FAITHFUL GOULD

Member of the SNC-Lavalin Group

CONSTRUCTION INTELLIGENCE REPORT

1ST QUARTER 2023

CONTENTS

INTRODUCTION

2022 saw rampant inflation drive construction output to record levels. This was true regarding the value of work, but once the effects of inflation were stripped away the actual volume of work remained around 2019 levels.

With the UK now hovering on the brink of a recession how will this and the predicted fall in construction output affect the sector? As we start 2023 the major topics of conversation included:

- **Construction Pipeline –** How much will output fall by? The forecast is for less business investment and less consumer spending. This will lead to less work and with that keener competition to win work
- **Cost Inputs –** Will materials and labour costs increase at the same levels as 2022 or will better availability, deflationary pressures, such as reduced demand, lead to a lesser rate of cost increases.
- **Commercial Decisions –** Contractors will need to secure turnover and with it an operating margin. How will the current economic conditions affect commercial decisions?
- **Risk –** How do contractors assess the risk of the project as material supplies improve, labour shortages remain and the sector faces increasing finance costs?

OVERVIEW

The UK hovers on the brink of a recession, it is forecast to be shallow but will continue into 2024. It is part of the global downturn caused by inflationary pressures and the reduced demand following the recovery from the pandemic. UK Inflation has been compounded by high energy costs, increased commodity prices and a weak sterling, which has resulted in the consumer price inflation (CPI) peaking in October at 11.1%, a 40-year high, resulting in the Bank of England (BOE) increasing bank borrowing rates before slipping back slightly.

The Autumn Statement (2022) saw the introduction of a combination of tax rises and a spending freeze to annul the mini budget issued by the short-lived Liz Truss premiership and an attempt to regain economic confidence in the UK Government. Here was mixed news for construction; major infrastructure projects like HS2, Northern Powerhouse Rail and Sizewell C received government commitment. To help control the budget the Exchequer froze capital expenditure, pushing the threat of spending cuts down the road to be faced by the government after the next election. In real terms in the current environment of high inflation this amounts to a reduction in spending.

Because of the downturn and the cost-of-living crisis, confidence in the market is falling; the S&P Global/CIPS UK Construction Purchasing Managers' Index reported a figure of 48.8 for December, down from 50.4 in November and below the important 50 "no change" mark indicating a contraction in the market. In recent months several major developers and housebuilders have announced that they have scaled back their development plans for at least 2023.

Commentators' predictions for UK construction output are varied, predicting it to fall by around 2-5% in 2023 before a modest recovery in 2024. The latest Office for National Statistics (ONS) monthly construction output figures for December 2022 reported zero growth. Private new housing and private housing repair and maintenance saw large falls at 8.5% and 2.3% respectively, while the main growth area of infrastructure failed to offset these falls.

TENDER PRICE FORECAST

For the 2023 forecast we have assumed that the Ukrainian conflict will continue, hopefully it's influence on suppliers and uncertainty has peaked, and its impact will diminish overtime. Alternative supplies have been sourced, but many of the inflationary effects have become embedded. For our forecast we have modelled in energy prices remaining high and continuing to impact heavyside materials.

Many manufacturers have already committed to purchasing energy at high prices and there is concern energy intensive products, such as steel, cement and masonry, which have seen large cost increases in 2022, will see further increases in 2023.

Since the emergence of the UK construction industry from the pandemic there has been rapid increases in tender prices. The amount of risk has increased, whether this is material shortages, caused by a combination of rapid demand causing supply chain issues, the Ukrainian conflict affecting energy and food costs, or labour shortages with the sector having seen a significant amount of the workforce either depart the country, leave the industry or retire.

This risk has translated into increased tender prices as all links in the supply chain look to insulate themselves by increasing costs or extending contract periods to try and alleviate delays.

The main driver in this period has been the cost of materials. The second half of 2022 has seen the rate of material increases begin to fall, in the last 12 months they have risen by 16% on a typical project, having peaked at over 25% in June. The Construction Leadership Council (CLC) have reported that the availability of material supplies in Europe have now returned to 2019 levels, with the main problem being inflationary pressures especially for heavyside energy intensive products, such as concrete, masonry, plasterboard and insulation. With European markets softening we have seen some materials. notably steelwork come in below budget for recent tenders.

Whether the announced increases in material costs stick or discounting will return is, at present, open to debate. For our 4th Quarter 2022 forecast we assumed an increase for materials based on announcements for 2023. For our new forecast we have adopted the view that recent downward pressure on material prices and returned packages will translate into smaller increases than expected for 2023.

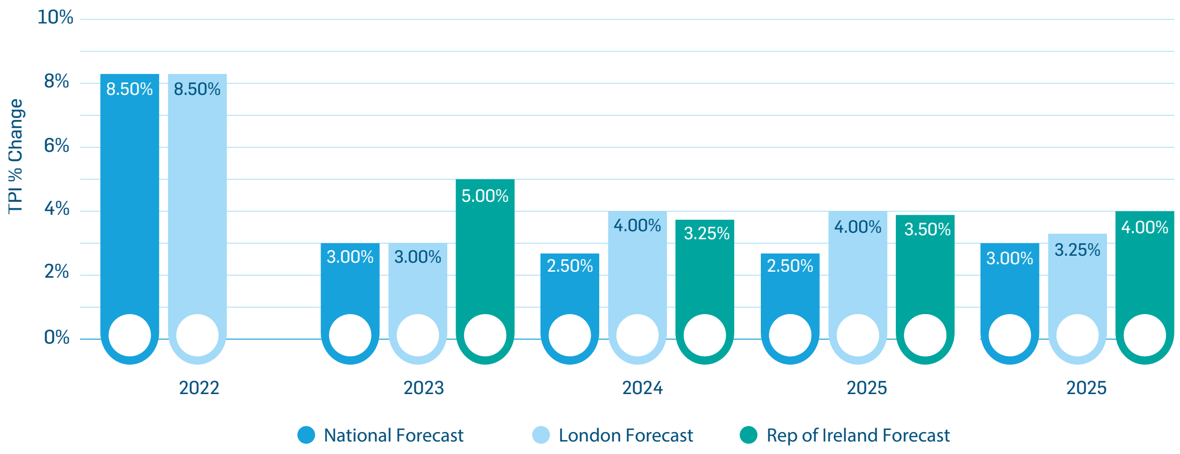
With a need to fill orderbooks and secure turnover we are now seeing a more pragmatic approach being taken with a growing appetite for contractors to bid for work. This is already translating to more competitive tenders, with competitive single stage procurement tenders re-emerging as a viable option.

