

THE GLENIGAN CONSTRUCTION REVIEW

Reflecting activity to the end of May 2021

> Strengthening
development
pipeline

> Contract awards
increase 77% against
previous year

> Starts rise 5%
against previous
three months

June 2021

Intro

The Glenigan economics team have decades of experience delivering tailored construction insight, analysis and recommendations to companies just like yours. Our industry insight has been built up over years of impartial data gathering and our economics team combine this with their commercial expertise to provide the in-depth strategic insight that you need to make key budgeting and planning decisions.

Glenigan data covers all construction sectors, including education, health, hotel and leisure, industrial, infrastructure, offices, private housing, retail, social housing, and utilities, and spans across all 12 regions of the UK.

If your strategic planning would benefit from our unique industry insight, contact us on 0800 060 8698 to discuss your requirements.



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Glenigan Economics Director

30 years experience in providing insightful market analysis and forecasts on UK construction and the built environment that can inform companies' business development and market strategies.



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Economic Analyst

Rhys joined Glenigan in 2019 and is responsible for the research behind the Glenigan Index, sector analysis for the Glenigan Construction Review, and is a regular contributor to bespoke reporting for customers.

Executive Summary

Recovery gathers momentum

The flow of work on-site grew during the three months to May and a strengthening pipeline points to further growth over the coming months.

The value of projects starting on-site averaged £5,395 million per month during the three months to May; a 5% rise against the preceding three months and 49% higher than the lockdown disrupted period a year ago.

The rise against the preceding three months was due to a 7% increase against the previous three months in the value of major projects starting on-site. At an average of £1,232 million a month, major projects were also 6% higher than a year ago. At £4,163 million per month the average value of underlying projects (under £100m) was 20% up on the previous three months on a seasonally adjusted basis and 70% higher than a year ago.

The value of contract awards rose 8% against the preceding three months to stand 77% up on a year ago and 8% above the same period in 2019. Major contract awards slipped by 11% during the three months to May but were more than double (101% up) on a year ago. Underlying contract awards increased by 15% (seasonally adjusted) on the preceding three months to stand 71% higher than a year ago.

After recent strong growth the value of work securing detailed planning consent during the three months to May dropped by 11% against the preceding three months but was unchanged compared with a year ago. The decline was due to a drop in the value of major projects securing planning approval, which declined by 50% against the preceding three months and was 52% lower than a year ago.

In contrast the value of underlying detailed planning approvals grew robustly, rising by 8% against the preceding three months (seasonally adjusted) to stand 39% up on a year ago.

CONSTRUCTION ACTIVITY

The value of work on-site rose during the first quarter of the year, according to the latest official data from ONS, with output rising by 2.6% against the preceding three months although it was 1.2% down on a year earlier. An increase in the value of projects starting on-site is expected to sustain further output growth over the course of 2021.

Overall repair and maintenance output rose 3.3% during the three months to March and was 6.8% ahead of a year ago. Private housing RM&I output has been especially buoyant, rising by 3.1% during the quarter and being 11.3% up on a year ago.

New build output rose 2.8% against the previous three months but was 5.3% lower than a year ago. Commercial output grew by 3% during the quarter but remained 14% down on a year ago. Industrial sector activity fell back after strong growth last autumn, with output 10% down on the preceding three months and 28% lower than a year ago.

New public non-residential output rose by 2% but was 3% lower than a year ago.

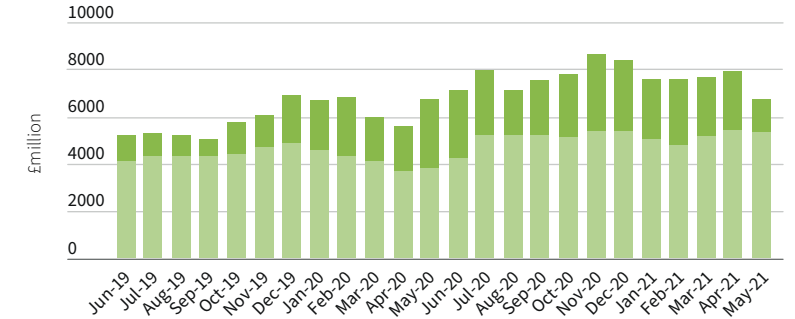
Private new housing output grew by 3% but was 1% down on a year ago. Social new housing output also grew, rising by 10% against the preceding three months but was 16% lower than a year ago.

