remain
- Would trigger Article 50 immediately

# Stephen Crabb



- Crabb/Javid – blue collar ticket
- Welsh working class background
- Focused on life chances and social mobility
- Social conservative



Conservative MP

**Liam Fox**

# Dr Liam Fox

- Representing the Tory right
- (Will also fancy a big job)
- Former Defence Secretary, ending in scandal



# The Labour Party

- Vote of no confidence
- Leadership contest likely
- Changes to membership
- #chickencoup
- Corbynistas vs the Blairites
- Chilcot



# Scottish Referendum

- Will it happen?
- Request requires legislation
- Ruth Davidson intervention
- What would they be voting on?



# What does this mean for businesses?

- Short/medium-term uncertainty
- Economic stimulus, both fiscal and monetary, likely
- Infrastructure
- Regulations and legislation will change – health & safety, employment, environment, etc.
- Residential construction going to suffer
- International relationships will change

Thank you. Questions at the end...



Brexit Briefing  
Arran Russell | DeHavilland



# Glenigan

Forecast into 2017  
Allan Wilén | Glenigan

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## Forecasts into 2017

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Breakfast Briefing – 5<sup>th</sup> July 2017  
Presented by Allan Wilén, Economics Director

**#Gleniganbb**

**G Glenigan**

# Construction Forecasts for 2016 & 2017

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- Review UK's recent economic performance
- Assess the likely post-Brexit landscape for Construction
- Forecast prospects for construction sectors
  - Challenges & pressure points
  - Growth drivers & opportunities



# About Glenigan



**#Gleniganbb**

# About Glenigan

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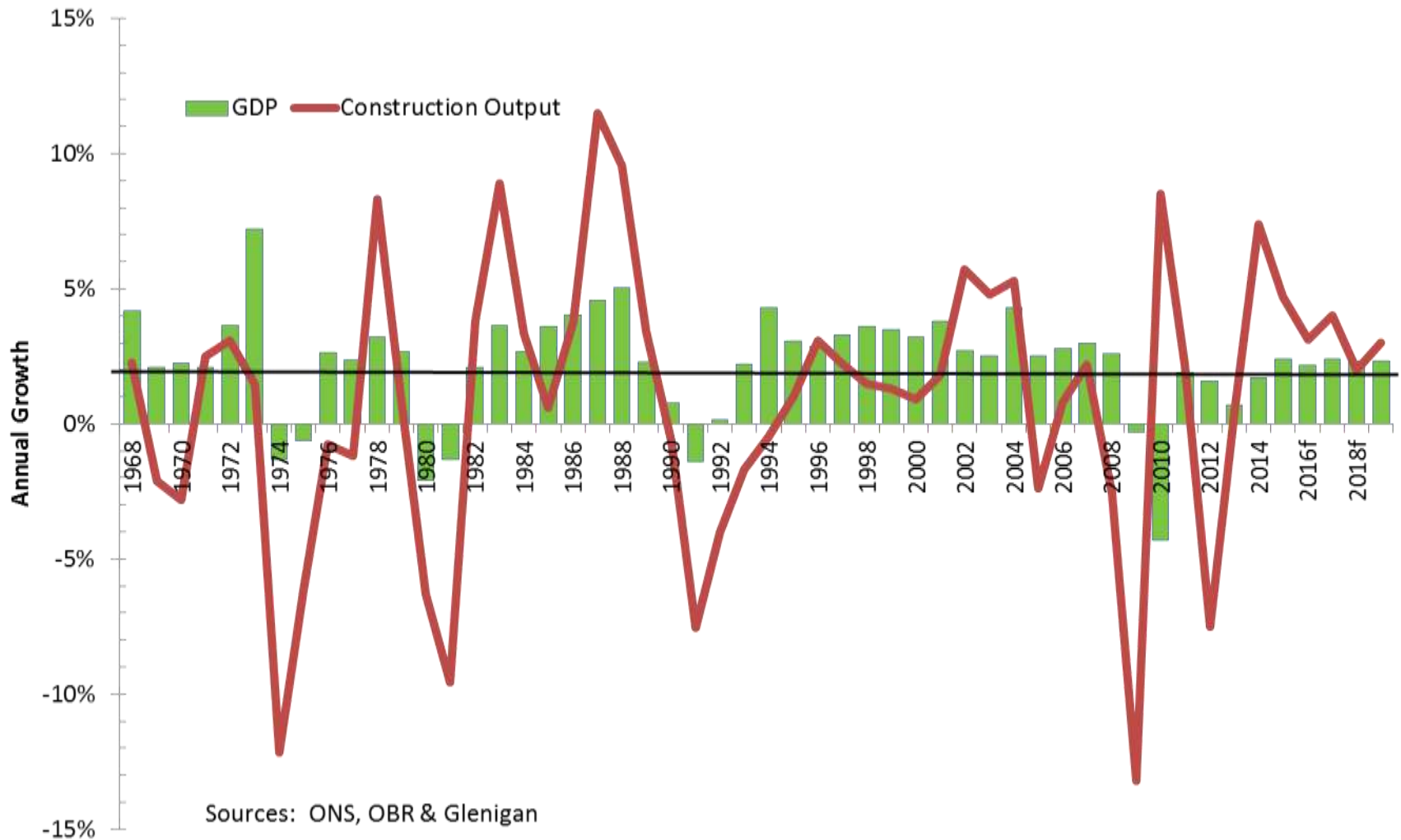
Glenigan provides market intelligence on the UK construction industry. Glenigan uses a robust research process to deliver timely and comprehensive construction project, company and market intelligence:

- Database over 17 years totalling almost 10 million planning applications
- Planning application data collection from all 464 UK local authorities
- A dedicated team of over 100 expert web & telephone researchers
- 10,000 unique non-planning projects a year from industry contacts
- Expert analysis, detailed market interpretation, data-driven forecasts and bespoke analysis

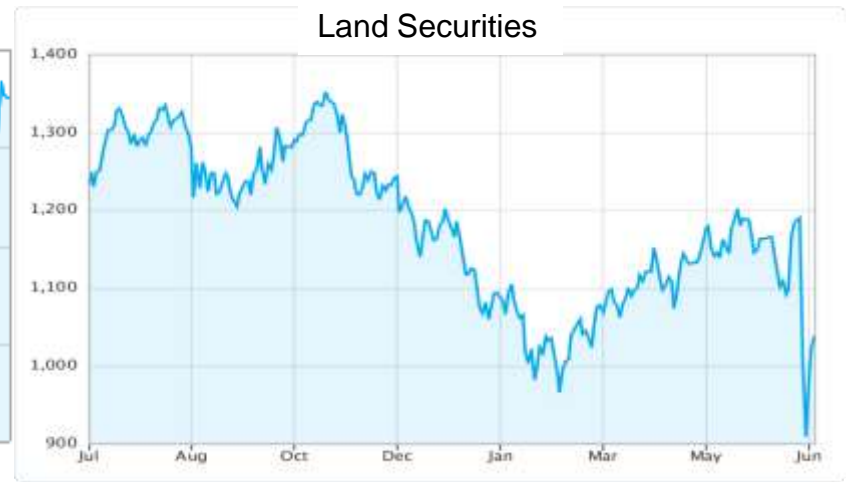
# UK Economy

- Private sector has lead UK growth
  - Consumer expenditure & retail sales growth
  - Rising employment
  - Housing market upturn
  - Strong growth in business investment
  
- Post-Referendum
  - Business investment hit by political & economic uncertainty
  - UK Manufacturing
    - Short term benefit from weaker sterling
    - Reduced access to Single Market threat to exporters
  - Weaker consumer spending
  - Renewed pressure on Government finances

