

ONS revises up UK construction sector data



Revised figures from the Office for National Statistics show that the downturn in UK construction during the first three months of 2011 was not as bad as first reported, with output down 4%, rather than the 4.7% estimated.

Industry leaders will be disappointed that the change was not more positive. As

many had expressed serious doubts about the validity of the Government data.

The Construction Products Association latest Construction Trade Survey (May 16) – which brings together information from contractors, product manufacturers, specialist and civil engineers – reports a slight improvement in construction during Q1. It cites better operating conditions as the reason for this, due to the unseasonal mild and dry weather, restocking and a favourable exchange rate.

Commenting, CPA Economics Director Noble Francis said: "The survey highlights that the situation for construction product manufacturers remained challenging in the first quarter of 2011, yet this is a considerable improvement on 2010 Q4, which suffered greatly from the impacts of the bad weather in November and December.

"47% of manufacturers reported that sales of construction products rose in 2011 Q1, compared to just 14% in 2010 Q4. Yet the scale of the fall in the official figures is extremely surprising and inconsistent with information from the survey and anecdotal evidence from the industry."

The ONS survey data form the basis for the Bank of England's decisions on macroeconomic policy, such as interest rates, as well as government intervention in key areas, so accurate figures are vital to ensure effective policymaking.

Last year the ONS changed its construction data methodology and economists agree that the errors have most likely arisen because of a lag in the way output is recorded.

Wakemans director John Woodhall says: "It is disappointing that we do not have figures we can rely on, however there is a general consensus in the industry that the [ONS] figures were not right this year or last year either."

"Our experience is that construction activity across the UK has been flat but we are seeing pockets of growth in some sectors. London is likely to lead the way and recent figures suggest that office building in the capital is up 137% on December 2010."

Commissioning school buildings – the way forward

Despite the widely held view within construction that the Building Schools for the Future (BSF) programme was essentially flawed, will the James Reports' proposals for improving the process of commissioning and building schools provide the ideal solution?

BSF delivered far fewer new schools than intended and at too high a price. Thanks to the 'framework' nature of the initiative, some local authorities became more interested in procuring landmark buildings, and because contractors were allowed to drive the programme, insufficient attention was paid to what individual schools required to best carry out their responsibilities.

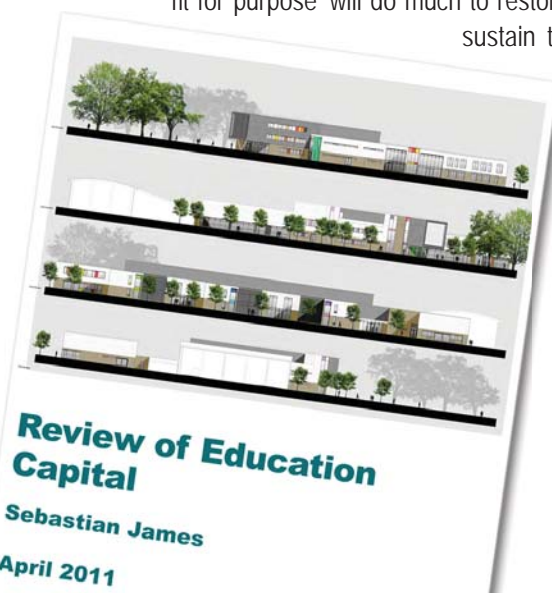
"I fear we are trying to create an environment for learning without looking at the education process itself," says director Adrian Aston.

"Schools need a far greater degree of flexibility, both in terms of being able to expand classrooms out into larger rooms and in the use of equipment, but I see no evidence that this will be addressed by whatever replaces the discredited BSF."

One recommendation in the James Report is to introduce greater standardisation. Adrian believes that although greater standardisation in school design would help to reduce procurement, design and construction costs, the education sector could learn from hotel operators and drive down costs by incorporating pre-fabricated elements such as toilet blocks, changing rooms and kitchens.

"I am convinced that a database of knowledge about school buildings along with a standard maintenance regime should be included in the proposals, otherwise the dilapidation problem can only get worse.

"Public sector spending cuts have contributed to a five per cent fall in construction, yet a schools building programme that is truly 'fit for purpose' will do much to restore output and sustain the economic recovery."