Infrastructure has been the strongest performing new work sector, rising by 4% against the preceding three months to stand 8% up on a year ago.

Detailed Planning Approvals

Source: Glenigan
Three month average

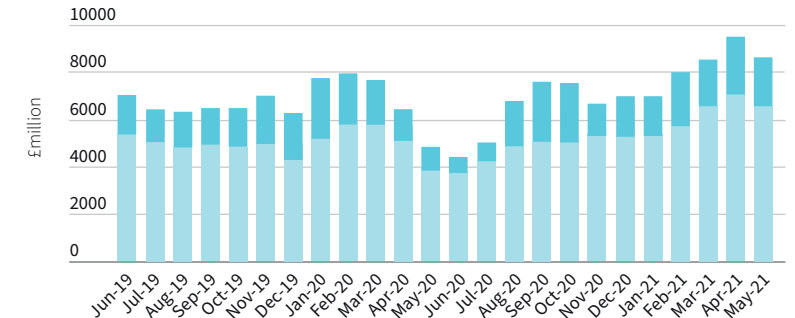
Over £100M
Under £100M



Main Contract Awards

Source: Glenigan
Three month average

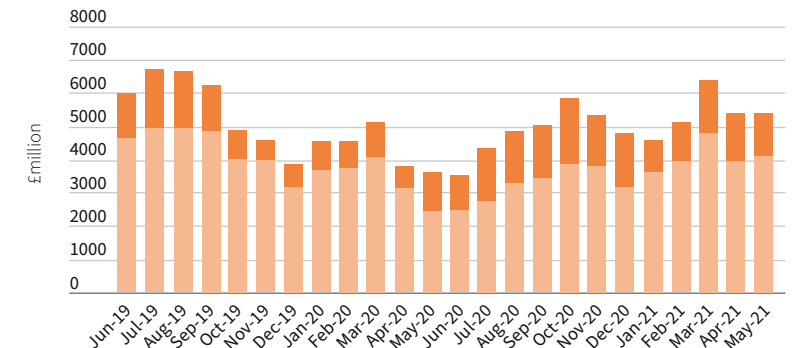
Over £100M
Under £100M



Starts

Source: Glenigan
Three month average

Over £100M
Under £100M



Contractors League Tables

Top 50 Contractors - June 2020 to May 2021

Contractors	#	£m	
1 Morgan Sindall	305	2177	▲1
2 Kier	196	1914	▼1
3 Royal BAM	48	1785	◆0
4 VINCI	26	1563	◆0
5 Willmott Dixon	145	1441	◆0
6 Bowmer & Kirkland	55	1296	◆0
7 Winvic	37	1272	◆0
8 ISG	73	1210	▲1
9 Wates	46	1176	▼1
10 Balfour Beatty	52	1144	◆0
11 VolkerWessels	117	1082	▲2
12 Laing O'Rourke	14	1049	▲2
13 Skanska UK	14	1043	▼2
14 Galliford Try	71	996	▲4
15 Graham Construction	40	856	▼3
16 ENGIE	65	769	▲5
17 Costain	6	737	▼1
18 Mace	15	724	▲10
19 Bouygues	19	700	▲3
20 GMI Construction	21	667	▲4
21 CRH	103	654	▼2
22 Multiplex	3	581	▼5
23 Buckingham Group	20	558	▲8
24 Sir Robert McAlpine	15	546	▼1
25 Byrne Group	1	500	NEW