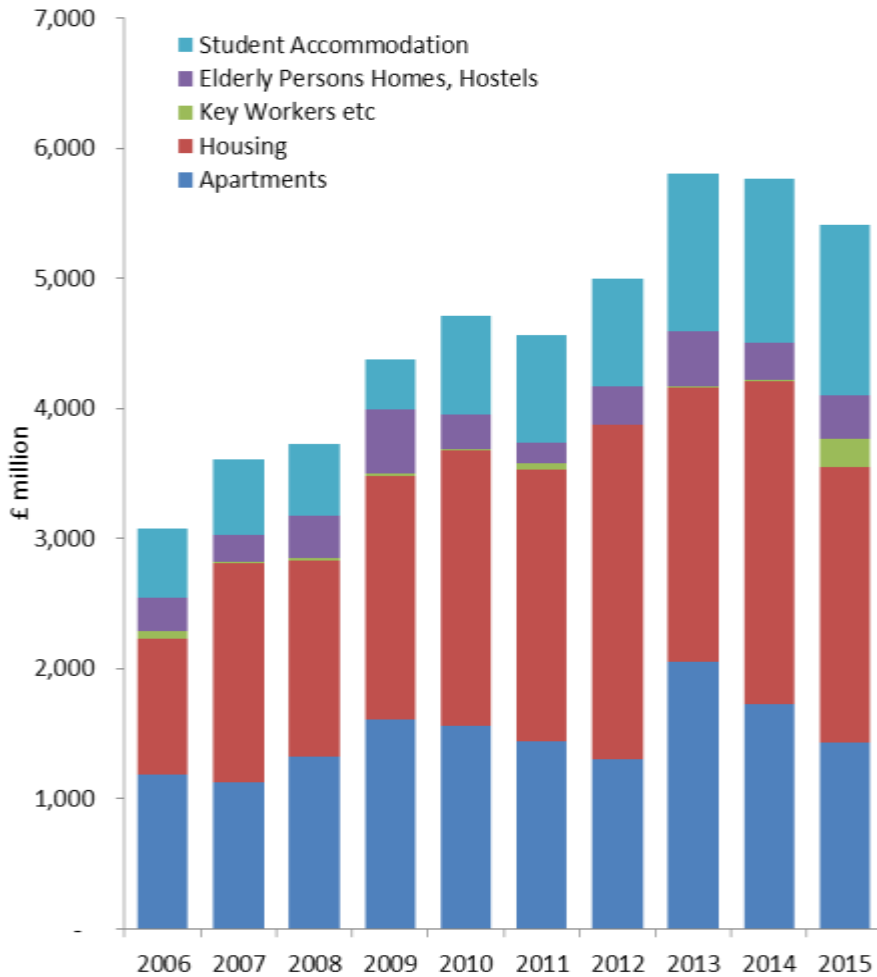
# Construction Output & Economic Growth



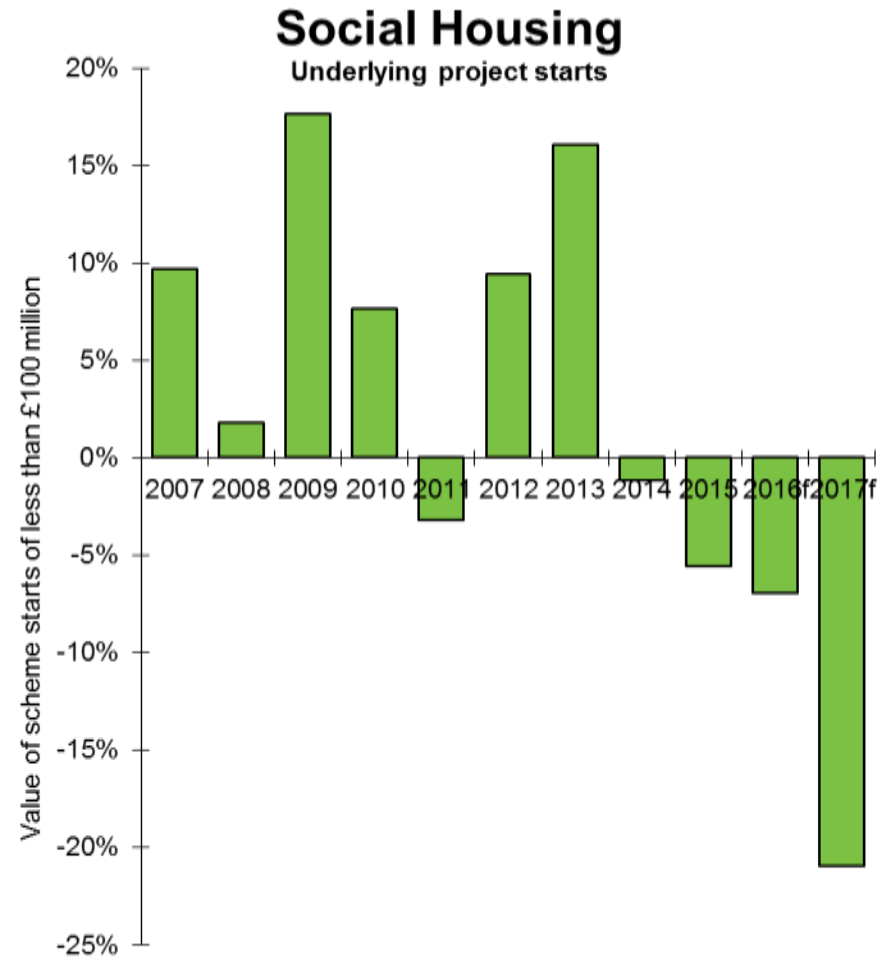
# Markets expectations



# Social Housing Growth

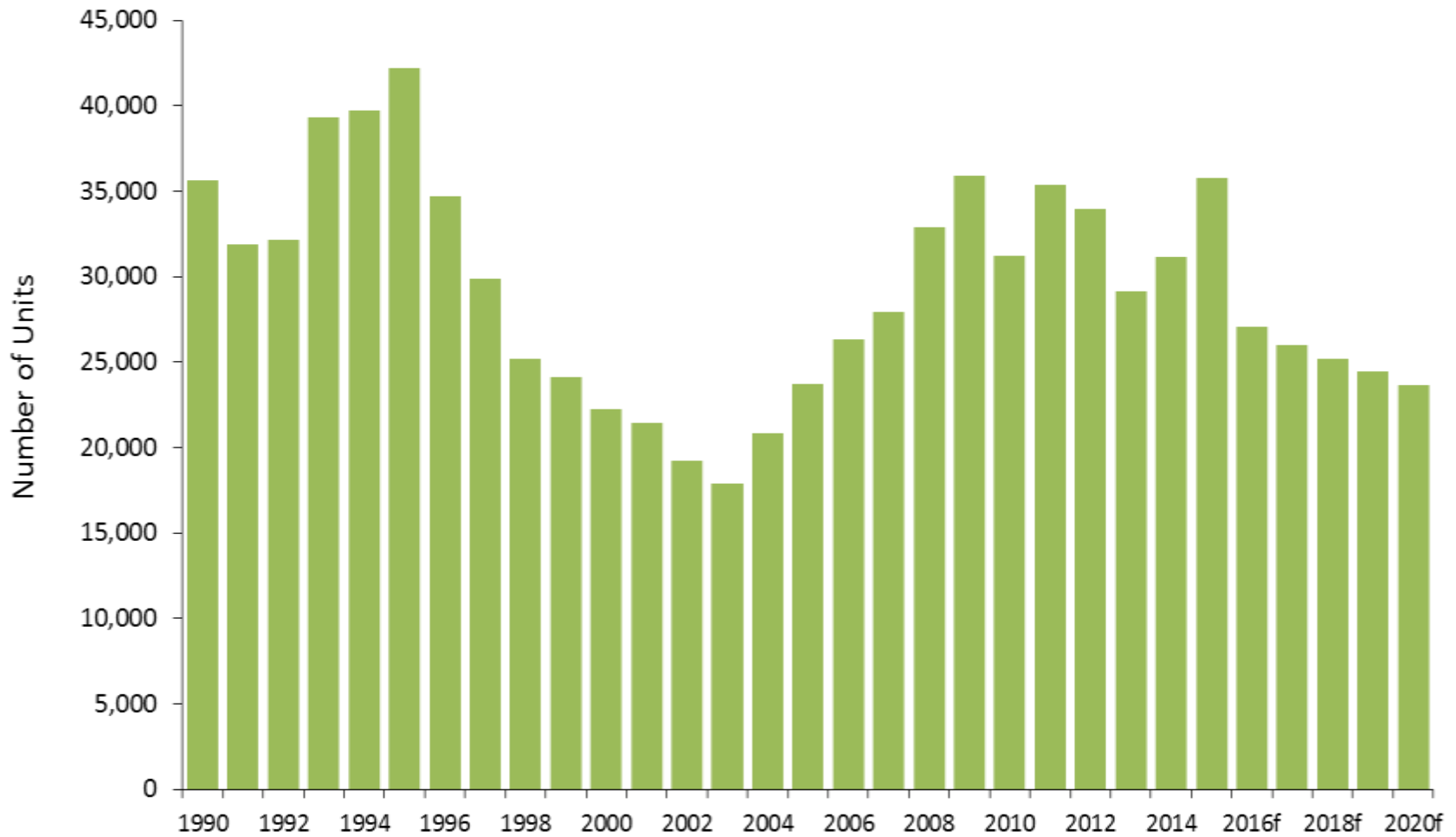


Source: Glenigan



Source: Glenigan

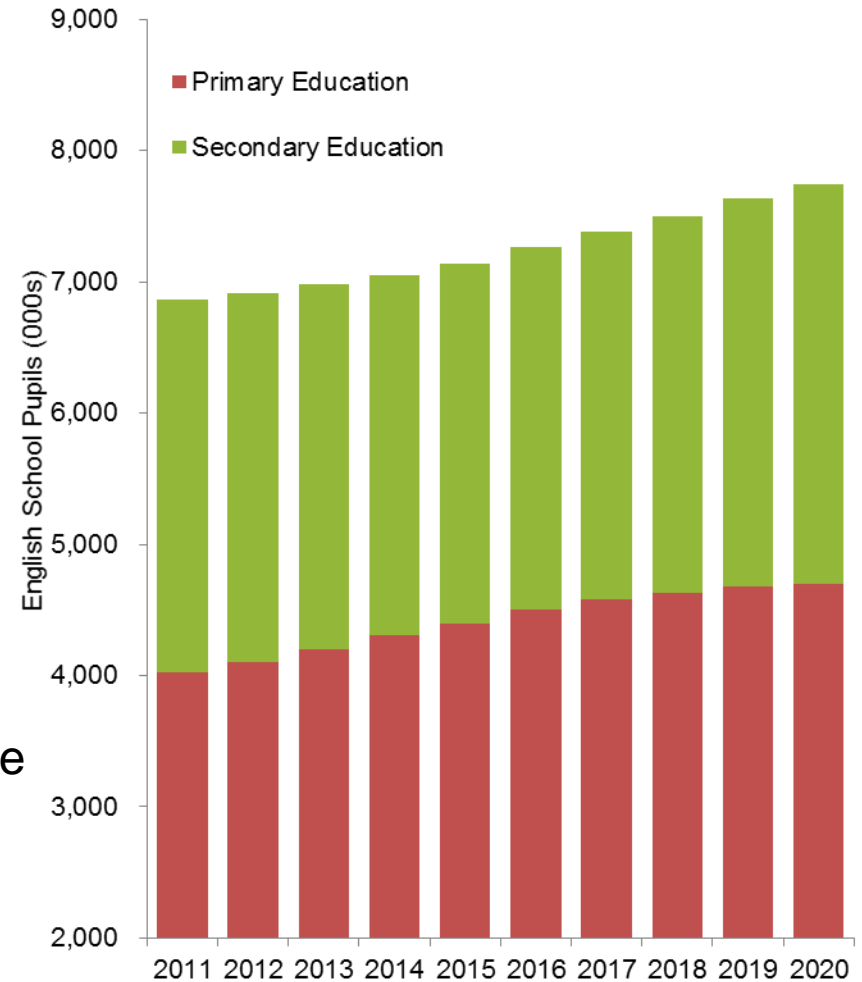
# New Social Housing Provision in England



