

PREDICTIONS 2015



DEFINITELY MAYBE

May's general election is a dead certainty to happen but what are the other key developments, challenges and government priorities that will shape construction's year? **David Blackman** looks ahead to 2015, and asks leading industry experts to stick their necks out

The one important event that can be predicted with cast iron certainty in 2015 is that there will be a general election on 7 May. All bets are off on the actual outcome of the poll, though, which looks harder to predict than any in living memory. The final YouGov opinion poll carried out before Building went to press showed Labour and Conservatives neck and neck on 33%. But it's the performance of the fringe parties that makes May's election so hard to call, with UKIP's vote continuing to hold up on 13%. The general election will be just one thing to impact on construction in the year ahead, but it seems likely the political uncertainty will cast a long shadow over the business climate in 2015.

Any significant UKIP representation in parliament spells bad news for the construction industry, given the party's robust anti-development line. At the very least, a strong UKIP turnout will temper Conservative enthusiasm for projects like HS2 and measures to boost greenfield housing.

John Hicks, head of government and public at Aecom, says: "What worries me is that that new government will be constrained by an inability to make decisions."

Simon Rawlinson, head of strategic research at EC Harris, gives as an example of potential delays the government's recently announced road building programme, which has been proudly touted as the most ambitious since the

seventies. However, the last significant programme, in the nineties, foundered as the then Conservative government, which had a working majority of MPs, buckled in the face of direct action protests. How much less likely will an administration with no or a very slim majority be prepared to push through such a contentious programme of work?

"Infrastructure planning could be politicised in the most extreme way," says Rawlinson. "Many decisions have been put off or just not made on the assumption that when we get to the other side it will be easier: the potential is that it will be even worse." London airport expansion, on which Lord Davies' commission will report this summer, is the most glaring example of where sclerotic, post-election decision-making could be a problem.

And even London's position as a safe haven for global investment, which has helped to immunise the capital from the wider development downturn in recent years, could be at risk if the next parliament is hung again – especially if it leads to an unstable, untested coalition. The benefit of the doubt that the UK enjoys from global investors, despite running a historically high deficit, could easily evaporate if confidence in the government's ability to tackle the problem disappears.

This will be in short supply anyway for any Labour-led administration, given the party's recent return to its anti-big business comfort zone. However, prime minister David Cameron's »

...mise to hold a referendum on Britain's membership of the European Union could pose a profound challenge to the certainty so valued by the construction industry.

...inson argues that the threat of an EU exit will make businesses question whether the UK is the right location for developments like new manufacturing plants or corporate HQs. "People will have excuses to delay making a decision or, worse, go somewhere else," says Rawlinson. "2010 will look like a golden age of stability and things done."

...ever, while Tony Williams of the consultancy Building Value acknowledges that uncertainty will generate uncertainty, he doesn't think this will feed through into lower roads during 2015.

...shares the Construction Products Association's bullish view from autumn last year: growth in output will top 5% this year, a forecast which is buoyed by an expected 10% increase in private housing starts. Williams predicts that it will take until the autumn for any effect of government, if it happens, to have any impact on the construction industry.

...the private sector has developed its own momentum, irrespective of what happens in Westminster. Legal & General Investment Management has recently predicted that UK commercial property rents will outpace inflation in 2015, generating total returns in the high single digits. With this improved performance, fuelled by strong employment, rippling out from London, appetite for office refurbishment and development projects will pick up, says L&G. The insurer's confidence is shared by the world's asset manager BlackRock, which has identified Western European office block refurbishments as an area of opportunity in its forecast.

...the residential market meanwhile, 2015 will see a battle with three housebuilders in the FTSE 100, a first time this has been the case since the late 1990s, points out Williams.

...ever, he predicts that Balfour Beatty will be going in the opposite direction towards break-up. It will kick off with the company's new chief executive Leo Quinn officially taking up his role. After he will receive the report into the failed giant's construction services contracts, which is being carried out by KPMG. Quinn can be expected to take a lead from Dave Lewis, his counterpart at Tesco, who started his tenure by getting out as much dirty washing as possible. Whether Balfour's weary remaining investors think this is another matter. This year could see them renew their interest in taking over its rival, pointedly highlighting improved margins in its most recent trading statement.

...what could be profound geo-political changes ahead, the industry is right to be as prepared as it can.

EXPERT PREDICTIONS FOR 2015



THE CONTRACTOR

MARK REYNOLDS, CHIEF EXECUTIVE, MACE

What will be the key developments in your sector?

To counter workforce inflation and reduce cost exposure to our clients, during 2015 we foresee pre-fabrication being used more and more across all types of construction. In addition to the increased use of BIM, this is going to bring greater efficiencies to projects. We may also see the real and practical use of drones on construction sites for the first time.

What will be the biggest challenge to your sector?

As the market continues to pick up, the biggest challenge for construction is finding enough skilled workers to meet demand. All of us - that's the industry and government - need to do better to attract new people into the profession otherwise we're heading for an acute skills shortage as projects come down the pipeline.

What should the next government's main priority for construction be?

We need to do more to bring young people into the industry through apprenticeships and training, and the housing crisis needs urgent resolution. The next government should stop playing political games and implement the recommendations of the Armitage Review and set up a National Infrastructure Commission.