Contractors	#	£m	
26 RJ McLeod	10	484	▼11
27 Robertson	57	478	▼2
28 John Sisk & Son	12	446	▲1
29 TSL Projects	14	445	▼2
30 McLaughlin & Harvey	25	421	▼4
31 Roadbridge	5	377	▼1
32 Hill Partnerships	16	363	▲1
33 Ardmore Group	5	352	▲10
34 Readie Construction	20	345	◆0
35 McAleer & Rushe	10	344	▲2
36 Interserve T/A Tilbury Douglas	70	311	▲2
37 A & E Elkins	6	308	▼1
38 HG Construction	8	291	▼6
39 Dragados UK	1	286	NEW
40 McLaren	15	277	▲2
41 Farrans Construction	10	274	▼6
42 Jones Bros	4	270	▼2
43 Eric Wright	13	248	NEW
44 IHP Integrated Health	11	228	NEW
45 Murphy	26	219	▲2
46 R G Carter	29	208	NEW
47 Alstom UK	2	200	▲2
48 Siemens	7	194	▲2
49 Henry Construction	5	189	▼8
50 Higgins	9	189	NEW

Last 12 month totals:
1,897 projects, £34,188m

Top 50 Contractors - May 2021

Contractors	#	£m	
1 Mace	3	351	NEW
2 Galliford Try	8	338	▲8
3 Dragados UK	1	286	NEW
4 Morgan Sindall	34	255	▲3
5 Willmott Dixon	18	236	▲13
6 VINCI	3	188	▼5
7 Laing O'Rourke	1	160	▼4
8 ENGIE	9	136	NEW
9 VolkerWessels	17	110	▲11
10 JSSH	2	108	NEW
11 ISG	7	102	▲5
12 Barnwood Construction	1	100	▲21
13 Ardmore Group	1	100	▼1
14 GMI Construction	3	94	NEW
15 Balfour Beatty	4	85	▲4
16 Wates	4	75	▼11
17 Buckingham Group	2	65	▼4
18 P. P. O'Connor	2	61	NEW
19 C.Wynne & Sons	4	43	NEW
20 Kier	11	41	▼11
21 IHP Integrated Health	1	40	NEW
22 Interserve T/A Tilbury Douglas	6	36	NEW
23 Readie Construction	1	35	▲6
24 Hill Partnerships	1	35	▼10
25 WRW Group	3	34	NEW

Last month totals:
214 projects, £3,652m

Contractors	#	£m	
26 CRH	12	34	NEW
27 BW Interiors	6	33	NEW
28 Royal BAM	2	33	▼24
29 Durkan Holdings	1	31	NEW
30 Team Van Oord	1	30	NEW
31 John Sisk & Son	1	28	▲12
32 Ringway Group	3	25	NEW
33 Midas	3	25	NEW
34 Robertson	3	22	NEW
35 Glencar Construction	3	22	▼4
36 Conamar Building Services	5	21	NEW
37 Esh Group	4	20	NEW
38 Clegg Group	1	19	NEW
39 Farrans Construction	1	19	NEW
40 Erith Contractors	3	19	NEW
41 R G Carter	4	19	▼14
42 Henry Group	2	18	NEW
43 Winvic	2	18	▼37
44 K Watson Construction	1	18	NEW
45 MCS Group	2	18	NEW
46 Marbank Construction	2	18	NEW
47 Burns Construction	2	17	NEW
48 Bouygues	1	16	▼20
49 Hinton Group	1	16	NEW
50 DAKO Construction	1	15	NEW

