



Construction Industry Tracker

October 2015

Regional Edition₁

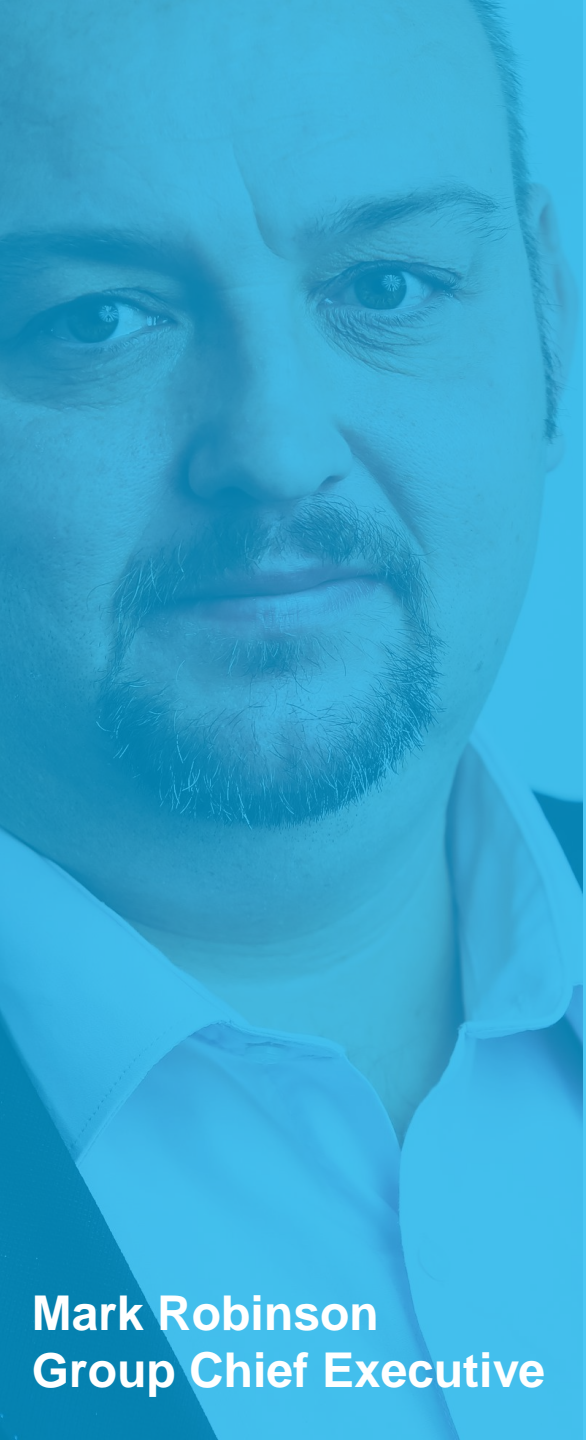
Introduction

The Regional Construction Industry Tracker looks at construction output across Great Britain's eleven regions over the past 12 months.

The government has given strong backing to further devolution, and has promised to ensure that economic growth is spread across the whole of the country, with the 'Northern Powerhouse' a core focus. The Tracker looks at the detail of which regions are performing better in each sector, and where the construction industry is picking up the most work.

The Tracker looks at the following:

1. A regional breakdown of total UK construction output
2. A comparison of growth between regions
3. The private sector
4. The public sector
5. New housing
6. Public vs Private housing
7. Infrastructure
8. Repairs and maintenance



Mark Robinson
Group Chief Executive

“The last 12 months have been a very positive one for our industry - investment in new buildings is underpinning the success of the wider economy and providing a strong foundation for future growth.

“Much of that positive story comes from our regions, and this research lifts the lid on the hidden regional growth story. But the construction industry faces several key issues in the year ahead, which must be tackled head on if we are to maximise output.

“We have a severe skills shortage and an ageing workforce, and without more skilled professionals and better training, projects will increasingly face delays and capacity issues.”

Summary

- Total construction output across the UK between Q2 2014 and Q2 2015 was almost £140 billion.
- **London and the Northern Powerhouse regions are evenly matched in terms of their overall construction output.**
- However, infrastructure activity in both the Northern Powerhouse regions and London was either stagnant or fell. Wales and Scotland, on the other hand, saw big increases in infrastructure activity.
- **Housebuilding is powering the construction industry**, with growth in both the public and private sectors.
- The Northern Powerhouse regions saw impressive growth in housing activity, up by 30% on the previous year. In comparison London's housing activity grew by less than 1% in 12 months.



Summary

(Continued.)

- Most regions increased their construction of public sector housing in the last year, but public sector housebuilding in the South East and London was down by more than a quarter.
- **Yorkshire and the Humber increased construction of public housing by almost 80% on the previous year.**
- There was a mixed picture in the public sector overall, with areas like **Yorkshire and the Humber and Scotland growing by more than a third**, while **London and the West Midlands saw large falls in output.**
- **Scotland saw the greatest annual growth in construction output overall** – over 20% on the same time last year, and more than double the next highest growing region.
- Yorkshire and the Humber and Wales saw overall construction fall compared to the same time last year.