THE ARCHITECT

JACK PRINGLE, PRINCIPAL AND MANAGING DIRECTOR OF PRINGLE BRANDON PERKINS+WILL

What will be the key developments in your sector?

The recovery will level off running up to the election and then pick up again as confidence returns and as the eurozone recovers. After a period of posturing on both sides, the next government will be essentially Tory with Boris Johnson as home secretary - effectively mayor of England.

Airport expansion will be announced in autumn 2015. Gatwick is the obvious answer, so it's likely to be Heathrow. This decision can't be made until the election and then has to be made as soon as it has happened because it will be so unpopular. On housing, the London Plan minimum sizes will be dumped as counterproductive. There is a strong case that the market will sort itself out.

What will be the biggest challenge to your sector?

Skills shortages. If you were any good, you were made redundant in the recession, and if you had any nous you went and built a new career, which means all of those skills have been washed out from the industry. The recovery was quicker than anybody anticipated and caught everybody unawares.

What should the next government's main priority for construction be?

Sort out planning. We thought we'd sorted out planning but we haven't: we should focus on taking the logs from the front of the train.



THE CLIENT

JAMES PELLATT, HEAD OF PROJECTS, GREAT PORTLAND ESTATES

What will be the key developments in your sector?

The combination of political uncertainty surrounding the election, the various different property taxes and increasing construction costs will make the viability of some schemes more doubtful in the residential market. It won't be enough to fully stop the momentum, but super prime parts of London are looking a bit sketchier. I see no let-up in commercial demand but there is a shortage of supply because of lack of development finance and planning. There may not be as much work as people are expecting [this year] but there will be more in years to come.

What will be the biggest challenge to your sector?

Planning and rights to light are the biggest barrier to speculative developments.

What should the next government's main priority for construction be?

Clarity on rights to light. And there is a need for more funding for planning departments.



THE CONSULTANT

PHILIPPE HONNORAT, UK HEAD OF BUILDING SERVICES, WSP

What will be the key developments in your sector?

The commercial sector is slowly waking up after a long slumber. In our regional centres acquisition audit has



THE HOUSEBUILDER

ALAN BROWN, CHIEF EXECUTIVE OFFICER, CALA GROUP

What will be the key developments in your sector?

We're expecting a short period of quiet before May. However nobody can argue with the underlying strength of the UK economy and that there is a genuine housing shortage - those things together mean the housing market should be quite stable.

What will be the biggest challenge to your sector?

There's a shortage of labour but it's not crippling and the housebuilding industry is sorting that out. As prices go up, more people are returning to the industry and it is taking on apprentices.

What should the next government's main priority for construction be?

Government planning reforms need to be continued, but there's a shortage of planning officers in local authorities. By definition, if you are going to increase planning consents from 120,000 to 200,000, that's a 60% increase, so you need 60% more planning officers.

been extremely hot, which shows there's a lot of transactional activity and is a prelude to renovation or development. We could be in a good position where commercial slowly replaces residential.

What will be the biggest challenge to your sector?

If there is overheating in the market: we already can't find a bricklayer for love or money. When we look for people with four to five years' experience, we can't find them because we weren't hiring them.

What should the next government's main priority for construction be?

We need calm waters. The general direction of tax certainty is imperative: blowing hot and cold worries the investor. The priority is to give us certainty about where we are going.

CLASS OF 2014 A NEW WAY FORWARD

We asked our 14 new starts what innovations they believed could characterise the construction industry in 2015. Here's a selection of their thoughts:



Jack Carroll, graduate structural engineer, Atkins

The more widespread use of innovative materials will be at the forefront in 2015. As an example, we recently designed a bridge utilising carbon fibre to reduce weight and lifetime maintenance costs. I can see this sort of thinking spreading to a wide range of applications. With a big drive to improve efficiency and reduce carbon emissions, there is huge potential for new materials to help us meet these targets.

Emily McLoughlin, mechanical engineer, Aecom

Buildings will be moving towards the idea of a connected real estate and smart buildings with specialised work environments providing a more positive, productive work spaces for people.

Bilal Ali, building surveying graduate scheme, John Rowan & Partners

I think that technology is the main focal point for innovation within the construction industry. The use and implementation of BIM, drones being used within the built environment, the projected use of 3D printing and how this technology is to be regulated, will all remain key.

Jamie McGovern, graduate quantity surveyor, Gleeds

The adoption of BIM has a way to go and 2015 could see a big breakthrough here. Also I suspect that the growing shortage of tradespeople will mean that maybe the use of pre-cast building modules will be more in evidence in 2015.

Joe Eke, trainee quantity surveyor, Balfour Beatty

I believe innovation of greener buildings will be at the forefront of construction in 2015 as renewable energy is a hot topic at the moment. Making buildings more energy efficient and using fewer non-renewable materials to construct/maintain them after completion will be a big thing this year.

SO WHAT ARE YOUR PREDICTIONS?

WHAT DO YOU THINK 2015 WILL HOLD FOR CONSTRUCTION? POST YOUR THOUGHTS ON THE ONLINE VERSION OF THIS ARTICLE AT BUILDING.CO.UK WHERE THERE ARE ALSO MORE VIEWS FROM THE CLASS OF 2014.