Sources: ONS & Glenigan

# Education – Rising Pupil Numbers

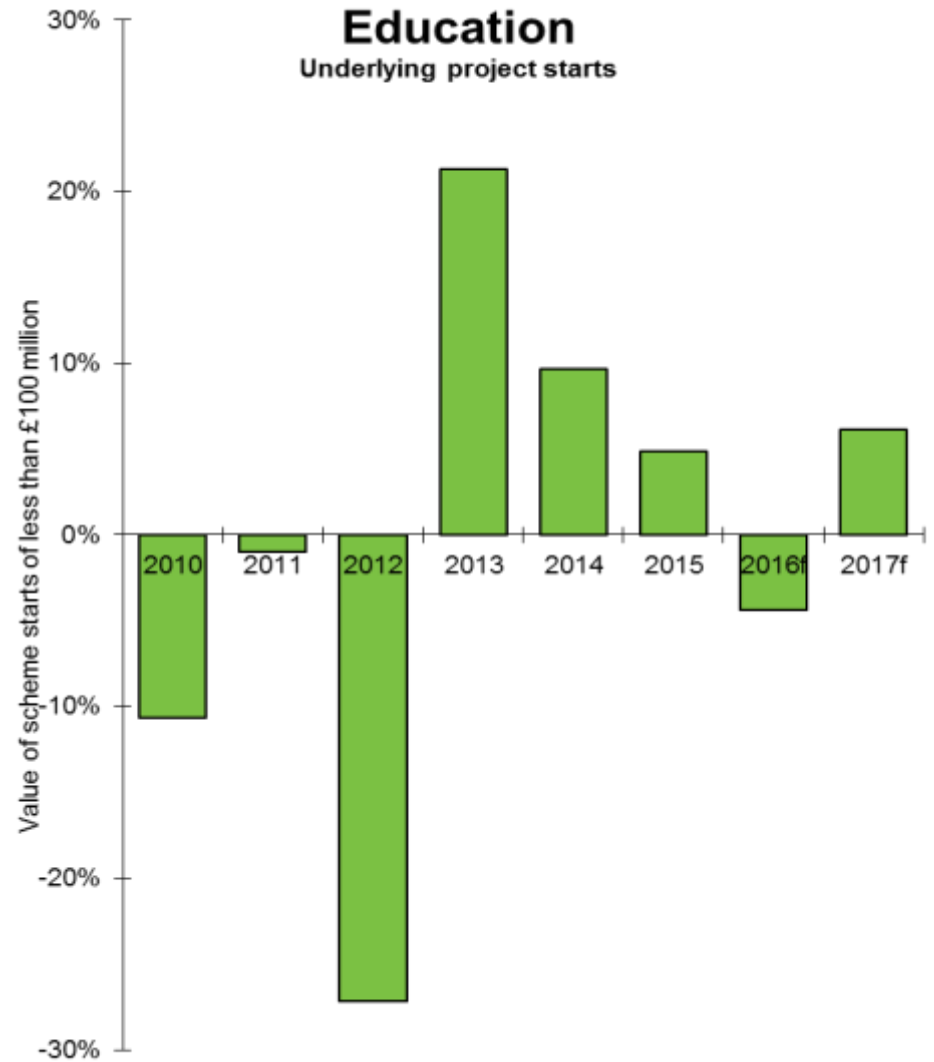
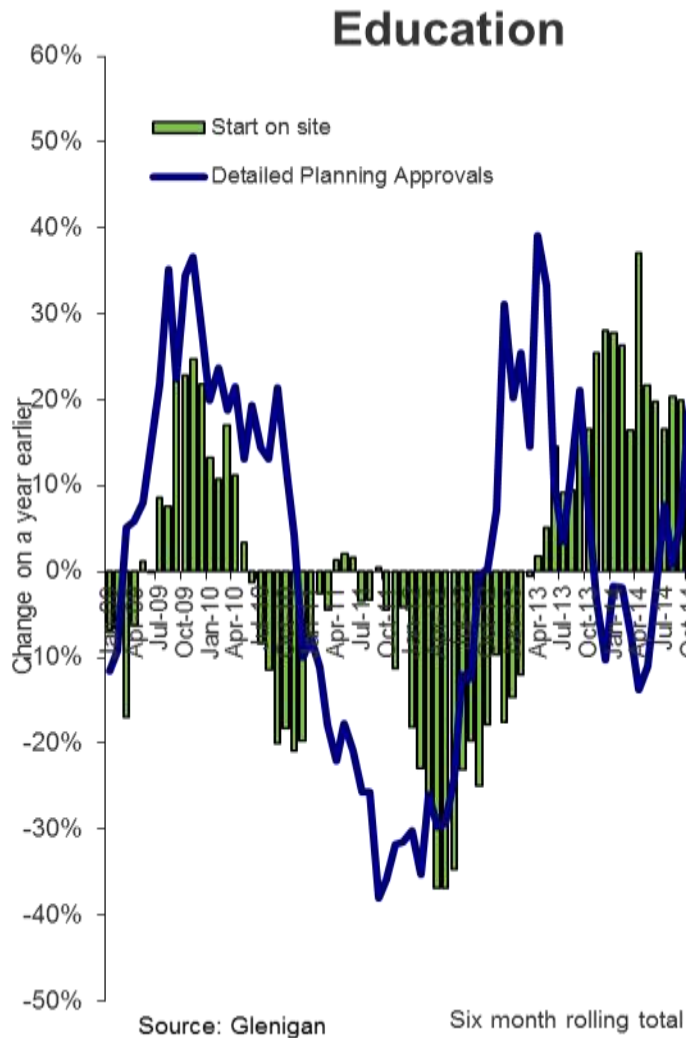
- Rising demand
  - More primary school pupils
  - Pressure switching to secondary education
- Government policy hampering delivery
  - Councils dependent on others to deliver school places
  - More Academies
  - Free school programme
  - Priority School Building Programme
- Competition fuelling investment
  - University development plans