The Faithful+Gould (F+G) forecast for the tender prices in 2022 was for an 8.50% increase. We expect this to be the summit for increases and for 2023 onwards inflation to fall back to more historical levels.

F+G TENDER PRICE FORECAST 2022-2026

TPI FORECAST	2022	2023	2024	2025	2026
National	8.50%	3.00%	2.50%	2.50%	3.00%
London	8.50%	3.00%	2.75%	2.75%	3.25%
Infrastructure	N/A	4.25%	3.75%	3.25%	3.00%
Republic of Ireland	N/A	5.00%	3.25%	3.50%	4.00%

F+G TENDER PRICE FORECAST 2022-2026



ECONOMIC OVERVIEW

WHAT IS STAGFLATION?

In recent months the term *"Stagflation"* has been applied frequently. The term, a portmanteau of stagnation and inflation, is generally attributed to Iain Macleod, the Chancellor of the Exchequer in 1970. This term refers to the combination of rising unemployment and negative Gross National Product (GDP) that creates economic stagnation.

In a typical recession, where demand falls, businesses enter administration, manufacturing and construction output decline causing prices to fall. During a period of *"stagflation"* economic growth slows down, unemployment increases, but unlike a typical recession, prices increase, and inflation remains high.

One of the primary reasons for stagflation is the result of a supply shock and this is where we experience similarities between the present situation and the 1970's. In both cases oil supply caused by wars (the Ukraine and the Six-Day War) have been the catalyst for driving higher energy prices and slowing economic growth by making production more costly and less profitable.

The start of the Ukrainian Conflict coinciding with increasing inflationary pressures and its effect on energy and food costs across the whole global economy has accelerated the slowdown.

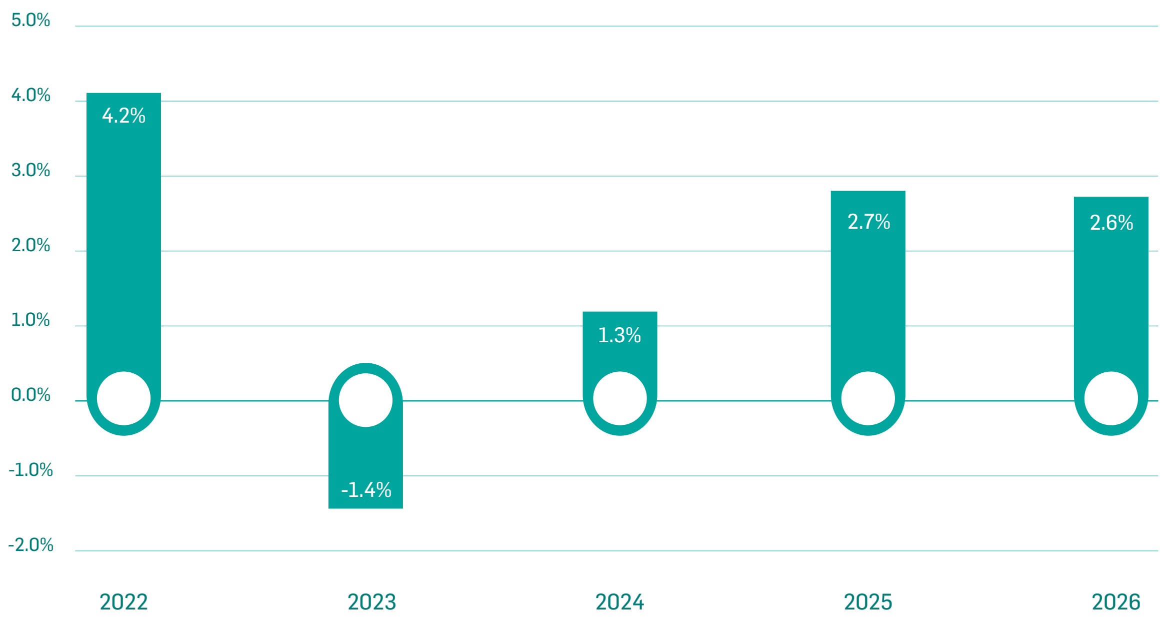
This has driven the BOE to increase rates to combat inflation. The objective is that once inflation is reduced investment and consumer spending will return and the economy will grow, but by raising interest rates to curb inflation risks increasing unemployment.

GROSS DOMESTIC PRODUCT (GDP)

The reporting of the November GDP 2022 figures indicated a surprising result with the monthly real GDP estimated to have grown by 0.1%, following growth of 0.5% in October 2022. This presently means that if the December figure is positive then the UK will have technically avoided recession, this does not mean the threat of the downturn has been avoided.

GDP will be affected by the current high inflationary pressures of energy and food costs. As is typical in a recession, business investment will fall because of high interest rates being used to counter inflation and the subsequent squeeze on spending ability. As a result, the current forecast by the Office for Budget Responsibility (November 2022) is for the UK economy to contract by -1.4% in 2023 before recovering in 2024 assisted by lower inflation rates.