Regional Analysis

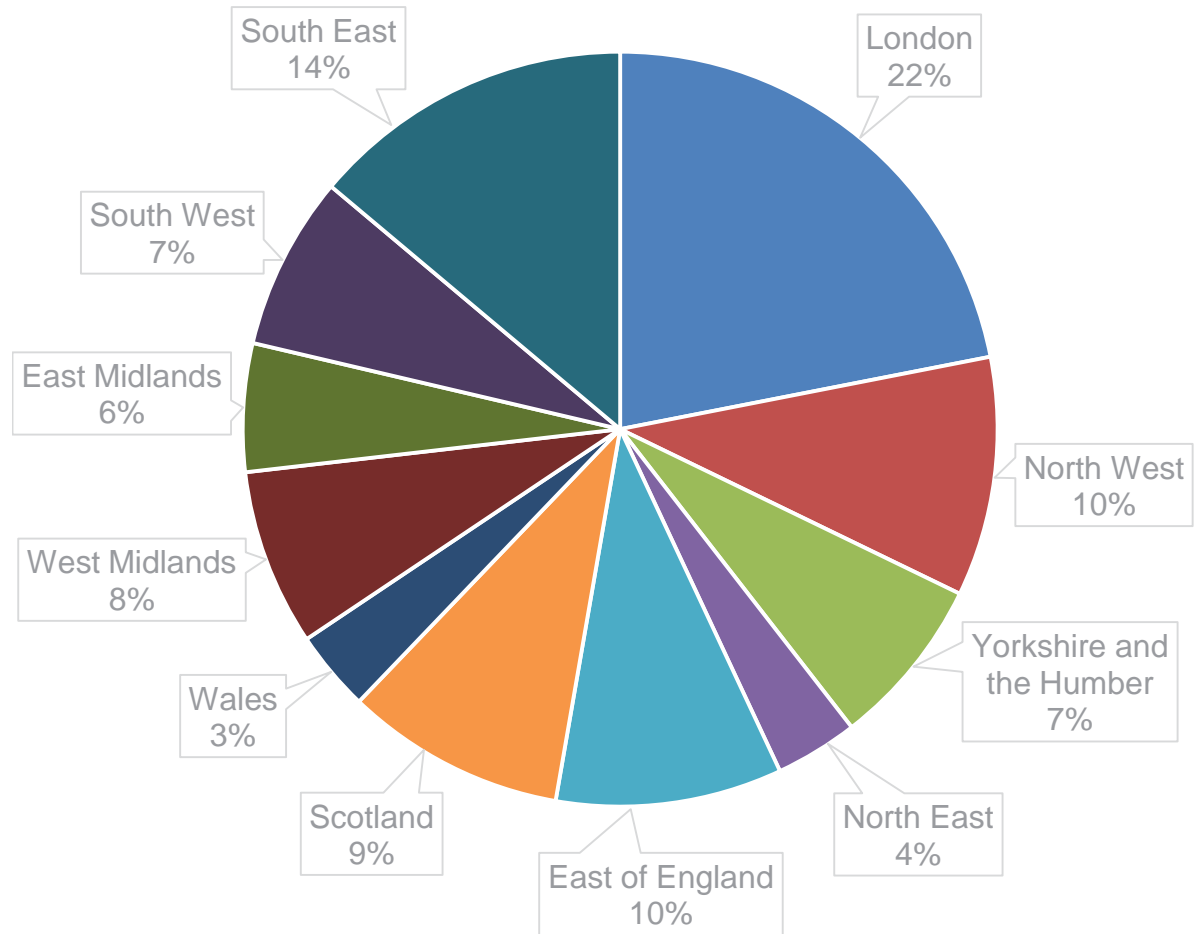
- As expected, London and the South East remain the regions with the most construction activity.
- Construction activity across the Northern Powerhouse regions – the North West, the North East and Yorkshire and the Humber - was £29.21 billion in the last year, just £1.12 billion less than London's total construction output of £30.33 billion.
- Wales and the North East were the areas with the lowest construction activity, each producing less than one sixth of London's activity.



Regional Analysis



Total Work (Annual)



Regional Analysis

Construction output by region

Position	Region	Construction Output in the last year (£M)
1	London	30,326
2	South East	19,203
3	North West	14,191
4	East of England	13,412
5	Scotland	13,039
6	West Midlands	10,468
7	South West	10,302
8	Yorkshire and the Humber	10,104
9	East Midlands	7,597
10	North East	4,915
11	Wales	4,764
	TOTAL	138,321



Regional Growth



- **Scotland saw the biggest overall growth in the UK**, with construction activity rising by more than 20% on the previous year. New housing and public sector work drove Scotland's boom in construction activity, with the Scottish Government's steady pipeline of new projects providing plenty of work for Scottish contractors in the run-up to the May 2015 General Election.
- Despite large increases in housing activity, **Yorkshire and the Humber saw the biggest fall in construction activity** overall. Activity fell in every area except housebuilding and the public sector, with repair and maintenance seeing the biggest fall.
- Although **Wales doubled its infrastructure output during the year, large reductions in the construction of private housing and private commercial buildings led to a small overall fall in output**. Wales spent less on private commercial projects, including retail, entertainment and office buildings, than at any time since Q2 1997. This may have been a result of the Planning (Wales) Act 2015, which sets out a clearer framework for planning in Wales but took more than 6 months of debate before receiving Royal Assent in July 2015.

