

MEDIA RELEASE

Later Stage Construction Activity Hits Record Levels in March

- Residential planning approvals highest since before COVID
- Is Covid-induced working from home finished for London companies?

LONDON, APR 8, 2021 – The latest Snap Analysis report from leading construction industry intelligence provider, Barbour ABI, shows a decline in planning applications in March that could predict a downturn in construction activity over the coming months.

Tom Hall, Chief Economist at Barbour ABI, explained: “Later stage planning continues to go from strength to strength. It is excellent news that later stage planning is at record levels, particularly in the commercially sensitive sectors. We’ve seen some of the highest levels of contract awards in more than a year in both the residential and commercial construction sectors. The major office redevelopments being kicked off in London indicates that for many companies located in the capital, Covid-induced working from home policies could be being phased out.

“There are however a lot of uncertainties and risks at the moment: weakness in the domestic economy, a record tax burden coupled with high inflation, continuing shortages of goods, Brexit impacts and public sector austerity. These all increase the chance of a slowdown in construction as we move into the summer. We’ve seen a slowdown in planning applications that may be a foreshadowing of this.”

Barbour ABI’s Snap Analysis is a monthly report that takes a deep dive into the three stages of the planning process for construction projects across the UK in a range of sectors. By including planning applications, planning approvals and contract awards and examining the data by industry sector and geographical region, the analysis gives a robust and detailed look at the construction industry currently and in the short and medium term.

March’s analysis revealed that construction is currently very buoyant, with a fantastic £8.6bn of contracts agreed in the month. This helped Q1 to the highest ever quarterly value at an average of £7.6bn of contracts awarded each month. The residential, infrastructure and commercial construction sectors were the standouts for contract awards in March.

Residential construction topped the group with £3.5bn of contracts awarded in March. This was a 50% increase on the previous month and the highest monthly amount in more than one year. Residential construction activity is fairly well spread across the UK with the highest levels being seen in Yorkshire, East of England, London, North East, North West, Scotland and Wales.

There were also good levels of contract awards in infrastructure construction projects in March, with a total of £2.2bn of contracts agreed; a good improvement on a weak February. This positive result was largely driven by a £683m CHP plant in London and £197m for the M54 to M6 link road in the West Midlands.

Significant office construction activity boosted the commercial construction sector, which recorded £1.3bn of contract awards in March. Again, this was the strongest month for more than a year. Three major office developments in London – 105 Victoria Street, 19-35 Baker Street and the Barclays HQ fit out – were the main drivers of the growth in this sector. This could indicate that companies are trying to win employees back into the office following two years of disruption.

The value of contracts awarded in the Hotel & Leisure, Industrial, Healthcare and Education construction sectors suffered in March, especially in the Hotel & Leisure sector, which dropped by 74% over February.

Looking to the near future with planning approvals, the picture is less rosy, with a fall of 22% over February levels. However, strong performances in the Residential and Healthcare construction sectors meant March was still a positive month with high levels of activity.

Major residential projects, including a development of 500 flats in the North West and the Vulcan Wharf development in London, contributed to a total of £4.6bn worth of planning applications received the green light in March.

Infrastructure planning approvals were exceptionally high in February, so March was always going to be lower, however, with £1.5bn of planning applications approved it was still a positive month for the sector. This continues to be driven by the development of new renewable energy production and storage facilities.

The level of planning applications approved in the Hotel & Leisure sector was positive for the second month in more than a year as signs of recovery from Covid begin to flicker. However, the activity is mainly in conference and sports centres with hotel development remaining low.

Healthcare construction performed very well for planning application approvals in March, recording a 183% increase on February. Cambridge Children's Hospital in the East of England was one of the main contributors with £200m of planning applications approved.

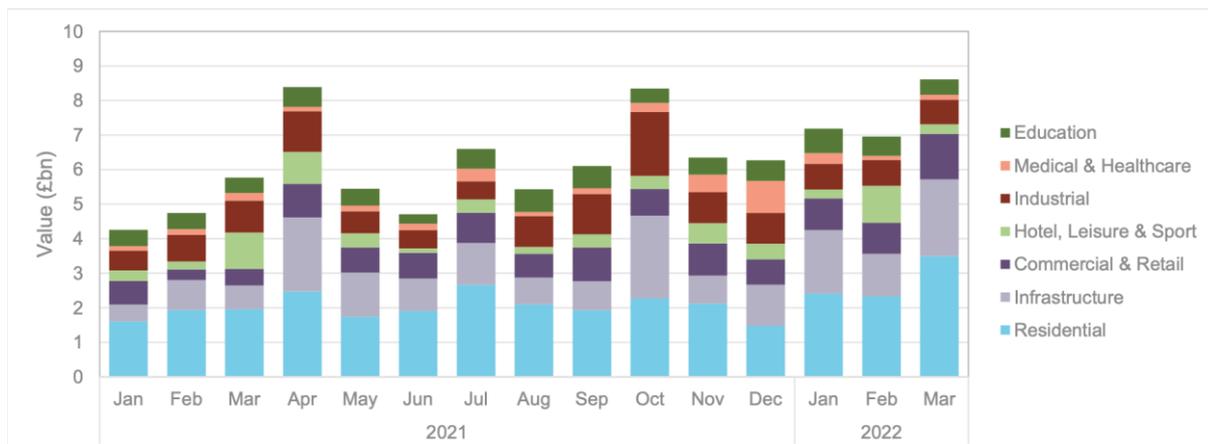
With the longest lead-time of the three stages of the construction process, planning applications is the best indicator of where the industry will be in a few months. Despite a huge £17.8bn planning application for the HS2 Crewe to Manchester line, the underlying activity is weakening. The picture across all construction industry sectors is looking much less positive, especially compared to the recent record-breaking levels experienced in areas such as Healthcare.

The value of residential planning applications submitted in February was £3.9bn, while in the infrastructure construction segment it was £1.4bn. The commercial sector was weak with just £480m of planning applications lodged and it was an even bleaker picture in the Hotel & Leisure sector with only £180m of planning applications submitted in the whole of the UK.

Education planning applications valued at £300m were made and in the Healthcare sector just £120m of new planning applications were received.

Hall added: “While the current state of the industry is positive with lots of activity and record-breaking levels of contracts awards and planning approvals in some areas, the horizon is more concerning. Overall, the level of planning applications received in March was low and raises questions about the delivery of the Government’s commitment to raise the standard of healthcare across the country and its flagship levelling up agenda.”

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About Barbour ABI

Founded more than 80 years ago, the Barbour ABI group delivers market-leading intelligence and insight for the construction industry. With the largest UK-based team of construction research experts making more than one million calls to key decision makers every year, the details and data Barbour ABI uncovers give its customers a real competitive edge.

Barbour ABI’s information is trusted by the UK’s governing bodies and leading organisations. It is the chosen provider of New Orders Estimates for the Office for National Statistics and the National Infrastructure and Construction Pipeline for HM Government’s Infrastructure and Projects Authority.

Barbour ABI recently became the UK specialist for the market leader in European construction market intelligence, Infopro Digital.

For more information on Barbour ABI visit <https://www.barbour-abi.com>