Source: DfES

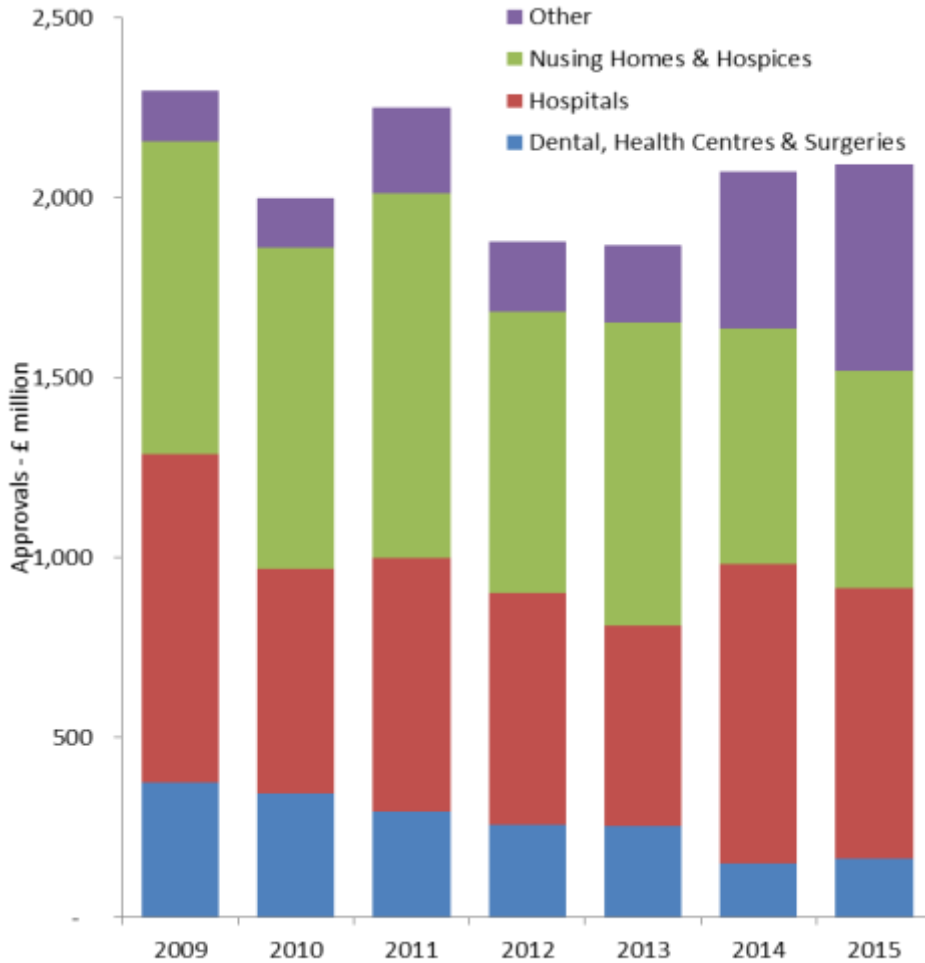


# Education

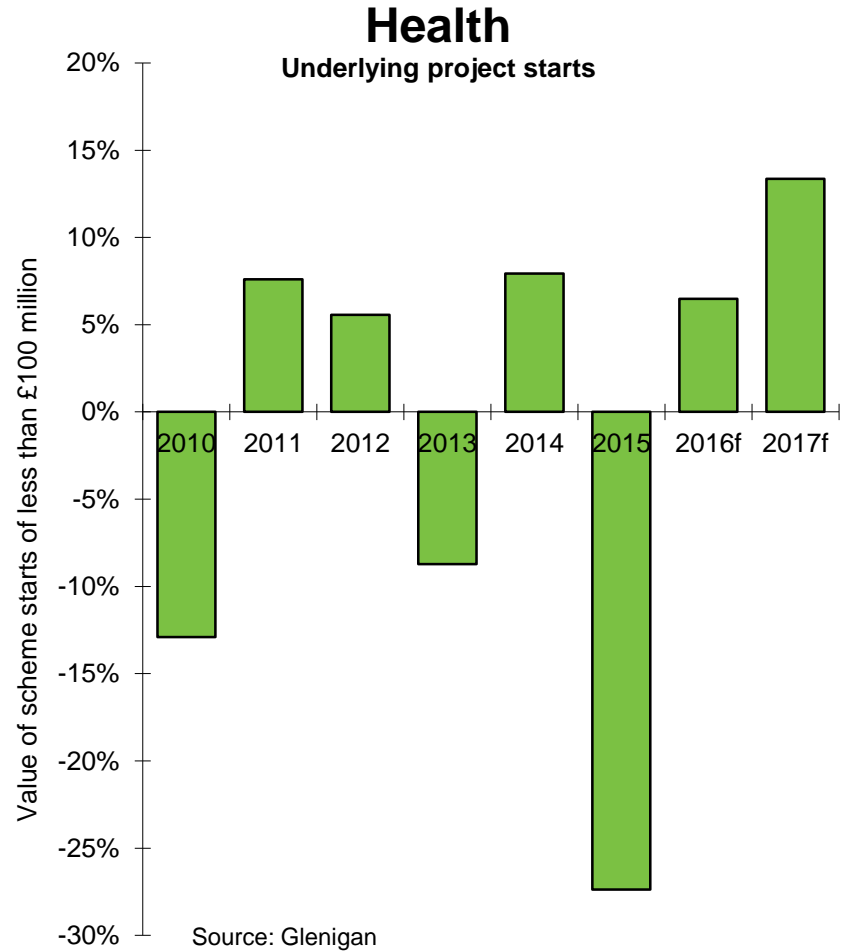


Source: Glenigan

# Health



Source: Glenigan



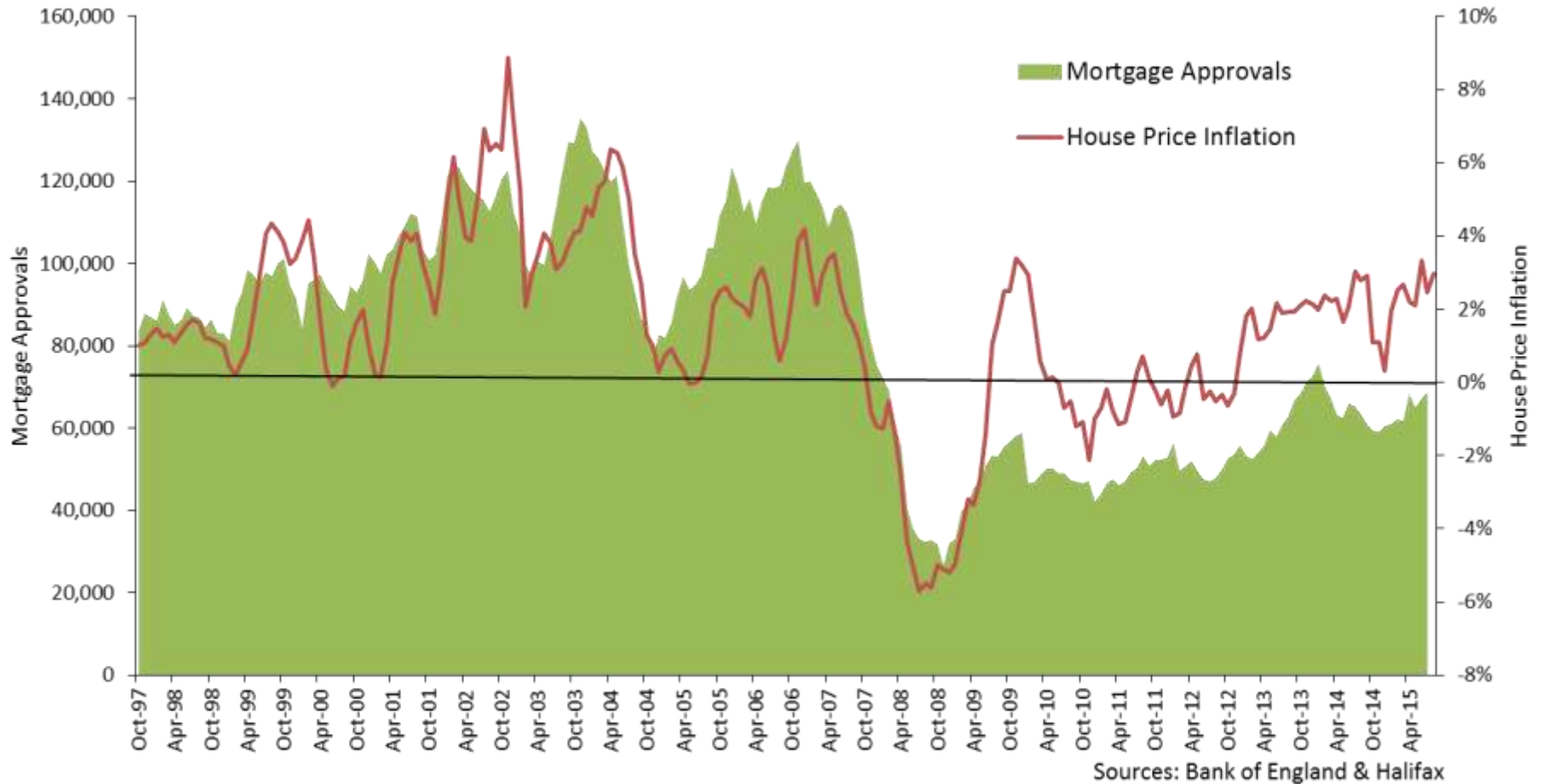
Source: Glenigan

# Consumer Prospects

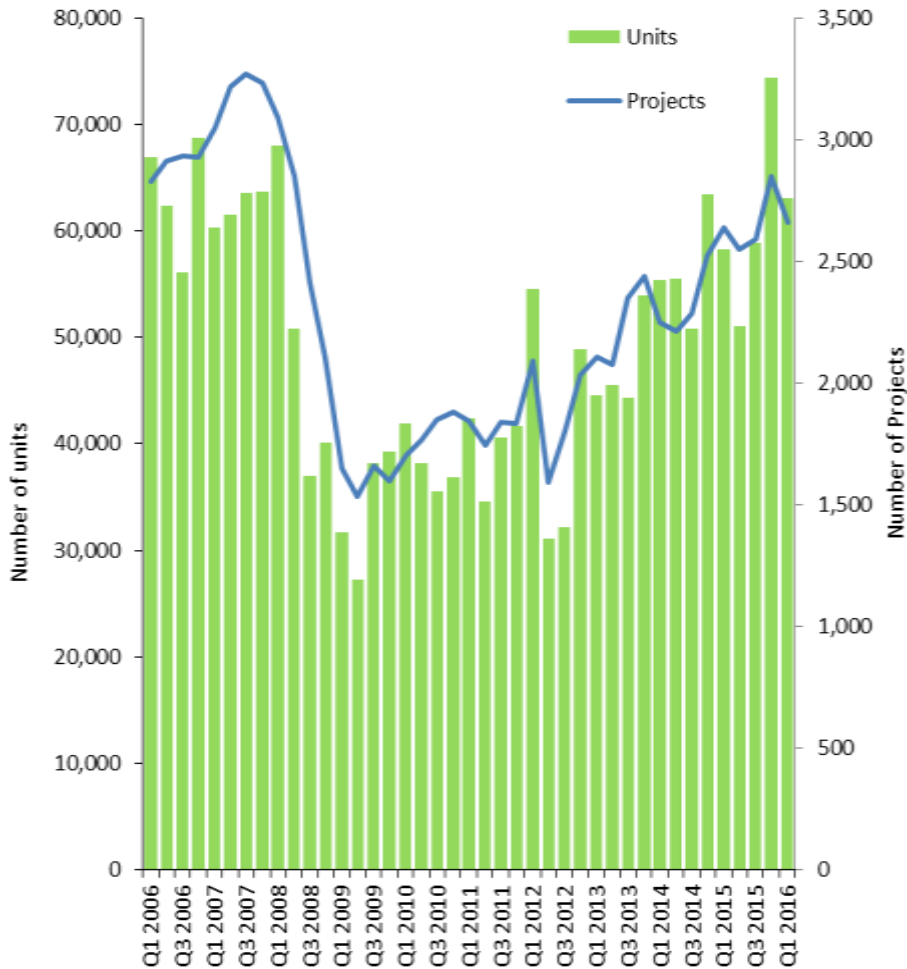
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- Consumer confidence has been rising
  - Lower inflation
  - Increased employment
  - Wage growth
  - Rise in household spending
- More on certain outlook
  - Weaker employment growth
  - Imported inflation will squeeze household spending
  - Tighter lending rules