Regional Growth

Construction Output



Regional Growth



Change in Construction Output by Region

Position	Region	Annual % change
1	Scotland	20.51
2	East Midlands	8.03
3	North West	5.2
4	West Midlands	4.99
5	South East	4.01
6	London	3.53
7	East Midlands	2.35
8	North East	0.84
9	Wales	-1.63
10	South West	-4.87
11	Yorkshire and the Humber	-7.28

Private Sector Construction

- The private sector saw strong quarterly growth across all regions, with housing starts contributing to the increase. Demand for new homes shows no sign of slowing, and strong economic growth and post-election political certainty have provided a stable foundation for housebuilders to build out schemes with planning approval.
- Making more public sector land available for private housebuilding and further planning reforms will help to continue this trend over the next 12 months.
- Some regions increased their output on housing much more than others, with Scotland, London, the South East and the East Midlands showing strong growth on the same time last year.
- In Wales, private sector construction was down by almost a quarter, possibly a result of developers waiting for the 2015 Planning (Wales) Act before starting new projects. The reforms set out in the Act and further devolution to the Cardiff city region could see private sector construction improve in the year ahead.



Private Sector Construction



All Private Construction*



*Excluding Infrastructure and Repair and Maintenance

Source: ONS

Private Sector Construction

Change in private sector construction activity by region

Position	Region	Annual % change
1	North West	27.48
2	London	18.98
3	East of England	8.03
4	West Midlands	4.99
5	Scotland	3.95
6	East Midlands	2.35
7	North East	-1.51
8	South East	-4.3
9	South West	-9.64
10	Yorkshire and the Humber	-11.1
11	Wales	-23.7