UK GDP FORCAST



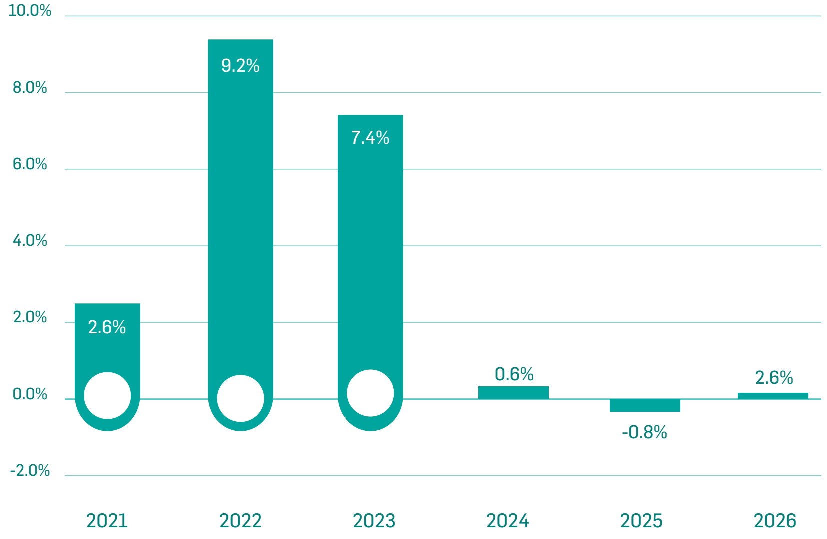
Source OBR Forecast November 2022

CONSUMER PRICE INFLATION (CPI)

With energy prices having now returned to pre-Ukrainian conflict levels economists have predicted that we have reached the peak of inflation. Government support for fuel bills has helped alleviate the inflation rate from reaching 13% or higher, but we still reached levels not seen for 40 years. With many inflationary pressures now embedded and the UK heading for recession, the OBR is forecasting that the yearly average for 2023 will fall to 7.4% down from 9.2% in 2022.

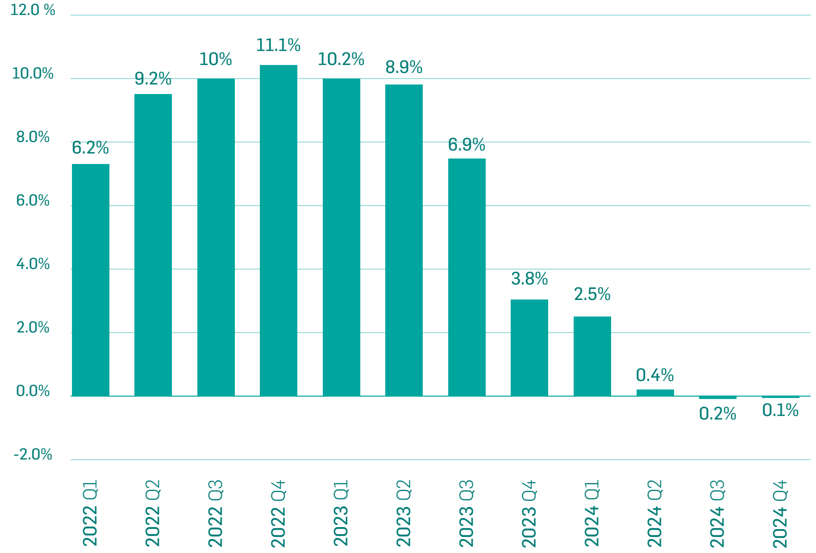
It will be a year of 2 distinct halves, with inflation remaining high for the first half of 2023 before trailing of in the second half, continuing to fall throughout 2024, partly because of embedded inflation and maybe experiencing negative inflation in 2025. However, public confidence is expected to remain low with continued pressure on living expenses and reduced consumer expenditure.

CONSUMER PRICE INFLATION YEARLY AVERAGE %



Source OBR Forecast November 2022

CPI INFLATION FORECAST 2021-2024



Source OBR Forecast November 2022

CONFIDENCE LEVEL

The January S&P Global/CIPS UK Construction Purchasing Managers' Index fell for the third consecutive month, falling from 48.8 to 48.4, below the 50 *"No Change"* level indicating a continued slowdown in construction activity amid reports that new orders were also dropping.

This is an indication of how activity is slowing with the purchase of materials being curtailed amid the continued high material inflation rates. The CIPS reported a significant drop in housebuilding from 48 in December to 44.8, the lowest point it had been since May 2020 as the cost-of-living crisis has seen mortgage rates rise casting doubts on affordability for many potential house buyers.

CONFIDENCE LEVEL SINCE JAN 2021

Source: S&P Global/CIPS UK Construction Purchasing Managers' Index

CONSTRUCTION OUTLOOK

2022 REVIEW

2022 was another turbulent year, early signs were encouraging as material prices had started to slow and there were signs of material availability improving. This was quickly dashed as the increased cost involved with imports, because of our departure from the EU, continued to increase prices. The first major European war since 1945 then imposed its inflationary effect on energy and food prices, and tender prices forecasts were uplifted to reflect market pressures. Sanctions and the unavailability of products led to alternative sources being found with the knock on of increased lead-in periods. As a result of the rising inflation, we saw the classical approach of rising bank borrowing rates to counter inflation, leading to higher borrowing rates and reduced funding sources.

Delays with materials and labour shortages brought with it extra costs and either delays or cancellations to projects. The idea of using fluctuation clauses, last seen in wide usage in the property sector in the 1970's was mooted amid the chaos of the year.

