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In Brief

Economy and market news round up



House prices rise at slower rate

House prices in December rose at a slower pace as the gap between supply and demand narrowed, according to the RICS.

Their latest survey for December 09 published in January 10 stated that 30 percent more Chartered Surveyors reported a rise rather than a fall in house prices, down from 35 percent in November.

A significant majority of surveyors recorded price increases in London, the South East, the South West and East Anglia. However, more surveyors in the North and the West Midlands saw falls in house prices indicating that the recovery in the market is less entrenched in some parts of the country than others.

For the seventh consecutive month, more Chartered Surveyors are reporting that the number of new instructions is increasing rather than falling. 20 percent more surveyors stated that enquiries from potential purchasers are rising rather than falling but enquiries rose at the slowest pace since January 2009. [More information from www.rics.org](http://www.rics.org)

Construction industry facing another bleak year says CPA

After an estimated fall of more than 12% in construction output in 2009 – the largest fall in a single year since records began in 1955 – the latest construction forecasts from the Construction Products Association predict a further decline of 3% in output this year, with the first tentative signs of recovery not expected until 2011.

The CPA goes on to predict that when it does come, the recovery will be very slow with annual growth of less than 1% in each of the three years from 2011-2013.

The one area where the forecasts see consistent growth throughout the forecast period is on infrastructure, driven initially by significant investment in rail and road projects, and towards the end of the period by Crossrail and the start of the nuclear programme [More information from www.constructionproductsassociation.org](http://www.constructionproductsassociation.org)

Public sector workloads continue to support construction activity

The latest construction market survey from the RICS has reported that construction workloads fell again in the third quarter 2009 for all sectors except for the 'other public works' category.

However, the net balance of surveyors reporting that activity fell over the period narrowed to just 6%; this represents the best reading in the headline indicator since Q1 2008.

The worst sector remains private / commercial, where 12% more surveyors saw workloads decline than increase; this compares with a negative reading of 41% in the previous three month period.

The picture in the private industrial sector is not dissimilar. 10% more respondents in the survey saw activity levels fall then rise in Q3 but this is still a significantly better outturn than the Q2 result of -39%. [More information from www.rics.org](http://www.rics.org)



William Young (Bill)
1933 - 2010

Former Wakemans' Chairman remembered

Many tributes have been received from those involved in property and construction for former Wakemans' Chairman Bill Young who sadly passed away in January aged 77.

Bill spent 39 years at Wakemans after joining the Glasgow office in 1960. He moved to Birmingham in 1966 and played an important role in the growth and development of the company until he retired in 1998. Bill earned enormous respect from those who knew him and he built a reputation for professionalism and customer service for Wakemans that remains today.

Bill will also be remembered for his hard work and commitment to many sporting and charitable organisations outside of work, particularly Acorns Children's Hospice. A memorial service was held for Bill at his local parish church on 1st February.

New environmental standards for commercial property will create confusion

Another new system to measure the environmental impact of buildings has been launched. The Ska Rating has been produced by the Royal Institution of Chartered Surveyors (RICS); it applies to office fit outs and is the latest in a growing list of measures being introduced by different parties and bodies.

Whilst we all recognise the need to measure and benchmark Adrian Aston believes that there is a danger that we could end up with too many conflicting systems.

"Last year we had a new Green Rating system to challenge BREEAM being implemented on 50 pilot projects in France, Germany and the UK."

"The Leadership in Energy and Environmental Design (LEED) Green Building Rating System is another certification program, which originated in the US. A number of certification bodies for LEED have been established and a two year pilot is underway."



"When you add into the mix, Energy Performance Certificates, Display Energy Certificates and the Carbon Reduction Commitment Energy Efficiency scheme it all starts to become a little overwhelming and it is difficult for clients to know which systems are pilots, those that are in use in Europe or the US and which ones are mandatory."

"Wakemans has an established team to advise on BREEAM and other sustainability issues as this is now such an important part of any construction or development project. Buildings contribute 40% of all carbon emissions, (according to the Carbon Trust), so the need to establish good practice to reduce emissions and hence energy costs is very necessary but the government needs to step in and clarify what the recognised standards are before it goes too far."

Chief Executive David Howles considers will a new government be good for the property and construction industry?

There is no doubt that we are facing another year of economical and political uncertainty and despite the recent claims that the recession is over there is not much evidence that this will have a positive impact on construction and property in the immediate future.

The global economy will have an impact on what happens in the UK and the latest predictions from the World Bank are that globally the economy will remain in effective recession during 2010 as governments withdraw stimulus measures and private sector demand remains muted. Its latest economic forecast predicts growth by 2.7 per cent this year; the International Monetary Fund has previously said that any global growth of less than 3 per cent is equivalent to a recession.

With public borrowing at an all time high of £870 billion or 61.7% of GDP, it is hard to see how any party can make a difference as whoever wins will have to make drastic cuts to reduce this figure.

Further cuts in public spending will impact on the public



sector workload which has been the only area to show much activity over the last twelve months.

The housing market is showing signs of recovery but this is largely due to the long period of low interest rates we have experienced. It is generally accepted that it will make no difference who wins the election; the only way for interest rates to go is upwards.

With the prospect of low demand continuing throughout, construction is unlikely to have a positive year. However those who are in a position to build will benefit from highly competitive tenders as contractors continue to bid aggressively for the work available. This is a window of opportunity for the brave as once the situation does improve tender prices will rise as the market races to make up the shortfall created by the recession.



A sensible approach to dilapidations will keep court action at bay

Adrian Cartwright heads up the Building Surveying team at Wakemans - he considers why dilapidations have always been one of the least understood aspects of property leases and why they always have the most potential for unwelcome surprises and disputes.

The current climate has created the ideal environment for dilapidations to make the property headlines as more landlords try to squeeze every last drop of income from their property portfolio.

Not all businesses take professional advice on the repairing obligations they enter into when signing a lease and do not take seriously enough the need to prepare an accurate Schedule of Condition, which can limit liability for repairs at the end of a lease.

With the commercial property market still in a severe recession, landlords have had to look to maximise their income from the properties that are let because it is likely that they have more vacant floor space than ever before.

This has resulted in some huge schedules of dilapidations disputes. Property company Marchmont sued the Environment Department over a property in Windsor for £300,000 and Iam Properties and McDonalds ended up in the High Court over a £390,000 damages bill.

Landlords and tenants who disagree on the schedule of dilapidations can find themselves in the High Court suing for damages far too quickly.

Clearly, the sensible approach is for tenants to carry out regular maintenance to keep the property in a condition compliant with the lease obligations and for landlords to issue interim dilapidation schedules during the period of the lease rather than one big one at the end.

In an ideal world this would solve many of the problems associated with dilapidations and reduce the amount of litigation but this will rarely be the case.

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