# Housing Market Activity

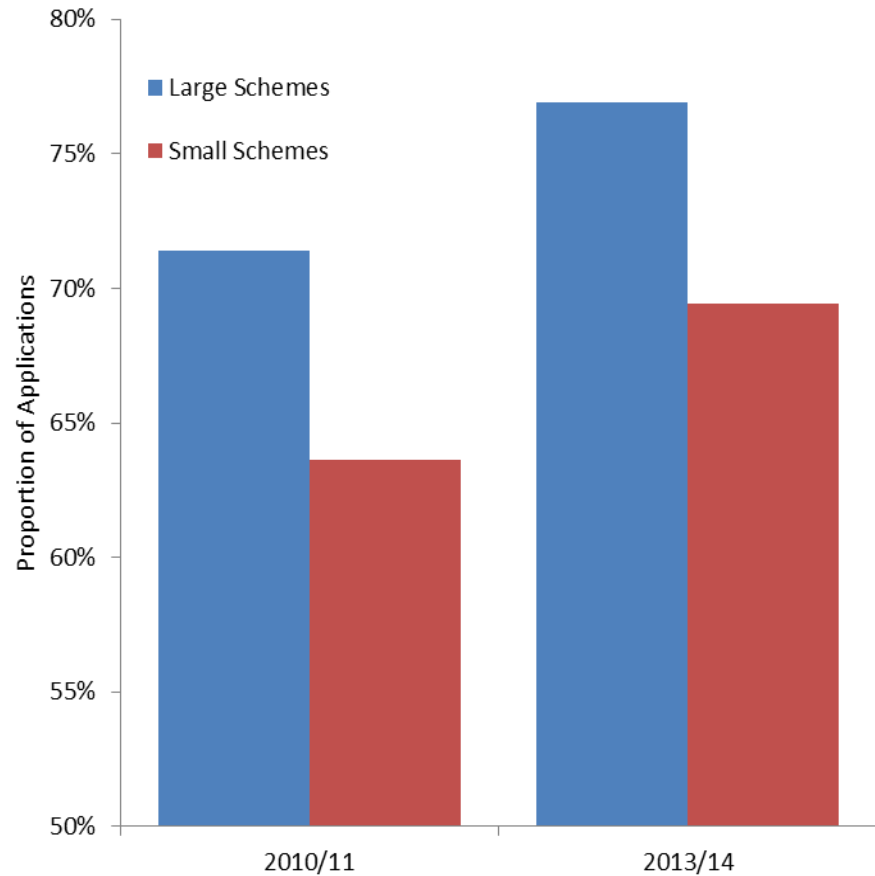


# Rising Planning Approvals & Approval Rates



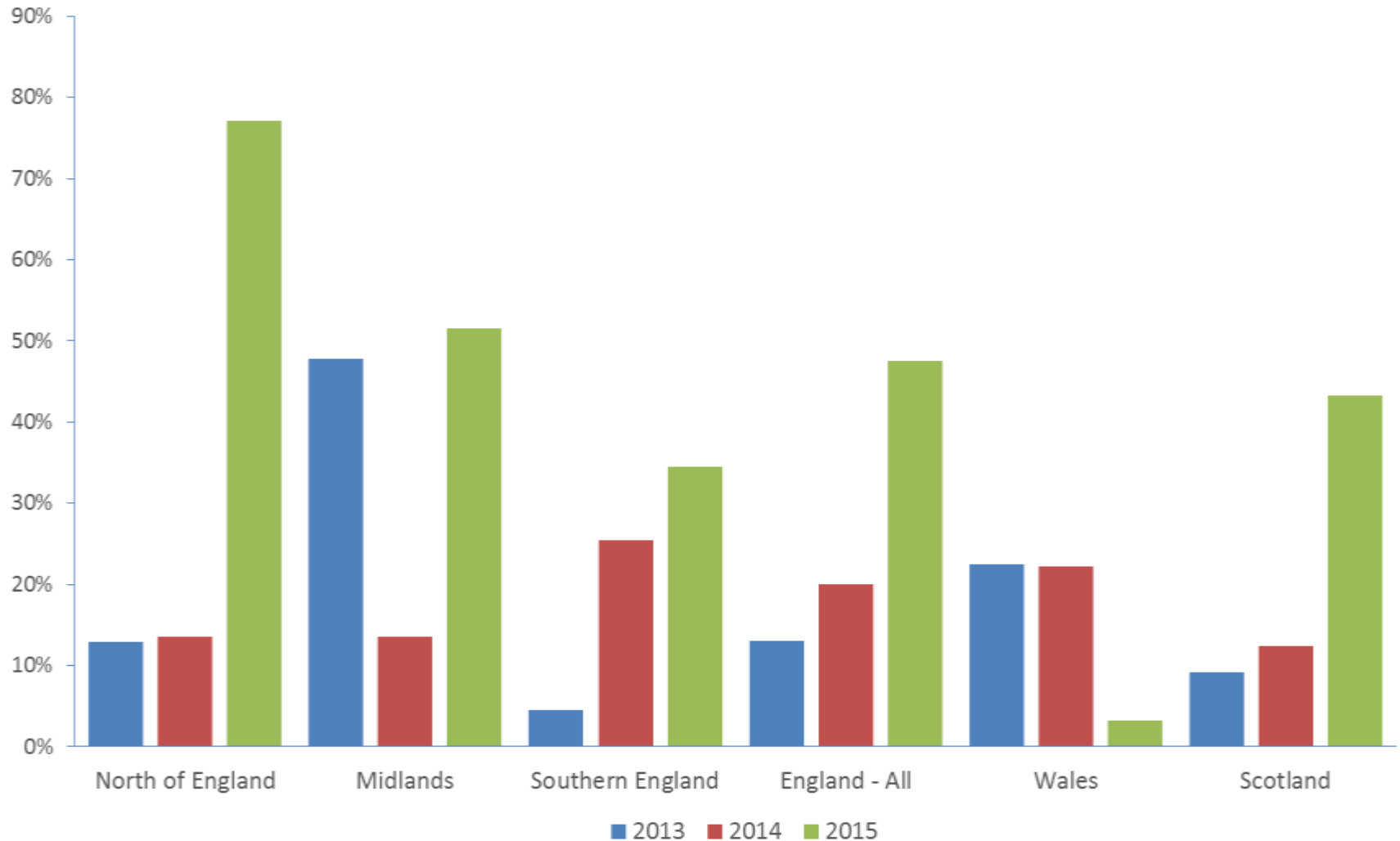
N.B. Includes residential projects of all sizes, residential units on non-residential schemes and conversions. Source: Glenigan

## Residential Planning Approvals



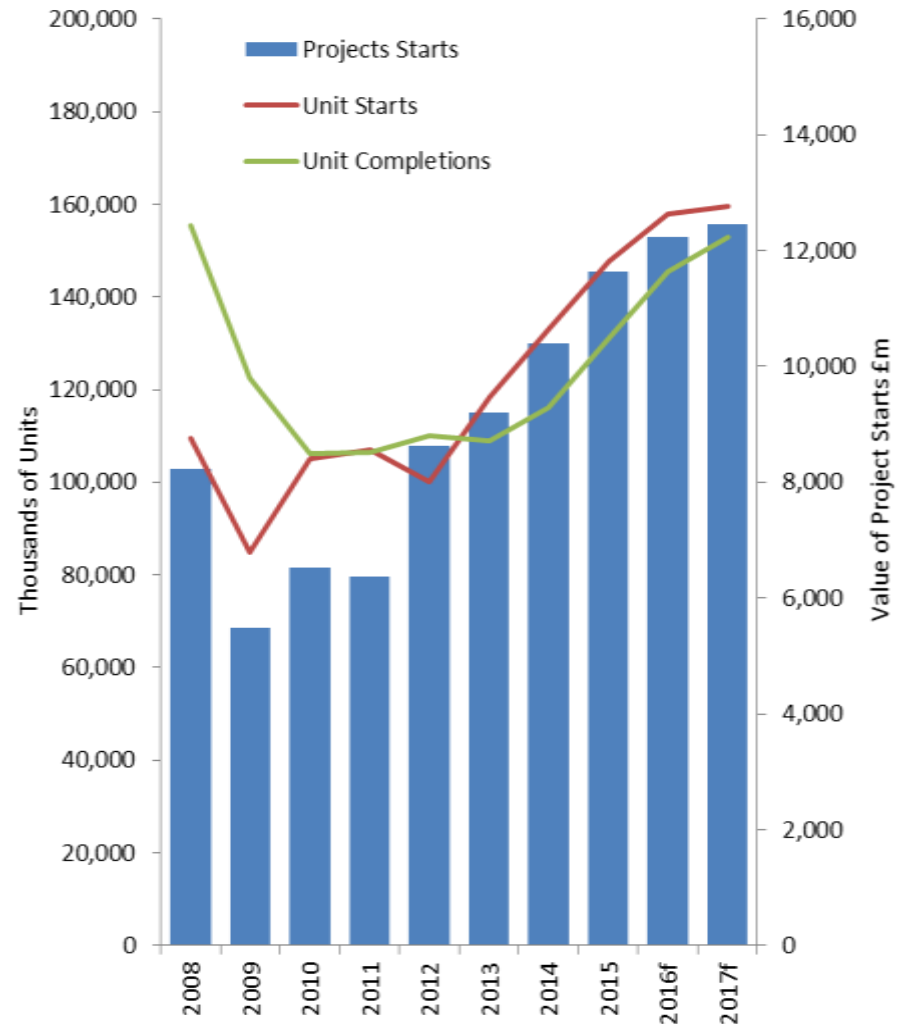
Source: Glenigan

# Strengthening Planning Approvals Across UK



# Private Housing

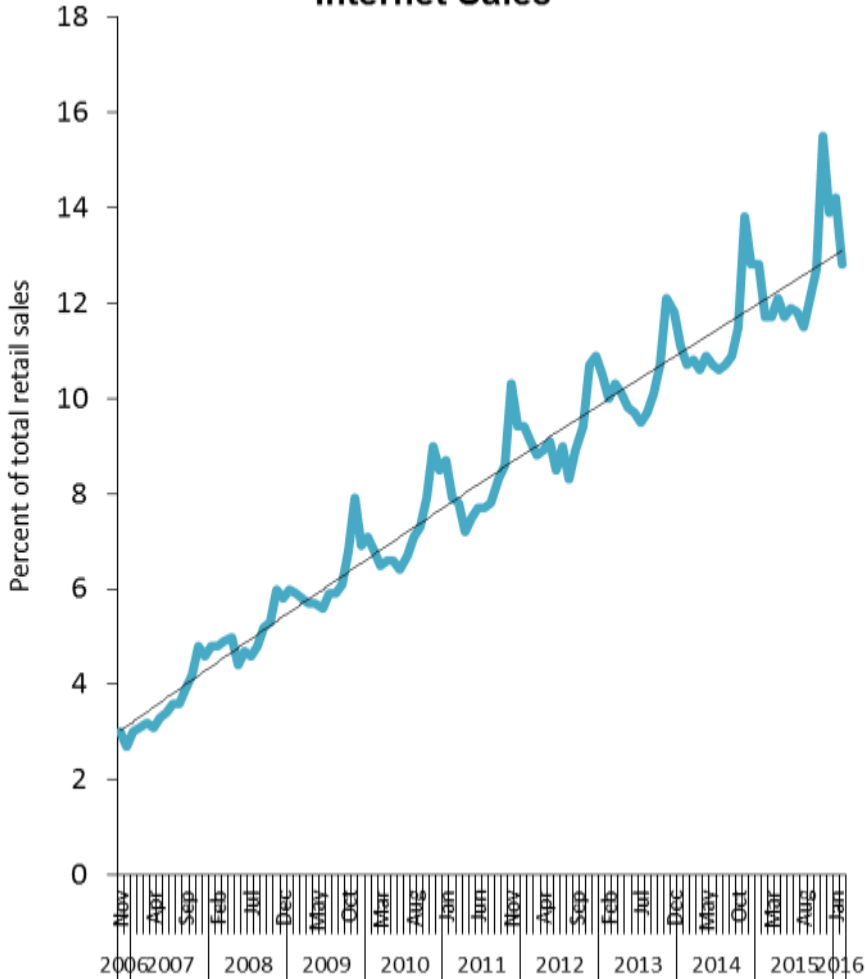
- Growth driven by
  - Rising household incomes and confidence
  - Improved mortgage finance availability
  - Government initiatives lifting market
  - Increase in planning approvals
- Brexit Market Risks
  - Uncertainty deters house purchasers
  - Weaker employment & earnings growth
  - Tighter lending rules
- Industry Capacity Concerns
  - Skilled labour availability
  - Material shortages & costs