An immediate result was seeing insolvencies reach levels not seen since the financial crises of 2008 to 2010 with specialist installers facing the brunt of these with over 60% of construction insolvencies falling into this category. Many of these firms were at the back end of projects and had pre-purchased materials before seeing programmes being delayed; the rise in interest rates further eroded their cash flow and operating margins. The threat remains, in October it was reported that up to 17,000 construction firms were at *"significant risk"* of failing, placing further stress on the supply chain.

The Department for Business, Energy and Industrial Strategy (BEIS) Market Insights survey published in January 2023 reported that construction firms are reporting finance costs (15%) and labour costs (31%) as growing factors for increasing costs, mirroring the increasing interest rates and wage agreements. Energy costs, while cited by 1 in 5 respondents as a reason for price increases, is continuing its downwards trend and this was joined by the main contributor raw materials (44%). Wholesale energy prices have now returned to pre-Ukrainian conflict levels, a combination of the EU being able to reach good levels of reserves, a mild winter and falling demand.

This meant that construction output increased by 5.6% in 2022 following the rise of 12.8% in 2021. The number of new orders fell by 1.8% from the previous quarter highlighting the fall we can expect in 2023.

The private housing sector is the largest subdivision within the construction sector, accounting for 40% of the total construction output. Several large housebuilders have announced a slowdown in the number of sites, they are planning on developing in 2023 and potentially beyond. In their latest forecast, Experian announced a reduction of -6.5%, which is one of the leading drivers for reduced construction output. Given the importance of this sector the continued slowdown will reduce demand for labour and materials.

Commentators' predictions for UK construction output are varied, predicting it to fall by around 2-5% in 2023 before a modest recovery in 2024.

Materials

In their latest product availability statement, the CLC reported that generally material supplies have now returned to 2019 levels. The major concern remains the global shortage of semi-conductors with construction battling with other sectors for supply of them. This has led to BMS and boilers still experiencing long delivery times and, with the global increase in using renewable and energy saving products, there is fear that these will lead to price increases and supply chain problems.

With output forecast to reduce in 2023, with only a marginal increase in 2024, this will assist in removing some of the demand and help the supply chains stabilise. There are already signs that this is happening, the latest report from the Builders Merchants Federation showed that the value of sales in the last 12 months were up 1.4% in value driven by price increases, but the actual volume of materials sold was down by 13.6%.

Material price increases are expected to remain a factor, albeit at a lower rate than the 20%+ as seen for the last 2 years. We should expect increases as existing energy price agreements are renegotiated at increased rates influencing the cost of processing.

If we take January 2020 as the last *"normal"* month before 3 years of extraordinary events, material prices according to the BEIS Construction Materials Index have risen by 44%. However, even before the pandemic, UK materials prices have been rising more rapidly that the EU. Comparing material cost increases from 2016 onwards, the UK prices have increased by 60%, in the EU the cost of materials went up to 35%, where similar pressures including supply chain and COVID-19 problems applied.

Labour

The UK has the lowest active workforce in Western Europe, the entire UK workforce remains below the February 2020 level because of migration or retirement. With recent reliance on EU workers combined with the aging demographic of the remaining UK construction workforce, the construction sector has been affected more than other sectors. During the first half of 2022 construction vacancies were at record levels, whilst demand has meant a reduction, the CITB estimates that we will require an additional 220,000 workers within 5 years

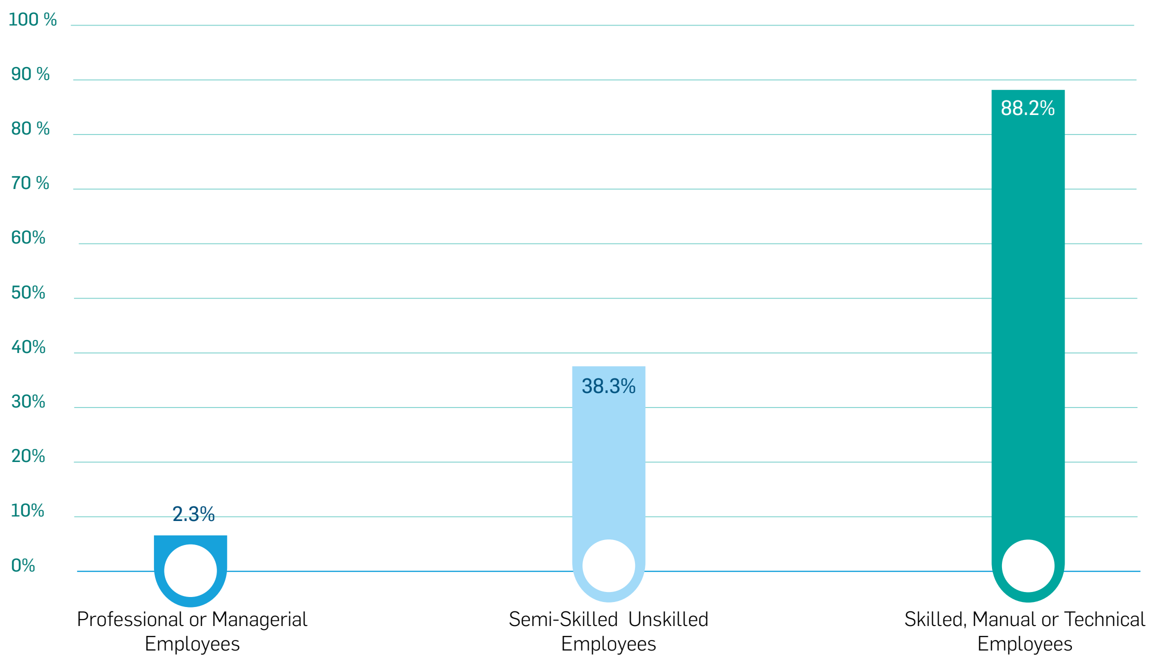
This shortage of a suitable workforce has led to increasingly higher salaries and the shortage of labour skills throughout the industry hindering productivity. According to the latest ONS Market Insights almost 90% of the industry has experienced problems recruiting skilled labour.