Clients League Tables

Top 50 Clients - June 2020 to May 2021

Clients	#	£m		Clients	#	£m	
1 Department for Transport	63	4706	0	26 Kent County Council	16	218	20
2 Department of Health	359	1716	0	27 Clarion Housing Group	14	214	NEW
3 Network Rail	87	1265	0	28 St James Securities Retail	2	212	NEW
4 Poplar HARCA	2	954	0	29 Argent Group	9	212	1
5 Welsh Government	24	720	1	30 U + I Group	2	211	NEW
6 North London Waste Authority	1	683	3	31 London & Quadrant Housing Trust	7	208	7
7 Shetland Aerogenerators	1	580	4	32 Newlon Housing Trust	4	203	NEW
8 British Land	24	542	3	33 Seagreen Wind Energy	1	200	NEW
9 Everton Football Club	2	515	4	34 Qatari Diar	1	200	11
10 Prime Investors Capital	1	500	4	35 Environment Agency	34	198	15
11 Newlands UK	5	443	5	36 Home Group	11	192	1
12 London Bor. of Bark. & Dag.	29	392	15	37 Keele University	7	190	NEW
13 Peel Holdings Group	17	389	1	38 SHE Transmission	3	186	5
14 Royal Borough of Greenwich	12	369	11	39 Suffolk County Council	14	186	NEW
15 Department for Education	54	358	5	40 Native Land	2	182	NEW
16 Lidl UK	61	345	13	41 City of Edinburgh Council	22	175	NEW
17 Britishvolt	1	300	18	42 Greater London Authority	9	173	16
18 Legal & General Group	24	289	3	43 Wigan & Leigh Housing	1	172	NEW
19 University of Birmingham	7	269	22	44 Kew Bridge Gate Developments	1	167	NEW
20 West Sussex County Council	27	267	27	45 Siemens	5	165	NEW
21 CityFibre Holdings	7	257	17	46 One Heritage	1	160	NEW
22 Prologis UK	11	253	23	47 Devon County Council	12	158	NEW
23 University of Oxford	14	242	21	48 CBRE	15	151	NEW
24 Grosvenor Group	5	222	6	49 ExxonMobil Corporation	1	150	NEW
25 National Grid	17	220	23	50 Manchester City Council	14	146	NEW

Top 50 Clients - May 2021

Clients	#	£m		Clients	#	£m	
1 Department for Transport	2	579	0	26 Worthing Borough Council	1	30	NEW
2 One Heritage	1	160	NEW	27 Cambridgeshire Constabulary	1	30	NEW
3 London Bor. of Barking & Dagenham	4	159	NEW	28 Tyne & Wear Pass. Trans. Executive	1	28	NEW
4 ExxonMobil Corporation	1	150	NEW	29 Nexus	1	28	6
5 Department of Health	21	119	5	30 West Sussex County Council	3	27	23
6 Clarion Housing Group	3	112	34	31 Lidl UK	7	26	25
7 Home Group	2	108	NEW	32 Sony Music Entertainment UK	1	26	NEW
8 Network Rail	8	67	4	33 Cornwall Council	7	24	NEW
9 Environment Agency	2	57	21	34 Arlington Business Services	1	24	NEW
10 U & I Group	1	50	NEW	35 Warwickshire County Council	3	24	NEW
11 Aegis Group	1	43	NEW	36 Renfrewshire Council	2	23	22
12 Rotherham Met. Borough Council	3	42	NEW	37 Sunderland City Council	4	23	NEW
13 Pivot Power	1	41	NEW	38 FW Harrison Commercials	1	23	NEW
14 Sumitomo Bank	1	41	NEW	39 Olympic Park Legacy Company	1	22	NEW
15 Southern Water Services	1	40	NEW	40 Powys County Council	1	22	NEW
16 Wyre Borough Council	1	40	NEW	41 Leicester City Council	2	20	NEW
17 Pickard Properties	1	40	NEW	42 England & Lyle	1	19	NEW
18 DHL Express (UK)	1	35	NEW	43 Global Energy Nigg	1	19	NEW
19 Hightown Housing Association	1	35	NEW	44 Associated British Ports Holdings	4	19	NEW
20 Aberdeen Harbour Board	2	33	NEW	45 Habinteg Housing Association (Ulster)	1	18	NEW
21 City of York Council	1	32	NEW	46 Esrg Developments	1	18	NEW
22 Tai Tirion	1	32	NEW	47 Ridge Birmingham S.A.R.L	1	18	NEW
23 Coventry City Council	2	31	NEW	48 Scottish & Southern Energy Power	1	17	NEW
24 University of Cambridge	1	30	NEW	49 Perth & Kinross Council	1	17	NEW
25 C Squared Property Developments	1	30	NEW	50 Canmoor Developments	1	16	NEW

Glenigan Index

Unsurprisingly most sectors and regions achieved strong growth during the three months to May against the same period last year – when the UK was locked-down for the first time.