*Excluding Infrastructure and Repair and Maintenance

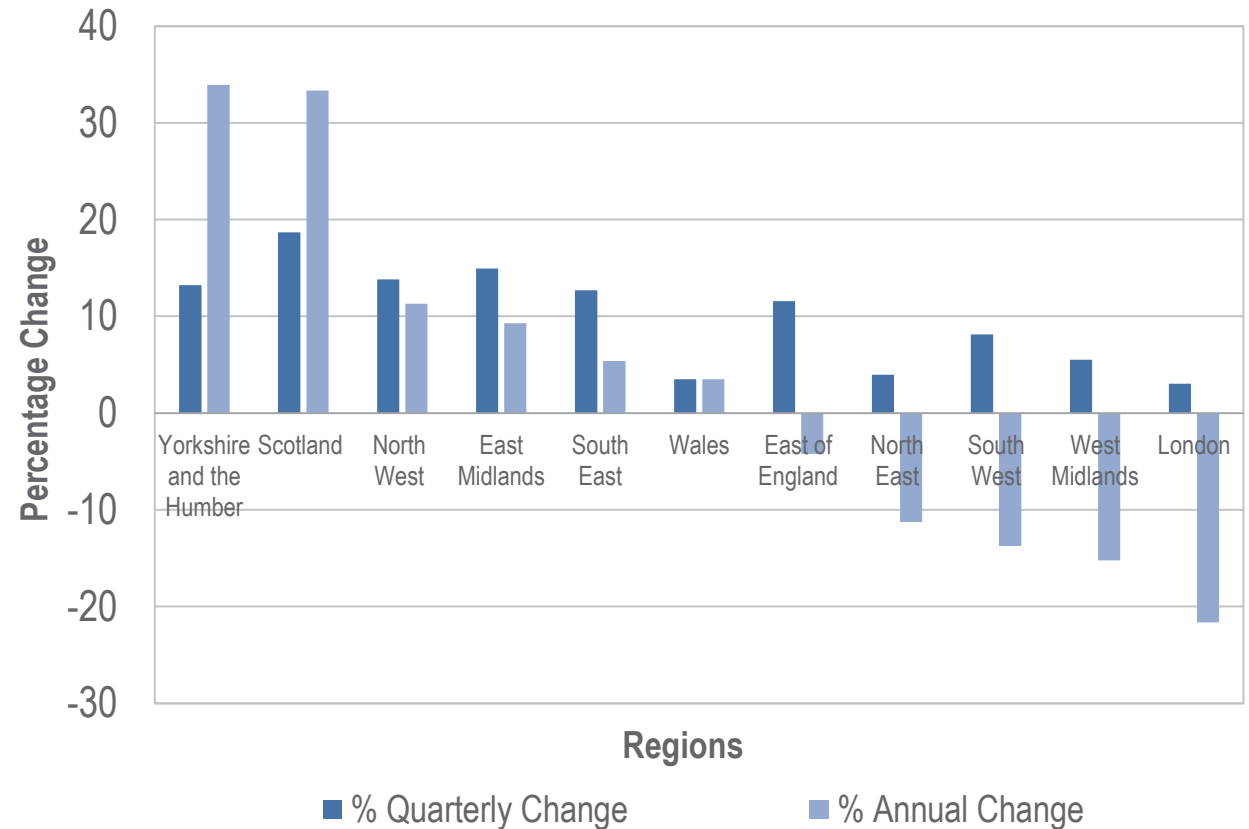
Source: ONS

Public Sector Construction

- Construction output in the public sector saw a mixed picture across the country. **Yorkshire and the Humber and Scotland saw large year-on-year increases in output of more than 30%**, driven by greater activity in public sector housing and a strong pipeline of public sector projects.
- However, areas like London, the West Midlands, the North East, and the South West, were all spending less on public sector construction than in the previous year.
- London's output fell the most, due to a large drop in public sector housing work. **In the West Midlands, there was a 20% fall in non-housing public sector projects.**
- The Government's November 2015 Spending Review will determine how much funding public sector bodies and local authorities have for new buildings over the course of the next year, and further consolidation of public sector spending is likely to result in fewer new projects.
- Despite the likely reductions in overall budgets, a smaller public sector would also require better use of estates and could benefit from smaller, more efficient new buildings.

Public Sector Construction

Public Sector *



*Excluding Infrastructure and Repairs and Maintenance

Source: ONS

Public Sector Construction



Change in public sector construction activity by region

Position	Region	Annual % change
1	Yorkshire and the Humber	33.93
2	Scotland	33.33
3	North West	11.3
4	East Midlands	9.29
5	South East	5.37
6	Wales	3.5
7	East of England	-4.22
8	North East	-11.24
9	South West	-13.74
10	West Midlands	-15.24
11	London	-21.65