The impact on wages is revealed in recent analysis of labour costs from EU member states. The central EU database, Eurostat, and the UK BEIS, revealed that between 2015 and 2022 UK labour costs went up by 30%, whilst in the Netherlands and Denmark labour costs grew by 14%.

Any downturn will offer short-term relief for the labour situation as the number of vacancies will fall and with reduced project starts the existing labour force may be in a better state to cope with the demands. Wage demands will be muted during 2023 as the opportunity to leave one site for another down the road will be limited.

It will only be a temporary relief, once the upward cycle returns the demand for labour and the pressure to recruit will return. Construction isn't an attractive career option for UK school leavers or people looking to retrain, and we are at an unsustainable level of replacing the workforce. Coupled with the prospect of increasingly large infrastructure projects hoovering up the labour force, it will be inevitable that labour shortages and wage escalation will re-emerge unless there is a large-scale transformation to recruitment for the sector

EMPLOYEES HAS YOUR BUSINESS HAD DIFFICULTIES IN RECRUITING ?



Source – ONS Market Insights Wave 74 – Construction Firms

CONSTRUCTION FORECAST

Max Wilkes
ASSOCIATE DIRECTOR

WHAT ARE WE SEEING?

Throughout 2022 as inflation climbed the economy deteriorated with forecasts for economic indicators, like GDP and investment revised downwards and interest rates, increasing. In the second half of 2022 there was a pronounced downward shift in confidence regarding the economic situation.

While some developers have announced a reduced pipeline, we are coming off the back of a couple of busy and difficult years. There is still considerable interest in projects with feasibility exercises still being carried out. While some schemes only ever reach this stage, we are finding the increasing cost of borrowing together with the disappearing sources of funding, is now an increasing factor in the numbers that stop at this gateway. At the early development stage, we are also seeing more projects either cancelled or postponed due to inflationary pressures. Many projects are also being redesigned to counter the increased costs of 2021 and 2022.

With government capital expenditure effectively frozen, which in a period of high inflation means it is cut, is affecting public sector work as many schemes are being pushed into future funding years or cancelled. Put simply where £100m in 2021 may have allowed you to procure 10 schools, now it's only enough for 9 - by 2024 that figure may be 8.

Increasingly during the last quarter of 2022, we saw more competitive tendering, with winning bids often under the final pre-tender estimates prepared for the jobs. Contractors are becoming more interested in bidding for work, especially if approached early in the development cycle.

Since construction recommenced after the first lockdown risk has been one of the major influencers on rising tender prices. We have seen the inclusion of longer construction periods and additional costs to allow for potential problems caused by COVID-19 outbreaks on sites, sourcing materials and suppliers not holding prices for long due to shortages.

While COVID-19 remains, its effects are lessened as society learns to live with it. As reported earlier, material availability has increased, price rises while still occurring are now being announced and there doesn't appear to be the sudden increases that we witnessed in 2021-22. With new starts and output beginning to fall, the pressure to pay premium rates to secure materials and labour will also wane.

These factors have been replaced by increasing borrowing rates and the increased threat of insolvencies. With competition to win tenders increasing, one of the traditional solutions has been for the supply chain to be squeezed. There is now acceptance of the fact that the supply chain is only as strong as its weakest link, this has been seen recently with the growing number of insolvencies. Continued collaboration with all parties of the supply chain is essential to avoid delays and additional costs both for contractors and clients.

Early consultation with the supply chain remains key. There is still considerable work in the pipeline for contractors to remain selective and invites for cold tendering will still receive a cold shoulder. Interaction with contractors at an early stage will identify those willing to work with and tender for projects. It will allow identification of available materials and labour for the project and allow for early procurement of long lead-in items. It offers the opportunity to review the procurement route to fairly share the risk to enable a successful project.

2023 FORECAST

2022 was the peak for tender price inflation, this year will see a fall-off in the rate of inflation increase as costs become embedded and the risk allowance made for material and labour availability decreases.

Our previous forecast assumed that a greater proportion of the price rises would be passed on in the tendering process. It has become evident that we are not seeing this level due to the slowdown in the economy and its subsequent effect on operating margins, as a result, we have revised our property forecast downwards.

We have provided a yearly forecast of 3.00% for 2023, but we anticipate that most of it will be in the first half of the year as continued pressure from materials and labour costs will push tenders up. Entering the second half of the year these pressures will have reduced, but with only a modest recovery for 2024 onwards we will continue to observe keen tendering as contractors strive to secure full order books.

This edition sees the introduction of our new infrastructure TPI forecast. Over the last few years F+G has steadily increased its presence on large and high-profile projects, including HS2, Sizewell C and work with Highways England. With this comes increased expertise and the ability to monitor how the effects of material, labour costs and the effect of funding differs from the property sector.

The infrastructure forecast is higher than our property forecast as infrastructure remains an investment priority of current governments throughout Europe. With the amount of long-term work committed to leading contractors to be chasing the same supply chains, cost pressures will increase. These coupled with greater use of energy intensive heavyside materials and infrastructure work will see less pressure to engage in keener tenders this year.

As always, the procurement route, tendering strategy and contractor selection continue to have a significant influence on levels of price inflation. Each project needs to be assessed individually and the forecast is based on an average across the property sector.

F+G also provide global indices for major cities around the world based on input from our worldwide network of offices and publicly available material. Click on the link for the latest Global Location Indices.