Project-starts in only four sectors and five regions were higher than two years ago, indicating that further progress will be needed over the coming months to bring construction activity back to pre-pandemic levels. Encouragingly, further growth is in prospect with main contract awards and detailed planning approvals both strong, although the supply and cost of materials may dampen the pace of growth.

SECTOR PERFORMANCE

The value of residential starts during the three months to May was 91% higher than a year ago but remained 5% lower than the same period in 2019. Private housing starts rose 31% against the preceding three months and were 122% up on a year ago. Private housing starts were also 1% up on the same period in 2019. While social housing project-starts grew by a fifth against the preceding three months and were 39% higher than a year ago, they were still 18% lower on 2019 numbers.

Non-residential project-starts increased 19% against the preceding three months (seasonally adjusted) and were 80% up on a year ago, but remained 12% down on the same period in 2019. Retail project-starts performed very strongly, more than doubling against the previous three months and being 190% higher than a year ago.

Office starts grew by a quarter to stand 126% up on a year ago, bringing office starts back to within 2% of pre-pandemic levels. Industrial starts were 47% up on a year ago, but still 17% behind the same period in 2019.

Health project-starts were strong, despite slipping back 5% against the preceding three months. The value of starts was 79% higher than a year ago and 8% up on the same period in 2019. Education starts also improved, rising 6% against the preceding three months to stand 79% against a year ago.

Overall civil engineering starts during the three months to May were 2% higher than a year ago but 11% lower than they were during the same period in 2019. Infrastructure starts climbed 27% against the preceding three months to stand 29% up on a year ago. In contrast, utilities starts were weak, dropping by 66% against the preceding three months to stand 56% lower than a year ago.

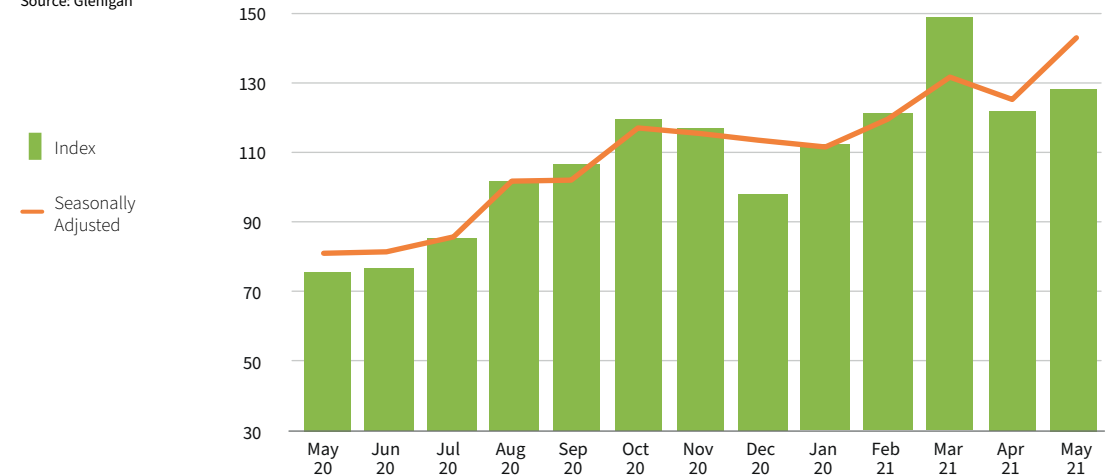
REGIONAL PERFORMANCE

Yorkshire & the Humber saw the strongest growth, rising by 44% to stand 149% up on a year ago. The South West also performed strongly, growing by 40% on the previous three months (seasonally adjusted) to stand 91% up on a year ago. Both regions were also among the five regions with starts above the same period in 2019.

The East & West Midlands, London and Scotland, Wales and Northern Ireland all saw a rise in starts against the preceding three months (seasonally adjusted) with increases of 22%, 11%, 36%, 17%, 19% and 22% respectively. Starts slipped back in the East, North West and the South East of England.