*Excluding infrastructure and Repairs and Maintenance

Source: ONS

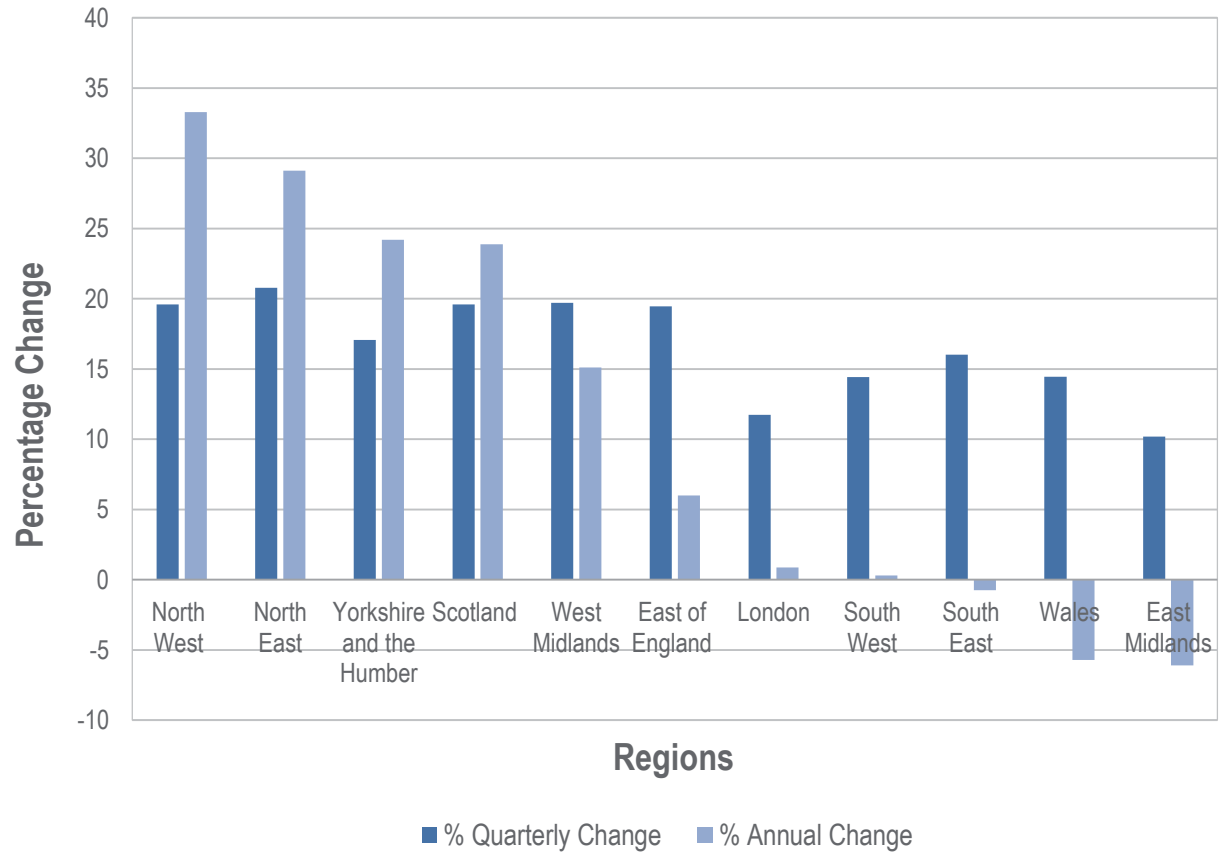
New Housing

- The year saw strong growth in housing construction activity in most regions, as developers started to build out sites that received planning approval in the last couple of years.
- Government policies such as Help to Buy and the New Buy Guarantee have helped to increase demand for housing, which, alongside a growing economy, has seen greater investment in housebuilding. Housing is at the top of the political agenda for all major parties, and is likely to remain so over the course of the next few years.
- While the East Midlands and Wales were down slightly on the same time last year, **overall quarterly growth was strong and prospects for housebuilding across the UK are good.**
- **Housing construction output in London increased by almost a third on last year**, showing significant progress in tackling London's housing crisis.
- Greater activity on major development areas such as those in Battersea and Nine Elms contributed to this increase, but with demand for residential property in London continuing to outstrip supply, the prospects for housebuilding are good and this is reflected in more activity on development sites.



New Housing

New Housing



New Housing

Change in housing construction activity by region

Position	Region	Annual % change
1	North West	33.28
2	North East	29.12
3	Yorkshire and the Humber	24.19
4	Scotland	23.89
5	West Midlands	15.12
6	East of England	6.00
7	London	0.87
8	South West	0.30
9	South East	-0.74
10	Wales	-5.71
11	East Midlands	-6.10