F+G TENDER PRICE FORECAST 2022-2026

TPI FORECAST	2022	2023	2024	2025	2026
National	8.50%	3.00%	2.50%	2.50%	3.00%
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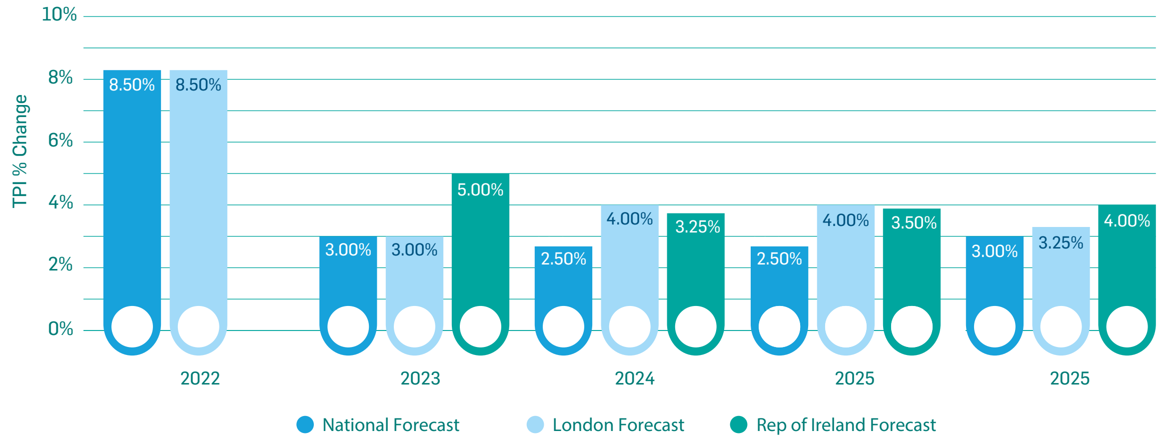
Republic of Ireland	N/A	5.00%	3.25%	3.50%	4.00%

F+G TENDER PRICE FORECAST 2022-2026



INFRASTRUCTURE

James Dalton
ASSOCIATE

The UK Government, as outlined in their Autumn statement, are committed to increasing public investment in infrastructure spending stating they will invest over £600 billion over the next five years.

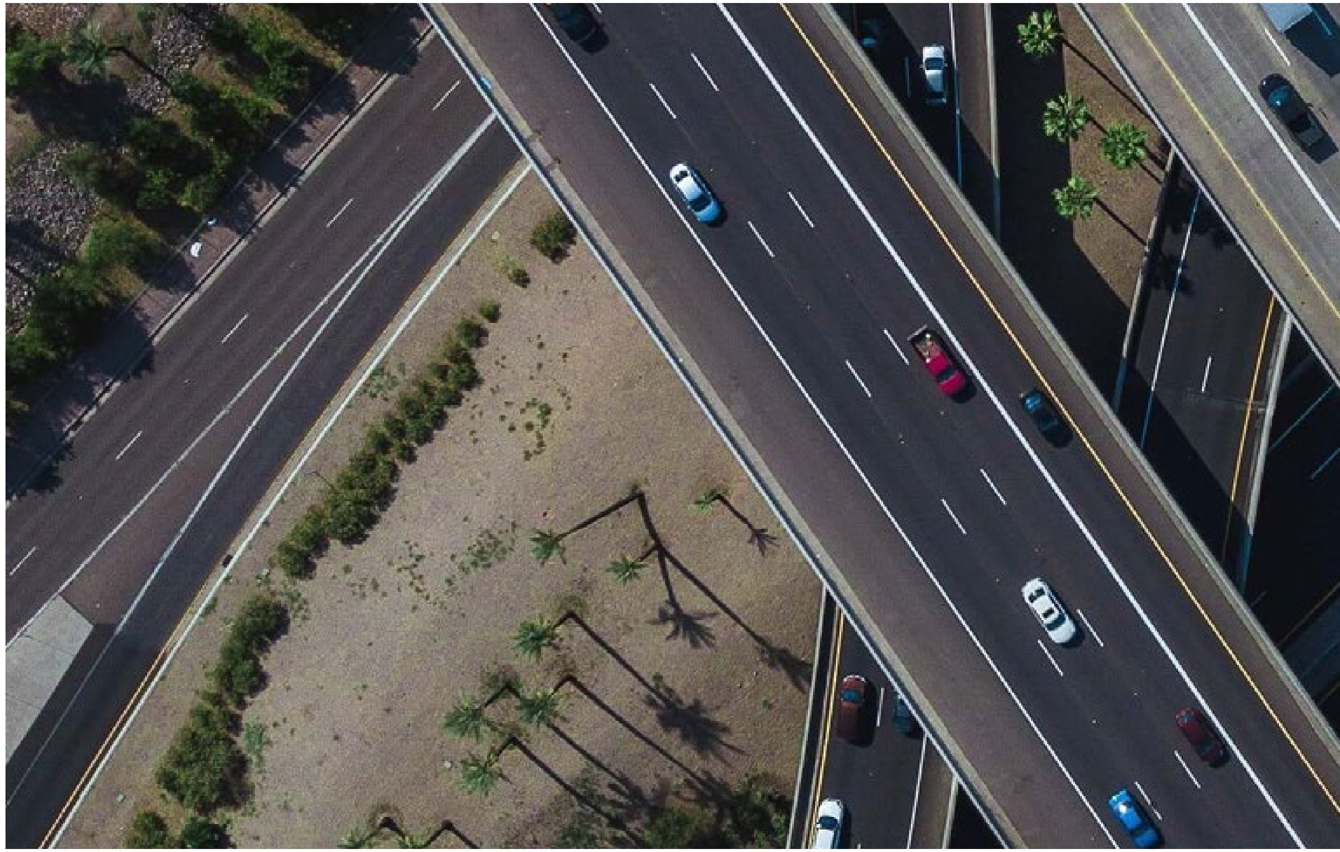
The UK Government has committed to investing in infrastructure as part of its economic recovery plan, and there are several major projects currently in the pipeline, these include the HS2 high-speed rail project, the Northern Powerhouse Rail project, Thames Tideway Tunnel and Sizewell C.