Sources: DCLG, Glenigan

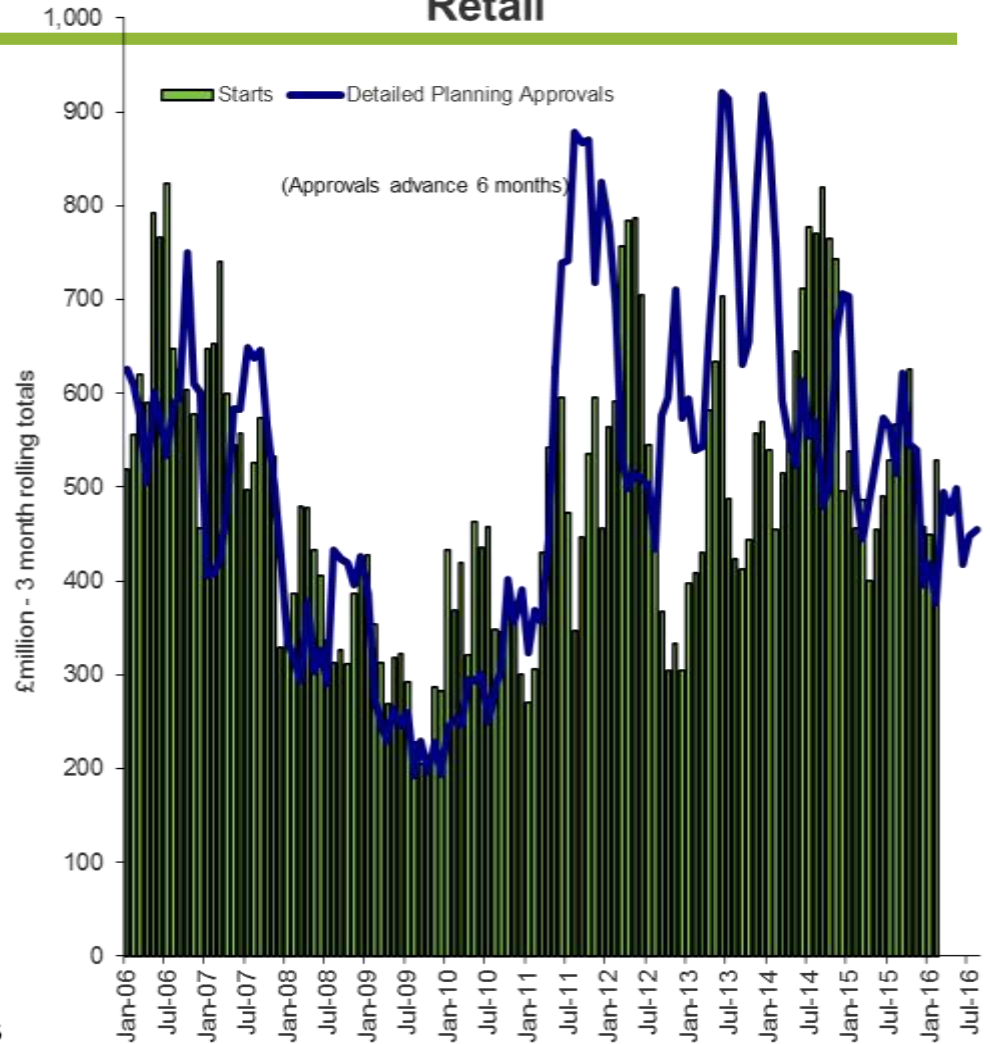
# Retail Evolution

## Internet Sales



Source: National Statistics

## Retail

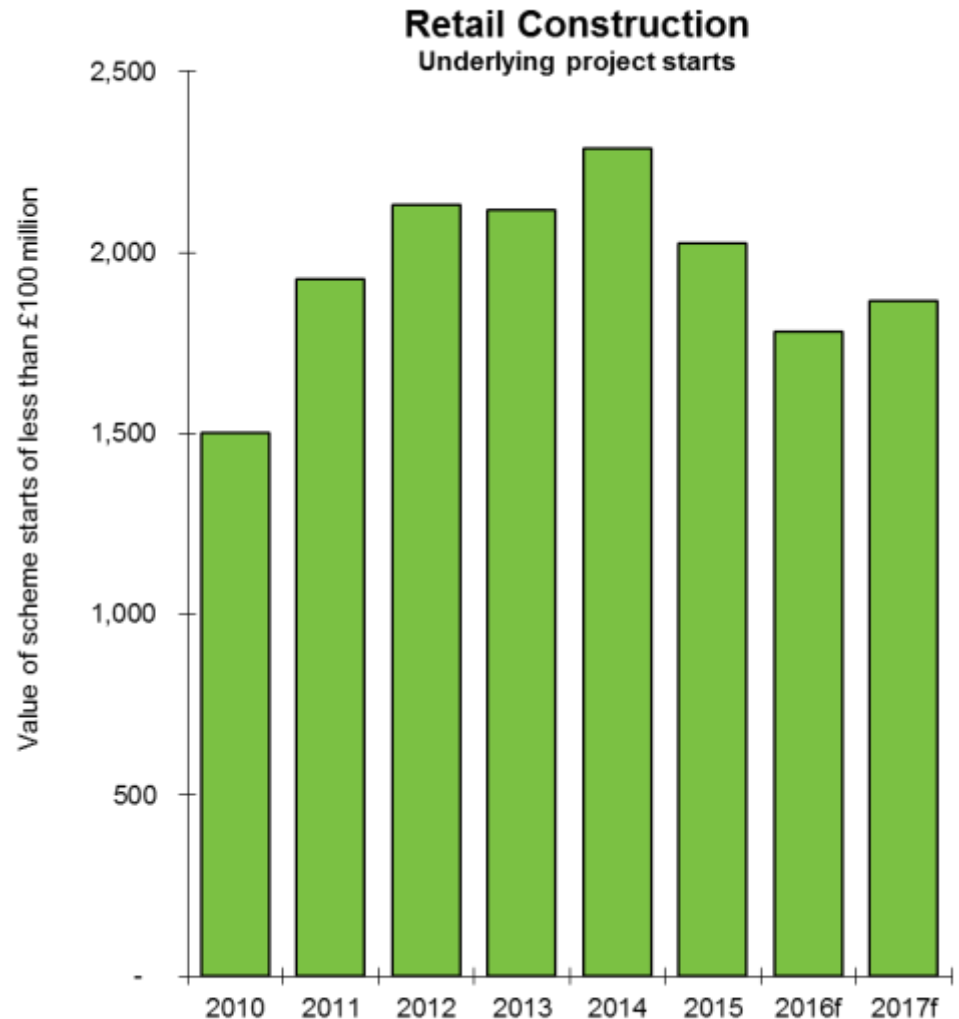


Source: Glenigan



# Retail Construction

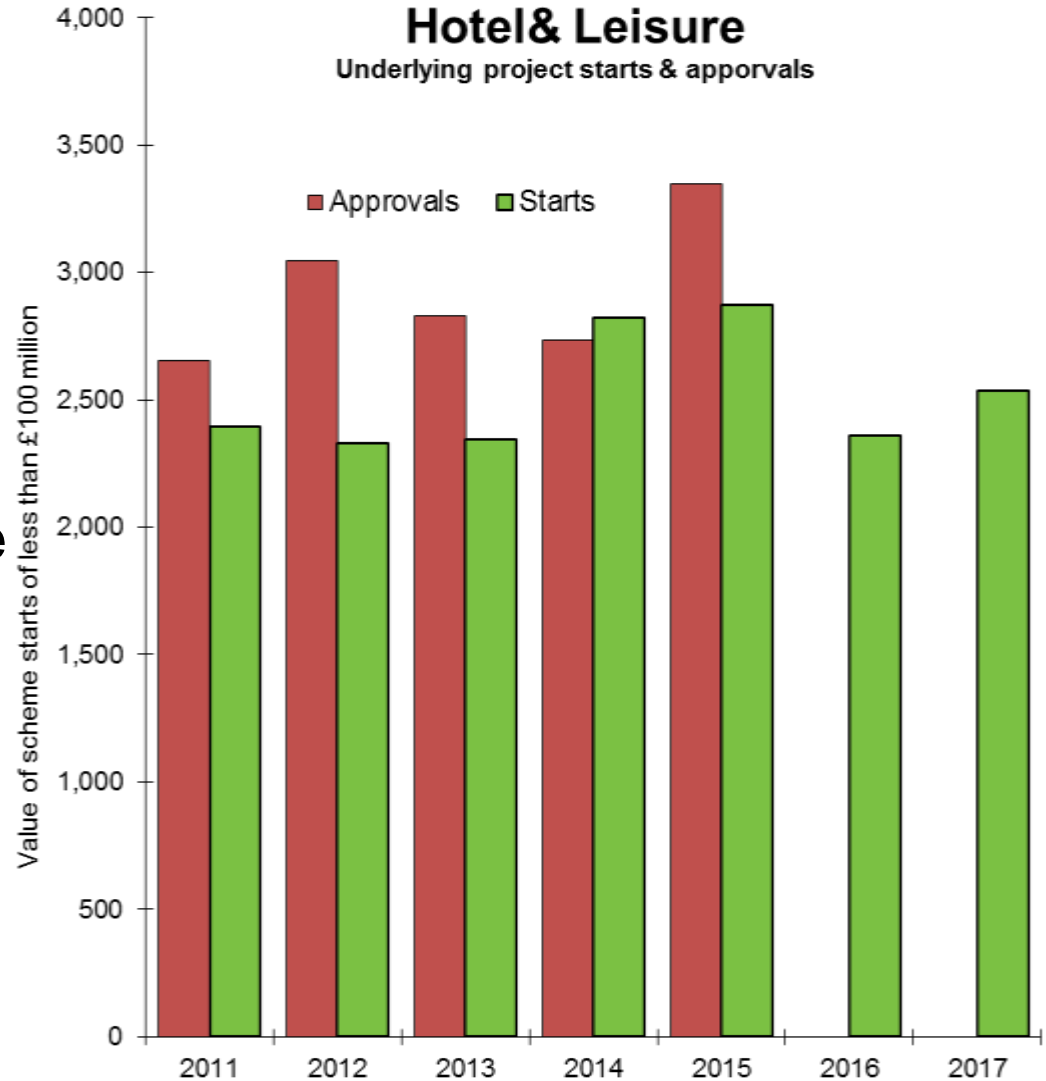
- Retail sales have been rising but:
  - Shifting spending patterns
  - Weaker consumer spending ahead?
- Supermarkets
  - Top four chains squeezed
  - Discounters step up investment
- Internet challenge:
  - High street evolution
  - More smaller scale fit-out projects
  - Destination shopping centres – existing locations expanding