Public vs Private Housing

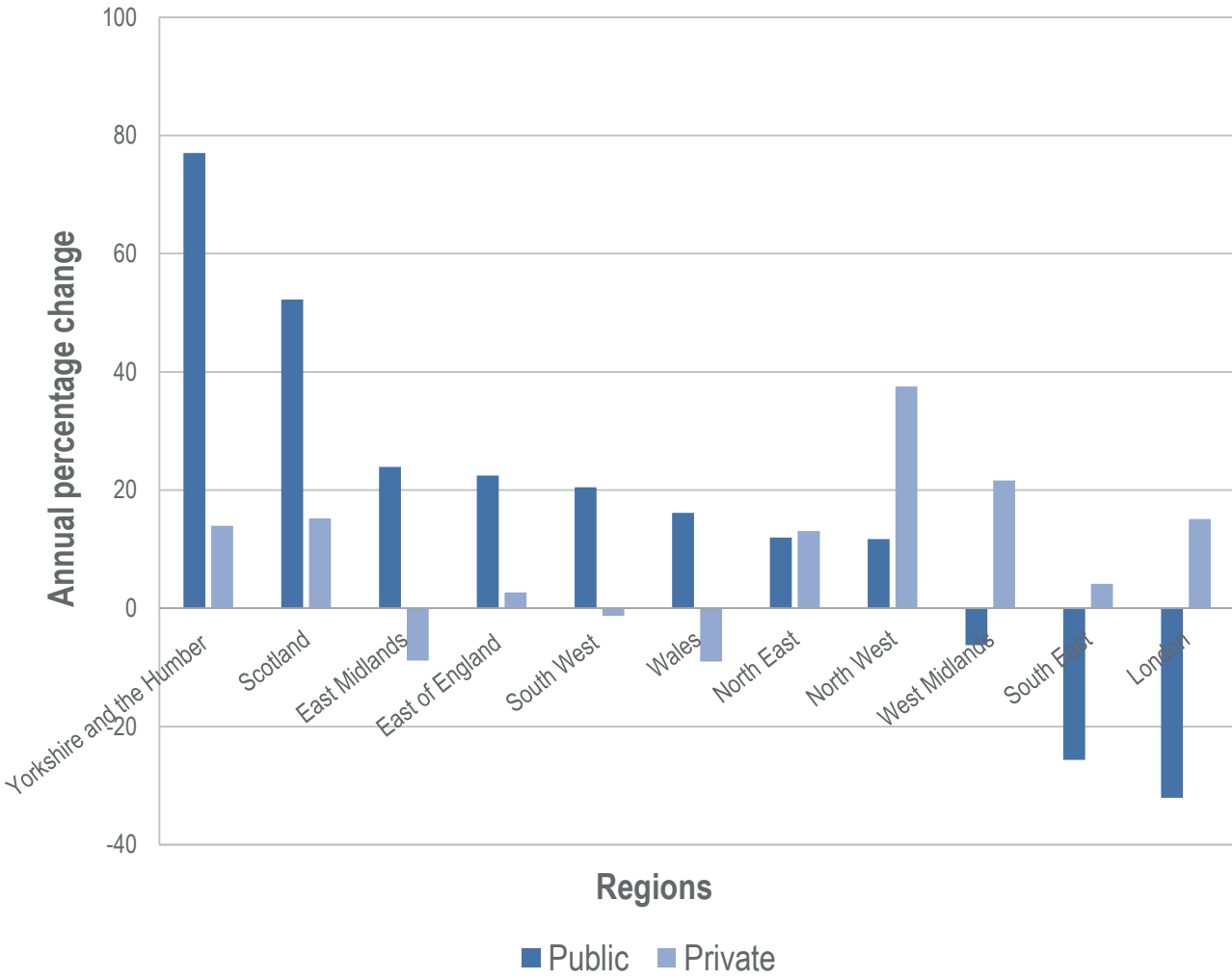


- Although there was strong private sector housebuilding in Wales, the South West and the East of England, there was a significant drop in the amount of construction work on public sector housing in these regions. **In Wales there was a 32% drop in construction of public housing.**
- **London and the South East had the lowest levels of housebuilding activity in the public sector.** With rental prices continuing to rise rapidly, more affordable housing is particularly needed in London and the South East – this decrease in activity suggests fewer affordable units will be available in the next 12 months.
- Many housing associations have expressed concern about the 2015 Housing Bill, which will include an extension of ‘Right to Buy’ and is likely to reduce the availability of affordable properties still further.
- **Yorkshire and the Humber’s construction of public sector housing was almost 80% higher than at the same time last year** – a big increase in activity that is sorely needed. In May 2015, the National Housing Federation warned that Yorkshire and the Humber completed just 14% of the amount of affordable housing it needed to meet demand.
- Housing associations provided most of these, with local authorities only delivering 30 new properties.

Public vs Private Housing



Construction output in Public and Private Housing



Source: ONS

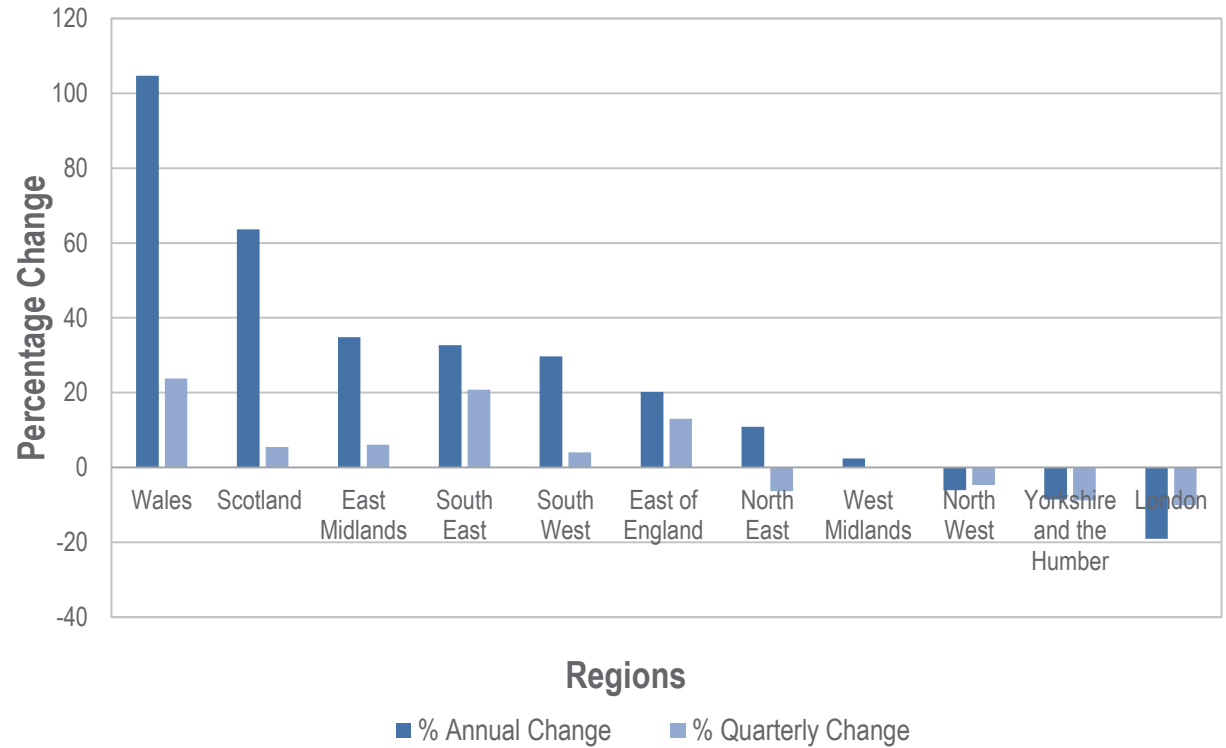
Infrastructure



- **Construction on infrastructure projects in Wales and Scotland was up significantly** – with Wales doubling its spend on infrastructure. Major renewable energy, road and rail projects contributed to the increase. Work will start on the £1 Billion Swansea Bay Tidal Lagoon scheme in the new year, meaning the growth is to set to continue.
- Although many of the Northern Powerhouse cities benefitted from major road and rail projects, such as those around Manchester, Warrington and Preston resulting from the government's City Deals, **infrastructure activity overall across the Northern Powerhouse fell on the previous year.**
- The government should follow-through on major projects such as the electrification of the TransPennine railway to ensure that growth continues.
- London's infrastructure output benefitted from major projects such as Crossrail, but **overall the capital saw less construction activity on infrastructure than in the previous year.**
- Alongside major projects such as the Thames Tideway Tunnel and the extension of the Northern Line to Battersea, the government and Mayor of London also need to ensure that smaller road and rail projects are also carried out.