However, the UK's Infrastructure construction industry is currently facing numerous challenges, particularly with regards to complex projects. These include:

- **Inflationary Costs –** The last couple of years has seen large increases in costs. The well-documented supply chain issues and rising commodity costs together with mega-projects, such as HS2 hoovering up materials has led to budget-busting rises. For 2022 alone infrastructure projects went up by over 10%. With the government effectively freezing investment this will influence the funding for schemes with some projects either postponed, cancelled or reduced in scale. Both HS2 and the Northern Powerhouse Rail projects have seen some of the options curtailed already and there was major constellation when a leaked report suggested that HS2 would not terminate at Euston station.
- **Funding –** Funding for major infrastructure projects in the UK has been an ongoing issue. The government has relied heavily on private investment to finance large-scale projects. Experian reported that from 2017 to 2021 private funding for infrastructure work had fallen from 62% to 46%. With current aims to balance the books, spending in real terms could be severely constrained.
- **The creation of an independent fund –** The creation of the UK Infrastructure Bank was a swift response to try and overcome the departure from the European Union with the aim of providing £22bn of funding, in partnership with the private sector and local government, to finance the green industry and provide growth across the country. To date over a £1bn has been provided, generally for broadband and solar farm schemes.
- **Skills shortage –** In addition to our domestic shortage of skilled workers, infrastructure projects are often large-term complex projects that require specialists to be recruited from overseas. An example of this has been the need to employ specialist cross tunnellers for connecting the different bored tunnels on Crossrail and now HS2. The UK is competing with other large European and Middle Eastern schemes for this workforce. This leads to increased competition for talent and higher labour costs.
- **Planning and permits –** The recent planning mishap with the Lower Thames Crossing highlights the need for schemes to be developed and submitted correctly at the planning stage. This can lead to delays and increased costs for projects.

- **Environmental concerns –** Infrastructure projects in the UK are subject to strict environmental regulations with many high-profile schemes, Heathrow's third Runway is a prime example, being subject to public review and scrutiny. This can add additional complexities to projects and increase costs. Carbon emissions, habitat biodiversity preservation, and other possible construction phases, pollution (noise, light, water, to mention a few) emphasise the significance of sustainable building techniques and judicious resource management.

- **Integration of new technologies –** The use of new technologies, such as automation, artificial intelligence, and blockchain is becoming increasingly prevalent in the construction industry. However, infrastructure projects in the UK have been slow to adopt these technologies, leading to potential inefficiencies and potential cost savings not being realised. This is mainly because implementing new technology requires a substantial initial financial outlay, compatibility and interoperability with current IT systems, and cybersecurity to preserve data security. Therefore, thoughtful analysis and planning will enable the smooth incorporation of new technologies.



SUSTAINABILITY

Annabel Thorne
REGIONAL DIRECTOR

HOW DO I INFLUENCE BIODIVERSITY ON MY CONSTRUCTION PROJECT?

Biodiversity is the variety of plant and animal life in the world or in a particular habitat, a high level of which is usually considered to be important and desirable.

Biodiversity and ecosystems are essential for the processes that support all life on earth. As humans put growing pressure on the planet and use more resources that impact the balance of healthy ecosystems, the earth's biodiversity is increasingly at risk.

Scientists have estimated that there are around 8.7 million species of plants and animals in existence (PLoS Biology Report, 2011). The WWF's 'Living Planet Report' (2022) found an average 69% decline in global populations of mammals, fish, birds, reptiles, and amphibians since 1970. The Global Assessment Report (2019) by the Intergovernmental Platform on Biodiversity and Ecosystem Services reported 1 million animal and plant species are threatened with extinction. Pollution, climate change, and population growth are all threats to biodiversity and healthy ecosystems.

Under the Environment Act (2021), all planning permissions (with a few exceptions) granted in England will have to deliver a 10% biodiversity net gain from a specific date, expected to be later in 2023. In some cases, a higher percentage than 10% may be asked for. This means that before any development begins, applicants will need to measure the existing and proposed biodiversity value of the site.

Our aim as construction professionals is to encourage sustainable land use, habitat protection and creation, and improvement of long-term biodiversity for the building's site and surrounding land.

WHAT CAN I DO TO MAKE A DIFFERENCE TO BIODIVERSITY?

First an overall client strategy should be put in place to set biodiversity targets and aspirations. To deliver these the BREEAM categories are a great framework for clearly identifying the priorities when managing ecology and biodiversity on a construction site project. Please see a focus on land use and ecology below and how to add value to it:

Site selection - To encourage the use of previously occupied or contaminated land and avoid land which has not been previously disturbed.

- Avoid the use of greenfield land thereby reducing the environmental impact of the development.
- Regeneration provides social and economic benefits to the development and the surrounding local community.
- Remediation removes threats to health and safety and enables land to be improved that would otherwise be left.

Ecological risks and opportunities – Determine the existing ecological value associated with the site. Understand the risks and opportunities for ecological protection and enhancement.

- Ensure that the site contributes to local biodiversity.
- Align ecological solutions with current and future local and national government policies on biodiversity protection and enhancement as well as public opinion.
- Ensure that an appropriate level of expertise is used to identify risks and opportunities for increasing ecological value in a way that accounts for the nature of the site, the project's construction and operational viability.
- Avoid negative impact on the wider environment.
- Minimise impacts on natural assets by influencing construction works effectively.
- Understand, maximise and demonstrate ecosystem benefits including wellbeing, amenity and community by adopting appropriate ecological design and management practices.

Managing impacts on ecology – To avoid or limit as far as possible negative ecological impacts associated with the site and surrounding areas.