Source: Glenigan

# Hotel & Leisure Starts

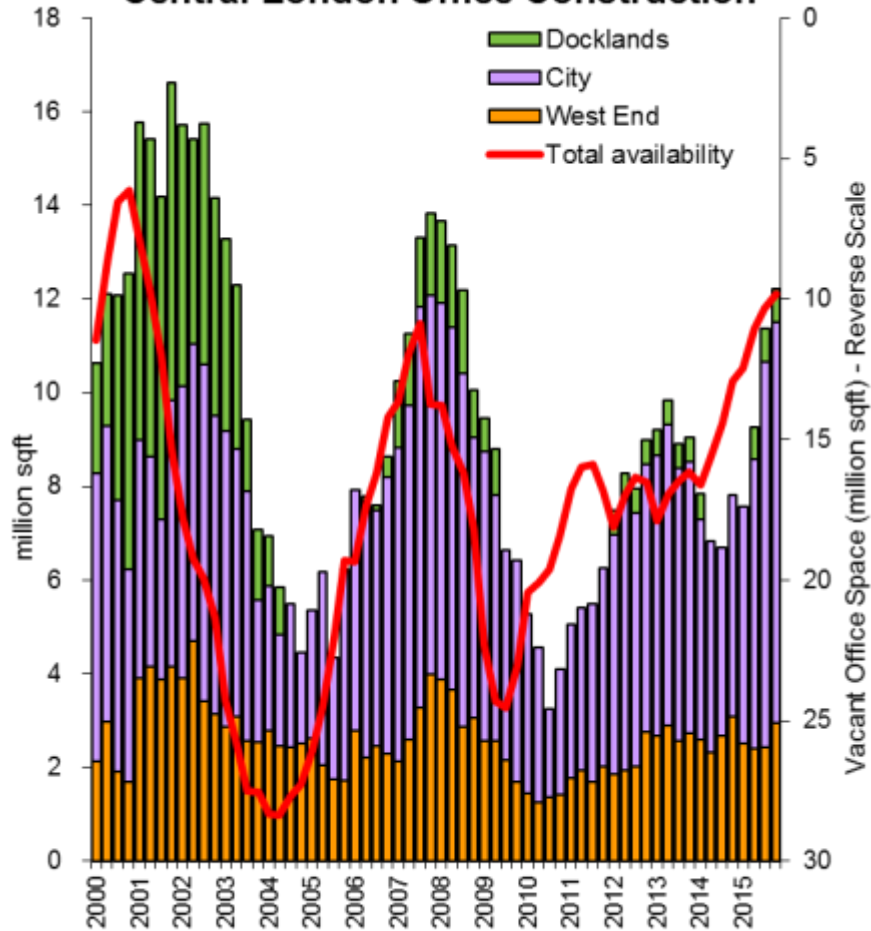
- How will UK consumers respond to Brexit prospects?
- Weaker Sterling boost for overseas visitors
- Hotel expansion plans
- Firm development pipeline
- Consolidation in 2016
- Renewed sector growth in 2017