June 2011

Localism Bill to impact on developers

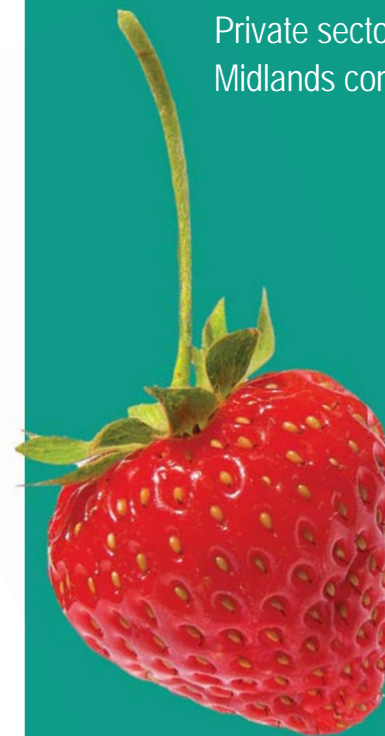
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In Brief:

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CBI predicts 'sluggish' UK growth

Private sector boosts West Midlands construction



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In Brief

Economy and market news round up



RICS reports surge in London office space demand

According to the latest RICS UK Commercial Market Survey, office space in London outperformed all other sectors and regions of the UK's commercial property market during the first quarter of 2011. In Greater London 43% more surveyors reported increases rather than falls in demand.

Tenant demand rose in Q1, with 10% more surveyors acknowledging a rise rather than a fall, but this was insufficient to counteract increases in available floor space for much of the UK. Surveyors predict that rents will continue to slide, with only London – where they expect rents to increase faster than at any time since Q3 of 2007 because of high levels of demand and a shortage of available space in the office sector – bucking the trend.

CBI predicts 'sluggish' UK growth

Stronger net exports and business investment will drive UK growth over the next two years, but the pace will be 'sluggish', according to the CBI's latest economic forecast.

GDP for 2011 is expected to grow by 1.7% – slightly lower than the previous forecast of 1.8% – while the growth rate of 2.2% predicted for 2012 is down from February's forecast of 2.3%.

Higher commodity prices will help drive inflation up during the rest of this year and into early 2012, but the rate is expected to be closer to the Bank of England's 2% target next year as the impact of the VAT rise diminishes.

Private sector boosts West Midlands construction

There are definite signs of recovery in construction in the West Midlands, according to an RICS survey which highlights an improvement in workloads in the first quarter of this year compared with the end of 2010.

While more surveyors were expecting a fall, rather than a rise, in profits during the coming year, the market was boosted by increases in the private commercial and housing sectors.

RICS West Midlands spokesperson and Wakemans director Adrian Aston said: "With ongoing public spending cuts, the construction industry is still likely to face significant challenges over the next 12 to 18 months."

"But our latest results do provide a chink of light that things are beginning to get better."

Localism Bill to impact on developers

The Localism Bill is set to revolutionise the planning system by giving communities greater control over decisions in their area, but Wakemans director James Shelley questions whether the proposed changes will herald much needed regeneration.

Under the terms of the Bill, parish councils or locally elected neighbourhood forums will be authorised to prepare Neighbourhood Development Plans (NDP) or Neighbourhood Development Orders (NDO) determining where schools, housing, shops and open spaces should be located.

The 'Power to the People' ethos is certainly a worthy one, but is based on the unfeasible assumption that non skilled volunteers can take over roles currently being carried out by salaried workers and do the same or an even better job. With only minimal guidance expected from central government, it is hard to foresee the proposals delivering anything other than uncertainty, which always lead to delays.

Developers will be especially concerned if localism becomes 'Nimbyism' and communities use their new powers to delay, deflect and prevent development. To try and avoid this, developers will need to engage in greater consultation and those who are willing to work closely with community groups and town and parish councils will be well-placed to incorporate their requirements into NDPs and navigate an easier route to securing planning permission.

There is a distinct lack of clarity in the proposals: the Regional Spatial Strategies (RSS) targets will remain in place until the Bill receives Royal Assent, so developers are unsure which rules the planning authorities are working to, while the size threshold for projects which must meet the requirement for mandatory consultation – introduced as a prerequisite for planning permission – has yet to be confirmed.

Revolutionary change does not come without a price, and it seems that it is developers who will bear the brunt of this new legislation, without any indication that the new look planning process will stimulate much needed regeneration.

Decentralisation and
the Localism Bill:
an essential guide

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