- Minimise ecological damage on the site and in the wider area (within the Zone of Influence).
- Avoid the risk of prosecution under environmental and wildlife protection legislation.
- Help to conserve local natural ecosystems and maintain environmental assets for the community.
- Support activities to ensure that legislation, policy and guidance are followed for the good of the site and the wider environment.
- Reduce the risk of local controversy over development and management strategies.

Ecological change and enhancement - To enhance ecological value of the area associated with the site in support of local, regional and national priorities. The value must be measured using a defined methodology such as those based on the DEFRA Biodiversity Metric.

- Improve local biodiversity by increasing the quality, connectivity, density and coverage of natural spaces:
  - Provide corridors for wildlife to survive and flourish.
  - Introduce and reinforce local native flora or plant species.
  - Contribute to the protection and restoration of biodiversity.
  - Help to improve the health, wellbeing and potentially the productivity of occupants, users and neighbours through the provision of recreational space and an increased connection between people and the natural environment (biophilia).
- Increase property values by increasing the amenity and desirability of living and working in the local area.
- Raise awareness of the benefit of interacting with the natural environment.
- Support local, national and international efforts to halt the loss of habitats and biodiversity by recognising biodiversity net gain.
- Provide reliable solutions to address public concern for wildlife and biodiversity loss.

Long-term ecology management and maintenance - To secure ongoing monitoring, management and maintenance of the site and its habitats and ecological features, to ensure intended outcomes are realised for the long term.

- Give assurance that expected benefits and outcomes will be achieved over the long term in a sustainable and efficient way using sound, well planned and monitored management practices.
- Assist site owners, clients and occupiers with managing and improving site ecology for the long term or, where relevant, the zone of influence by developing a landscape and habitat management plan.
- Help to improve corporate and local reputation by demonstrating compliance with statutory requirements.
- Improve social cohesion and the overall level of local positive environmental stewardship and awareness by encouraging open and transparent management and maintenance arrangements which incorporate community involvement and education.

WALES

Ceri Jones
DIRECTOR

Despite the recent sharp rise in construction costs and the general volatility that remains following COVID19, there continues to be substantial construction and development activity in Wales. There is still significant positivity within the Welsh construction marketplace underpinned by many major landmark projects planned throughout Wales.

This is an exciting time in Wales with the Welsh Government championing the drive for greater sustainability, net zero targets and the implementation of the Well-being of Future Generations Act (2015). All aimed at achieving the bold ambition that through construction developments, long-term improvements can be made to our social, cultural, environmental and economic well-being as a nation.

Unfortunately, in recent years, several good quality well-established Welsh contractors have ceased trading, but this has given rise to opportunities allowing other contractors to grow and develop new skills, embracing emerging technology, and off-site manufacturing (MMC). The opportunities have enabled a confident fresh approach responding to the challenges whilst complementing the ambitions of the Welsh Government.

Our constant focus is how to maximise value for money for our clients. Initially for all projects, we will make an analysis of the proposed project requirements and select the most appropriate procurement route, project structure, timescales and size. Our intention is to attract the most interest and commercially competitive submissions from a wide range of contractors in the marketplace. All with the aim of procuring good-quality contractors, supporting Welsh Government initiatives and making best use of client budgets.

LONDON

Charlie Radbone
ASSOCIATE DIRECTOR

The instability created by a combination of the post-pandemic supply and demand imbalance, the Chancellor's ill-fated budget under the short-lived Liz Truss Premiership and a higher level of interest rates continue to impact funding streams. As ever, there is a subtle difference in the London market from the national situation.

Despite the pessimistic economic mid-term forecasts by the BOE, recent reports suggest recession has been avoided and indications are that a bounce-back is forecast in the longer term by 2025. In London, although developer optimism is lower than 6 months ago, the longer-term forecasts suggest that in order to meet the Government's EPCB or above, a huge volume of development will need to be upgraded or re-built, at levels which are 5 times the rolling 10-year average.

The trend towards refurbishment over demolition and re-build continues to be fuelled by occupier appetite for more sustainable methods. Working patterns continue to shift to cope with remote working and the need for higher-quality areas for meeting spaces in offices. Refurbishments of offices in central London accounted for two-thirds of the volume of offices started in 2022.

Despite increased costs, stuttering confidence in the mid-term economy and affordability being squeezed, the market returns in London remain strong, allowing for development to continue.

However, while cost of projects remains a concern London is experiencing other difficulties; the greater concentration of high-rise residential towers in London than elsewhere in the country has meant that developers are impacted more heavily by the implementation of the Building Safety Act (2022) and the potential for delays.

They have also cited uncertainty about the lack of clear definition of design requirements needed. With extended waits for planning decisions and safety sign offs on towers, it has meant that many developers are being forced to hold back prior to sign off, hindering the pipeline of residential work.

IRELAND

Surinderpal Siyan
REGIONAL DIRECTOR

Declan Magee
MANAGING SURVEYOR

2021 and 2022 saw a rapid rebound in the economy and construction output following a lengthy period of restrictions on the sector compared to many countries. In 2023 the Irish economy is expected to outperform much of Europe and the UK with the GDP forecast to increase by almost 2%.

Despite this sentiment the construction sector, like many European markets will be more subdued than in the last two years. Rising material costs with increasing imports from other EU countries replacing materials previously obtained from the UK, skilled labour shortages, and Ireland's reliance on foreign labour and high consumer inflation will impact the market, rising doubts about the viability of schemes.

The dominant housing sector, which accounts for over 60% of projects may be impacted by the interest rate increases, but backed by strong political aims for more housing, should see resilience in this sector. There is also strong government investment in the education sector and in the healthcare sector, capital funding is expected to rise by over 10% per annum. The pipeline for civil and utilities remains at a high level, and this will assist in inward investment.

Assisted by access to the single market and low corporation tax rates, Ireland remains attractive to inward investment and is a popular location for the pharmaceutical industry.