Source: Glenigan

# Office Construction

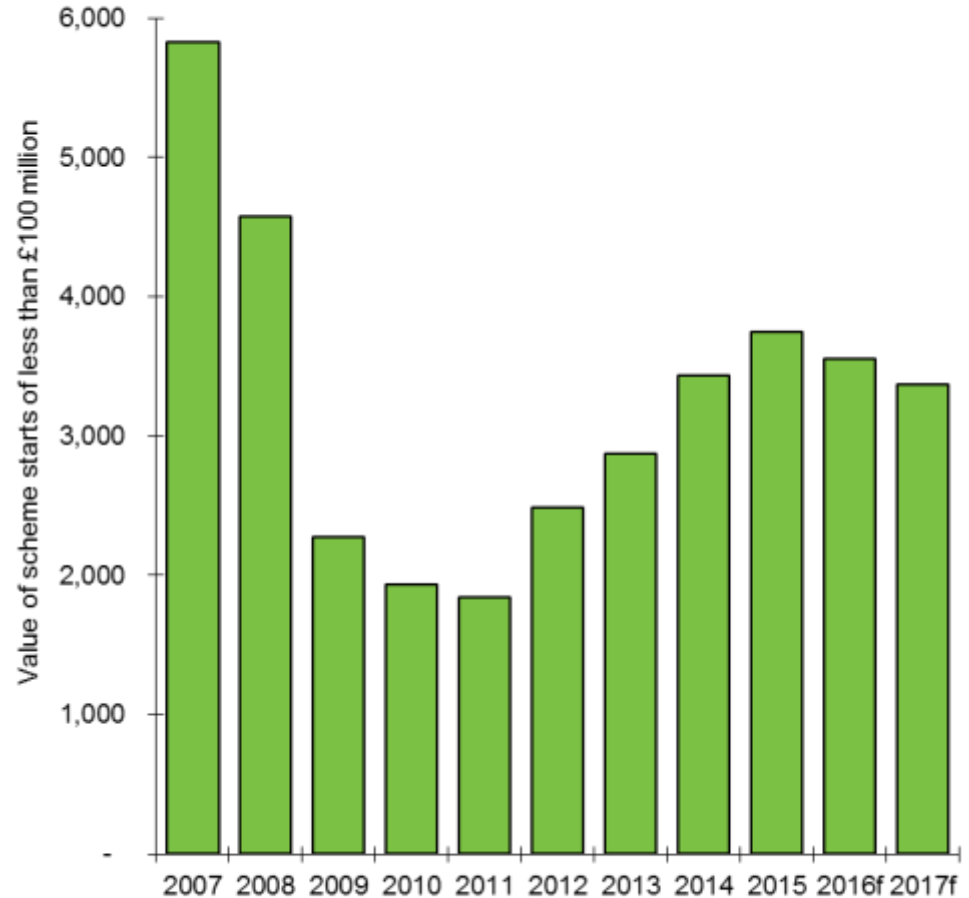
## Central London Office Construction



Source: Knight Frank

## Office Construction

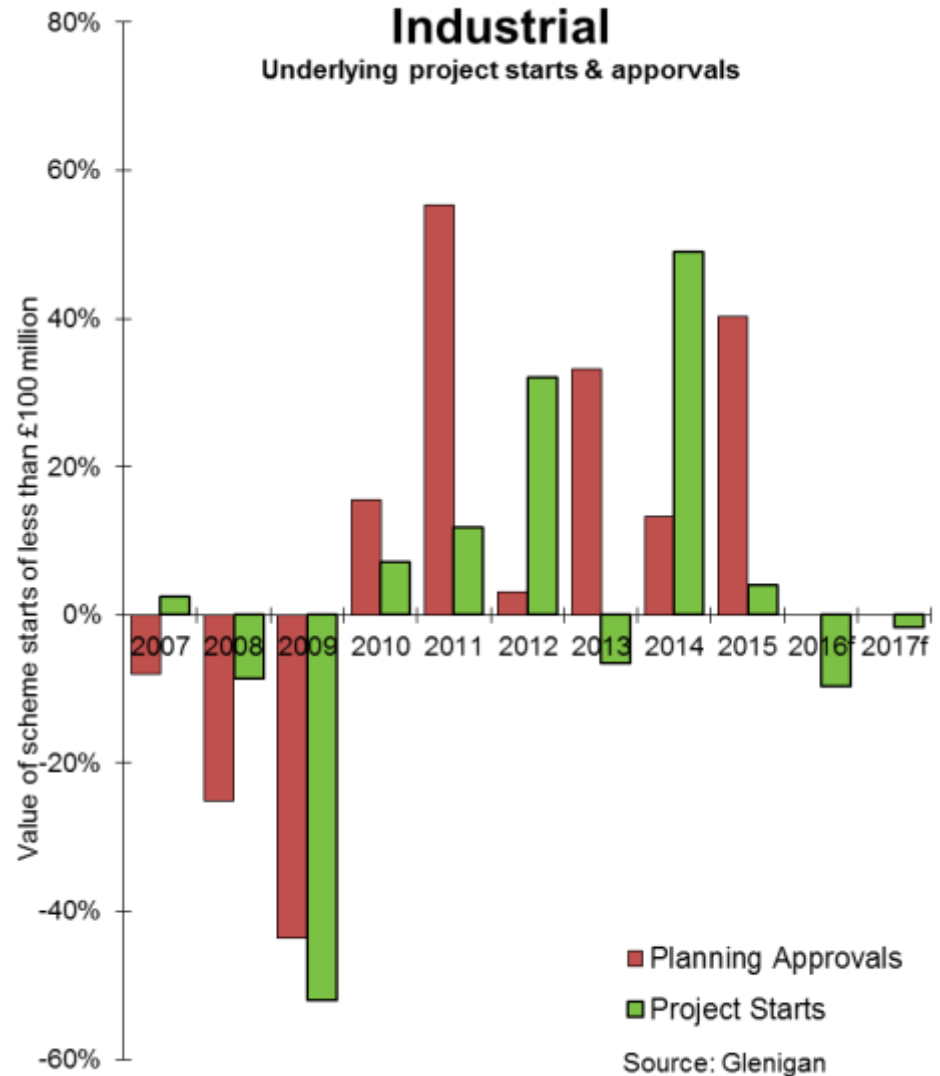
Underlying project starts



Source: Glenigan

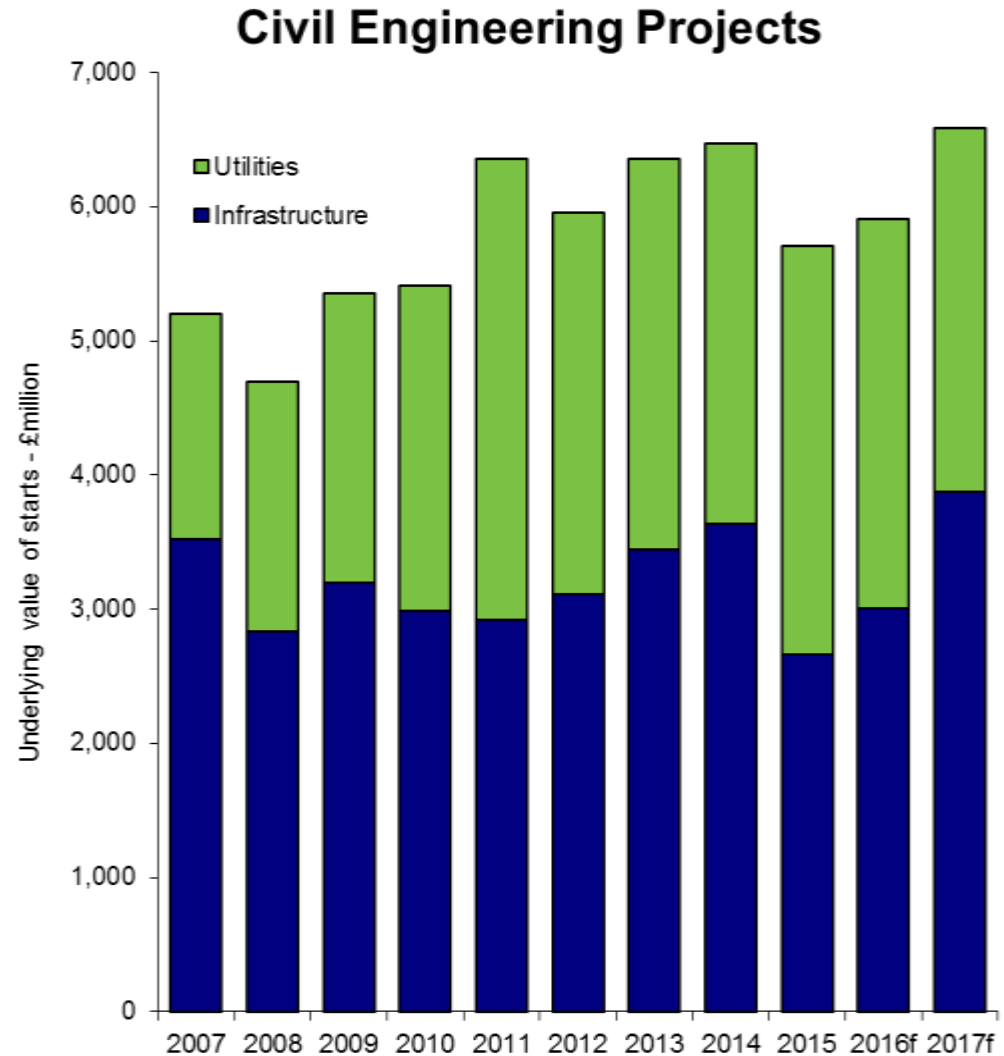
# Industrial Renaissance

- Rapid growth in recent years
- Strong demand for logistics space
- Investors nerves have hit project starts,
- Strong development pipeline, but
  - Warehousing starts to remain weak near term
  - Manufacturers' long term outlook hit by Single Market fears



# Civil Engineering

- Faltering in underlying project starts
  - Network Rail spending constrained
  - Support for renewables cut
  - New 'dash for gas'?
  - Highway England development programme
  - AMP6 gathers momentum
- Major projects
  - Crossrail –reduced contribution
  - Northern Line extension
  - Thames Tideway
  - Hinckley Point, HS2, Airport Capacity?



Source: Glenigan

# Construction Prospects

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- EU referendum uncertainty prolonged by Brexit vote
- Slower UK economic growth
- Government has looked to private sector to lead the recovery
  - Business investment hardest hit by Brexit
  - Consumer confidence also vulnerable
- Weak housing market growth during 2016 & 2017
- Retail property facing structural change
- Office development pipeline vulnerable
- Industrial starts lower
- Civil infrastructure activity dampened by cost reviews, shift in energy policy & political prevarications
- Construction back in recession – falls in project starts & output

# Private sector drives recovery

Change on previous year	2014	2015	2016f	2017f
Private Housing	13%	12%	5%	2%
Social Housing	-1%	-6%	-7%	-21%
Industrial	49%	4%	-10%	-2%
Offices	20%	9%	-5%	-5%
Retail	8%	-11%	-12%	5%
Hotel & Leisure	20%	2%	-18%	7%
Education	10%	5%	-4%	6%
Health	8%	-27%	6%	13%
Community & Amenity	-6%	-17%	17%	5%
Infrastructure	6%	-27%	13%	29%
Utilities	-3%	7%	-5%	-6%
Total	10%	0%	-2%	1%



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# G Glenigan

State of the UK civils market  
Mark Hansford | New Civil Engineer

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# State of the UK civils market

What does Brexit mean for UK infrastructure

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# 7

## Reasons to be fearful



# 1. Heathrow: It's dead in the water now isn't it?

Boris Johnson and Theresa May are huge opponents of the scheme; as are most London MPs



## 2. HS2: It's a luxury. Can't we kill it once and for all?

It's running late and over budget and there remains division over the route north of Birmingham



# 3. Hinkley: That was already a goner wasn't it?

Buildability is clearly a concern with problems besetting Flammanville, EdF has cash flow problems and the French unions are against it too



# 4. Tideway: We were only building it to meet EU environment legislation – so can we scrap it now?

Prominent engineers remain opposed on value for money grounds and funding is from the EIB





# 5. Transport for London: Sadiq has already put everything up for review, hasn't he?

New mayor Sadiq Khan has put a review on all projects and spending to meet his fare freeze pledge



## 6. Highways England: Dead easy for government to make cuts here isn't it?

The real boom in spending comes in the next five year period and that is now very much exposed to chancellor George Osborne's "need to rebalance the economy"



# 7. Network Rail: Well it's already scaled back its delivery plans hasn't it?

Network Rail's public delivery meltdown – mainly around Great Western Electrification – means it has already scaled back its plans in this Control Period.



# 7

## Reasons to be cheerful



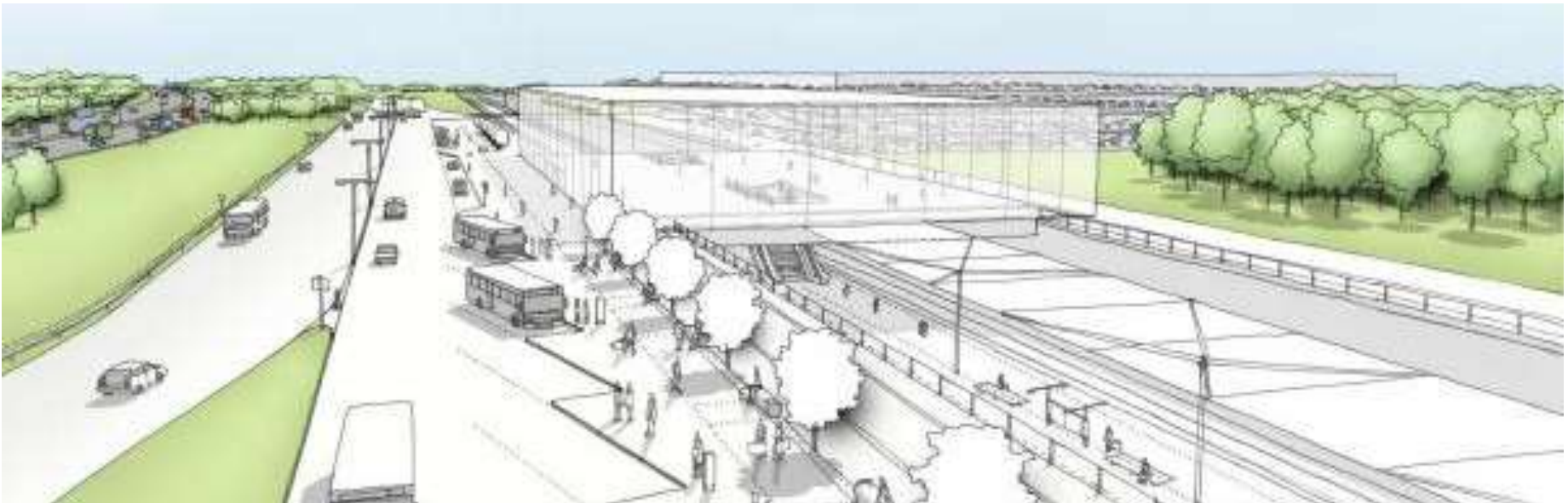
# 1. Heathrow's loss is Gatwick's gain

There is a strong engineering argument that says build Gatwick 2<sup>nd</sup> runway as a short/medium term solution - and start planning now for the Thames Estuary airport



## 2. The case for HS2 is strengthened

So much work has now gone into HS2 that it would be hugely embarrassing to cancel it now – domestically embarrassing but also internationally



### 3. Hinkley is unaffected – honest

The need for energy has not gone away. It is a problem that really cannot be ignored.



## 4. Tideway is far too advanced to interfere with

Contracts are awarded, work has started – it would be hugely expensive legally to stop it now – surely?





# 5. Transport for London's projects are too crucial to London to mess with

New London mayor Sadiq Khan is an advocate of transport investment – as a former transport minister he helped push the button on Crossrail



# 6. Highways England is most able to get spades in the ground

Highways England is working up a scenario where it is asked to find a bunch of shovel ready schemes across the country to serve as economic stimulus



# 7. Network Rail is dangerous to mess with

Much of Network Rail's work is safety-driven, and it would be unwise to interfere. Train Operating Companies have a big say too



# Conclusion: the industry is really, really worried

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The good news: Tideway is surely safe

Network Rail has already scaled back its aspirations and will have to fight hard not to have to scale them back more in the next review period

TfL's big projects are being reviewed and there will be casualties (but probably not the blasted Garden Bridge)

Hinkley was doubtful before, and is definitely more doubtful now

The aviation decision has been delayed, and Heathrow is most likely dead. But Gatwick maybe not: there is opportunity here

Highways England is in danger of unravelling, but could be called on to get spades in the ground. There is opportunity here

HS2 is easily delay-able. But it needs to go forward – it would be too embarrassing not to. There is opportunity here

# Conclusion

State of the UK civils market  
Mark Hansford | New Civil Engineer



# **G** Glenigan

Panel Discussion

Feel free to tweet your thoughts and comments using hashtag [#gleniganbb](#)



# **Glenigan**

Closing Remarks





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Thank You