Infrastructure

Infrastructure



Infrastructure

Change in infrastructure construction activity by region

Position	Region	Annual % change
1	Wales	104.67
2	Scotland	63.6
3	East of England	34.81
4	South East	32.71
5	South West	29.66
6	East of England	20.19
7	North East	10.89
8	West Midlands	2.4
9	North West	-6.02
10	Yorkshire and the Humber	-8.49
11	London	-19.06



Repairs and Maintenance

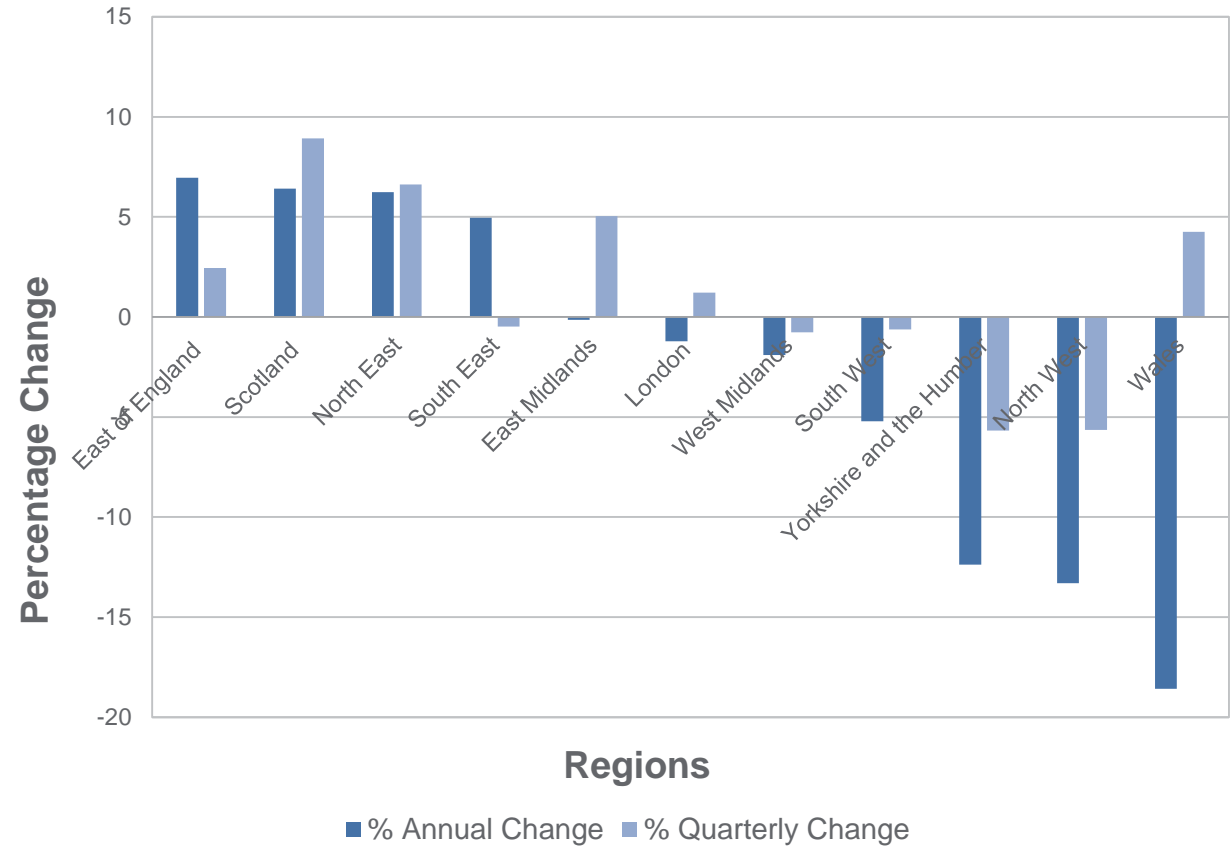
- The East of England and Scotland increased their spending on repairs and maintenance more than any other regions in the past 12 months.
- In the East of England there was a 33% increase in repairs and maintenance of infrastructure, making up for less spending on new infrastructure projects in the region.
- **Scotland increased its spend on repairs and maintenance in the housing market more than any other region.** Scotland wasn't just building many more new homes, it was also refurbishing existing housing stock.
- Despite growth in the last quarter, Wales's spending on Repairs and Maintenance was down significantly on the same time last year, mirroring a fall in private sector commercial construction.



