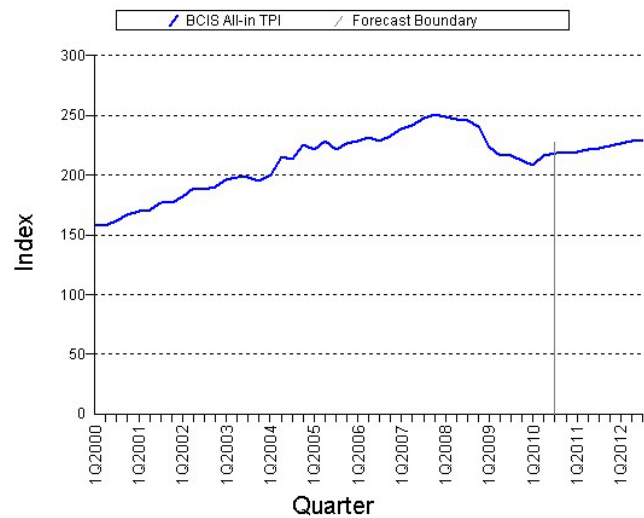


Rising Prices and Tough Times Ahead for Smaller Construction Companies

There is still increased competition for work as larger firms bid for smaller projects and bids drop below costs in order to secure survival.

Smaller firms may also lose out on those areas where funds have not been cut, such as transport and infrastructure. Many major high profile transport projects will be procured via restrictive framework agreements which are biased towards the bigger national firms.

Competition remains intense but the BCIS suggest that declining tender prices are coming to an end because although the cost of tradesmen and overheads continue to fall, raw material prices are rising – evidenced by the recent hike in steel, creating a difficult operating atmosphere.



The BCIS predicts that new work output growth in 2011 will be very small with almost no change on last year and remaining subdued in 2012.

Tender prices have been cut to zero profit or even negative pricing in order to win work over the last twelve months as some companies saw this as the only option for survival.

The latest news that local company GAJ group from Coventry has gone into administration and other recent other high profile failures at Connaught and Rok, illustrate the problem.

This trend must be reversed as the only result is more companies failing. We need to see a return to responsible tender prices to bring some stability to the market next year.

New Funding for Community Use Buildings

Voluntary and community sector organisations have been given a new opportunity to progress capital building projects with additional funding announced from the BIG Lottery Fund of £75 million.



Photo: Antony Rees, managing director of J Harper and Sons, with Adrian Aston from Cutnall Green Memorial Hall Committee and the presentation of a time capsule to mark the building of the new Cutnall Green Memorial Hall.

“This is extremely welcome news,” says Adrian Aston, “There are 9,000 halls in the UK which represents the largest network of community owned facilities in the country with a total asset value of over £3 billion.

“These facilities are often the vital lifeblood of any community, especially in rural areas and capital expenditure to improve or replace these halls has traditionally been very difficult to obtain.”

The BIG Lottery Fund is investing the £75 million through its Reaching Communities programme. The money will be available for all types of multi-purpose buildings used by communities including memorial halls, community centres and village halls. Groups can apply for funding of between £100,000 and £500,000 for projects that have a total value of no more than £750,000.



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April 2011

Recycling scheme supports local school

Rising prices and tough times ahead for smaller construction companies

New funding for community use buildings

In Brief:

Downturn has minimal impact on budget hotel construction

Latest economic data fuels concerns over construction

RICS Housing Market Forecast 2011



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In Brief

Economy and market news round up



Downturn has minimal impact on budget hotel construction

Despite the economic downturn the UK's hotel sector is continuing to expand, with new-build budget hotels accounting for 55 per cent of the 95,000 extra rooms introduced since 2003, according to the annual Trends and Developments Report from the British Hospitality Association (BHA).

Over 5,300 of the new rooms added last year were by budget hotels. Established companies like Travelodge, the UK's fastest growing hotel chain, continued their expansion programmes, while new brands such as Citizen M, H10 and Tunes opened their first properties in the UK.

Latest economic data fuels concerns over construction

The latest GDP figures have given cause for concern at the Construction Products Association (CPA), which is worried about the impact the downturn in the economy will have on the construction industry.

The statistics – which highlighted a 3.3 per cent fall in construction output during the final quarter of 2010 – were disturbing as they came on the back of two quarters of relatively strong economic growth. CPA chief executive Michael Ankers says the data indicates that recovery in the UK economy has stalled even before the full impact of the public sector spending cuts is felt.

The Construction Products Association is forecasting that construction output will fall again in 2011, by a further 2%, and that this, in turn, will impede the pace of the recovery in the wider economy.

RICS Housing Market Forecast 2011

The Royal Institution of Chartered Surveyors (RICS) is predicting another 12 months of subdued activity for 2011.

The RICS believes that transaction levels will remain flat, with sales volumes close to the 900,000 recorded in 2010 (HMRC statistics), especially if the current pattern of a narrowing gap between supply and demand is sustained.

In terms of the outlook for prices, the RICS Housing Survey suggests a downward trend stabilising in the spring with prices beginning to creep upwards again before the end of the year.

Recycling Scheme Supports Local School

An innovative recycling initiative is saving a Birmingham school money and helping to reduce the amount of construction waste going to landfill.



Wakemans is collecting quantities of waste wood and plastic for students at Hall Green School to use in their product design projects. The left over materials are odd-sized lengths, unfit for any other purpose, and would otherwise have ended up in skips.

Senior project manager David Jones came up with the idea when he realised the extent of the budget cuts and the impact this could have on the school.

He says: "We have had tremendous support from the contractors we work with. They set aside small quantities of waste materials, which we can easily return from site with. What is available depends on the nature of the construction scheme, of course, but the school welcomes pretty much anything so long as it is clean and safe to handle."

Sisk Group and Ipswich-based Barnes Construction have supplied timber off-cuts from their work on leading hotel projects, while Ashley Signs of Leeds has donated pieces of the acrylic and vinyl plastic it uses in sign manufacture. Anglo Holt, which operates a recycling and waste segregation system at its construction site in Elmdon, is also supporting the initiative and has invited Hall Green School to collect materials from the site.

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