

New for Old Not Always as Attractive as it Seems

No Change for Property and Construction

#### In Brief:

A Cautious Market Stalls Commercial Property Recovery

Double Dip Ahead

Experian Reports Insolvency Rate of Businesses Hits Three Year Low

New Regulations will Improve Efficiency but at What Cost

War Memorial Relocation



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## In Brief

Economy and market news round up



### A Cautious Market Stalls Commercial Property Recovery

The latest RICS Commercial Market Survey has found that demand for commercial property continues to decline, with the official sector seeing the largest falls. After a positive start to the year, occupier demand fell for the second consecutive quarter in Quarter 3 2010.

Demand for office space showed the greatest decline and chartered surveyors report that concerns over the economy have prompted a more cautious attitude from firms when making investment decisions, which is impacting heavily on the market.

### Double Dip Ahead

The Construction Products Association's industry forecast, published in September 2010 indicates that the UK construction industry is heading for a double dip recession. Despite strong growth in the spring and early summer, the forecasts show output will fall in the remaining months of 2010 and the decline will continue into early 2011.

Whilst there was a bounce back in the first six months of 2010 the figures are deceptive - this year is one of two halves and construction output is now slipping back as a result of the growing uncertainty in the housing market, along with the cuts in public spending.

### Experian Reports Insolvency Rate of Businesses Hits Three Year Low

Experian, the global information service, has reported that its latest insolvency index has revealed the rate of insolvencies has dropped to its lowest point since June 2007.

Also, the average financial strength score for businesses increased from 80.79 in August 2009 to 81.06 in August 2010, with the biggest increase in financial strength coming from the smallest businesses (those with 1 or 2 employees) from 81.32 in August 2009 to 82.22 in August 2010.

## No Change for Property and Construction

The long awaited comprehensive spending review has not really helped the construction and property industry see a clearer way out of this recession. It was rather like the budget in that it was still lacking in detail about some key areas.



There was good news in that new funding has been released for the maintenance of schools buildings. Capital spending has been cut by 60% by 2014 after the scrapping of the Building Schools for the Future programme but £15.8bn will be spent on replacing or refurbishing 600 schools.

Infrastructure and transport projects have not been hit too badly. For the West Midlands region this means the redevelopment of New Street station and the Midland Metro tram extension from Snow Hill to New Street will go ahead.

The confirmation of the introduction of tax increment finance (TIF) which will allow local authorities to fund key projects is welcome. This initiative could help stimulate future development across Birmingham and the West Midlands but again the devil will be in the detail. Also with so many changes in how regeneration will be funded and managed it is difficult to estimate what impact this will have as the regional development agencies and other quangos begin to close down.

Energy could be one of the best growth areas for construction in the future. The Green Bank has received more funding and the Department of Energy and Climate Change (Decc) had one of the smallest overall cuts of just 5% per year with nuclear power, green energy and climate change initiatives escaping relatively unharmed.

## New for Old Not Always as Attractive as it Seems

The property pages and agents window are full of great deals for businesses that are looking to upgrade their existing premises. John Woodhall warns that businesses could find themselves with a huge dilapidations bill and expensive litigation if they do not plan carefully before succumbing to temptation.

The SME sector is currently more active in looking to reduce their outgoings by moving into smaller and/or better premises with more favourable rents and terms. This may seem to offer a lifeline to businesses eager to cut costs but it is usually this type of business that is unaware of the implications of leaving their existing premises.

The tenant and landlord relationship can be volatile and if a landlord has a tenant leaving to take up a great deal then the best weapon they have is dilapidations.

The savvy tenant needs to negotiate with their new landlord a deal that takes into account the outstanding liability of leaving their current premises.

It is possible for businesses to exploit the current market conditions and benefit from the sales incentives being offered but they need to consider every part of the transaction.

Traditionally we have seen that SME business managers and directors often feel that they can manage their own property needs without the expense of professional advice.

This severe recession, that is not over yet, is beginning to change that perception and maybe we will have a wiser and more informed business owner/manager when this is all over.





# War Memorial Relocation

Wakemans acted as Project Manager on the recently completed £35million Warwickshire College developed by St Modwen. As a part of the project they recently managed and took part in a ceremony to relocate The Rugby War Memorial.

Ex Servicemen's Association and children from Boughton Leigh Community Junior School were invited to bury two time capsules beneath the Rugby war memorial, which was relocated from its previous position on Mill Road. The original time capsule, placed under the base of the monument when it was first constructed at the end of World War One, was unearthed during the process and this has now

been re-interred together with a new time capsule collated by members of the Ex Servicemen's Association, and with help from Boughton Leigh Community Junior School.



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# New Regulations will Improve Efficiency but at What Cost

The recently introduced changes to Part L have cranked up the low-carbon agenda and are going to have a substantial influence on the design and cost of all commercial and domestic buildings.

The changes require a 25% aggregate improvement in energy efficiency across the commercial industry and a 25% flat improvement in all domestic properties.

The timing of this new legislation is unfortunate in that the industry has many difficulties to overcome not least from the dramatic reduction in funding in the public sector and a very fragile recovery in the private.

Clients with projects that obtained planning consent, and Building Regulations approval by October, had the option of proceeding on the basis of the existing Part L, as long as work started on site by October 2011 - subject to negotiation with building control but they risk having a completed building that is worth less in the near future because it fails to meet current standards.

The drivers for the changes are clear, with building accounting for 45% of all UK carbon emissions, the industry has a major part to play in helping the government reach its aim of reducing carbon emissions by 80% by 2050.

It is early days to estimate the cost implication of the new legislation but it is likely to increase building cost by a minimum of 1-5%

There may be some benefits in that more owners will need to specify plant and equipment that qualifies for Enhanced Capital Allowances (ECAs) and could benefit from increased tax relief. ECAs are available for high-efficiency plant and equipment such as boilers, chillers, motors and lighting, so long as they are on the ECA approved technology list.