Repairs and Maintenance



Repairs and Maintenance

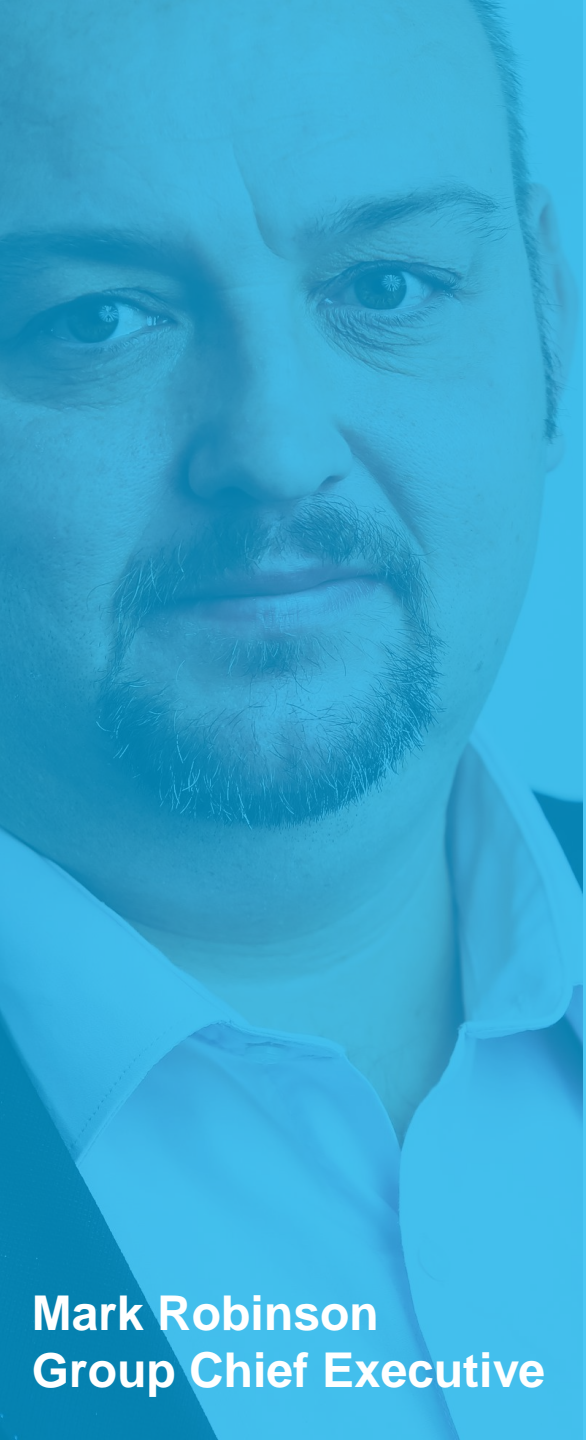


Repairs and Maintenance

Change in repairs and maintenance activity by region

Position	Region	Annual % change
1	East of England	6.95
2	Scotland	6.42
3	North East	6.23
4	South East	4.96
5	East Midlands	-0.15
6	London	-1.22
7	West Midlands	-1.9
8	South West	-5.21
9	Yorkshire and the Humber	-12.37
10	North West	-13.3
11	Wales	-18.58





Mark Robinson
Group Chief Executive

“Looking ahead, it’s clear that the industry faces a number of key issues. The government has made investment in infrastructure a top priority, which is great news for the wider economy, but we also need to ensure that all regions benefit from investment. If the Northern Powerhouse is to become a reality, we need a more long-term and joined-up approach to planning new infrastructure.

“Supporting our regions is also key to economic success – we need better supply chain management as well as more regional investment to ensure that the benefits of growth are spread across the UK. Construction projects put money back into communities and local businesses, as well as delivering new buildings.

“Britain is also in desperate need of new homes, and the housebuilding industry is eager to build more of them. But only through planning reform, further devolution, and more investment in training will the industry have the capacity to deliver. We also need to consider how best to support local authorities and housing associations in their efforts to provide more affordable housing.

“As we look towards the November Spending Review, the public sector should continue to make the case for investment in building projects – only through high quality new buildings will the government be able to deliver efficient and effective public services in the years ahead.”

Methodology

The report was compiled by Instinctif Partners – winner of several industry awards for use of research including the CIPR Awards, Golden Hedgehog Awards and PR Week Awards.

The copyright and all other intellectual property rights belong to Scape Group and reproduction in whole or part is not permitted unless an acknowledgement to Scape Group as the source is included. Whilst care is taken in the compilation of this report, no representation or assurances are made as to its accuracy or completeness.

The data from this report is based on Construction Output data released by the ONS. Construction output is measured by value.

About Scape Group

Scape Group is a public sector owned built environment specialist offering a full suite of national frameworks and innovative design solutions.

Scape currently has over 500 clients and over 1,000 live commissions across the United Kingdom.

Bringing together the strongest teams from the public and private sector, Scape's rapidly deployed, highly measurable and collaborative approach delivers value for money and quality buildings whilst stimulating local growth and community benefits. For more information visit: www.scapegroup.co.uk

For press enquires contact Kaylene Oliveria or James McEwan
Instinctif Partners: 0207 427 1400 or Kaylene.Oliveira@instinctif.com and
james.mcewan@instinctif.com



Construction Industry Tracker

October 2015

Regional Edition