Glenigan Index

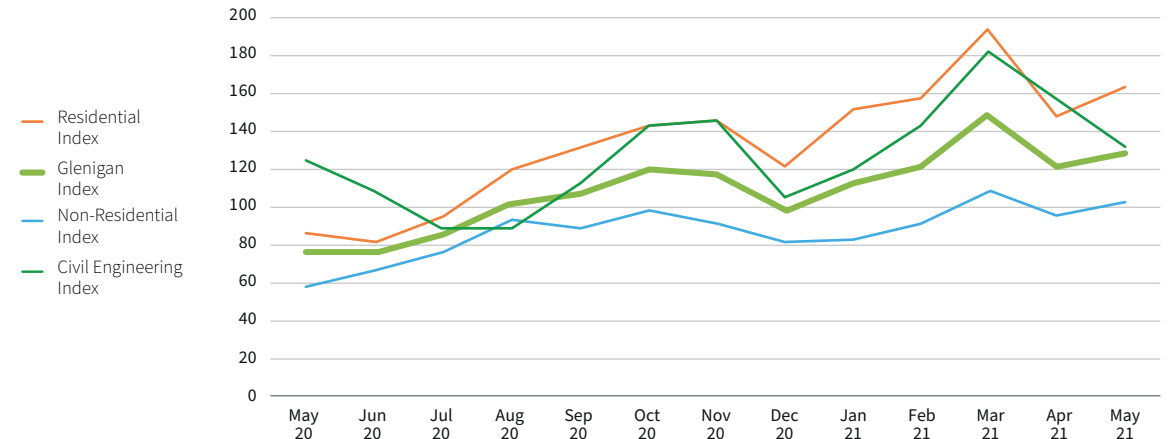
Source: Glenigan



Note: For the Index, 2006 = 100

Indices Growth

Source: Glenigan



Economic Outlook

Further acceleration in economic growth as lockdown restrictions eased

- > Strong rise in manufacturing, construction and services during May
- > Increased costs pressures and supply-chain delays
- > Strong labour demand and higher wages growth

The UK economic recovery picked up during March as lockdown restrictions were eased. The economy grew by 2.1% during the month after a poor performance during January and February. This trimmed the overall decline during the first quarter to 1.5% according to the latest official figures from the ONS.

The March upturn has sustained over the last two months. The CIPS manufacturing survey has recorded a strong rise in manufacturing activity during April and May. The May Index rose to a record 65.6 in May, up from 60.9 in April. Manufacturing production rose sharply and was supported by record gains in new business. The rise in activity is prompting manufacturers to increase staffing levels and has been accompanied by supply-chain pressures and material shortages. Rising costs have also led to a rise in manufacturers' selling prices.

CIPS report a similar spike in service sector activity during May as lockdown restrictions have been eased, accompanied by a rise in prices charged. The CIPS Services Index registered 62.9 in May, the fastest rate of growth for 24 years. Service providers report staff shortages and tight labour market conditions as businesses reopen and seek to recruit.

This has prompted a rise in salary payments and, coupled with higher raw material and transportation costs, is prompting a rise in service prices.

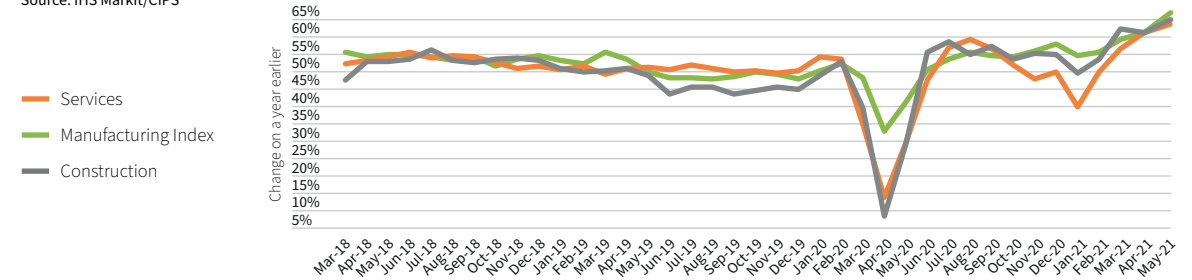
The CIPS Construction Survey reported a similar pattern of a strong rise in activity with the index climbing to 64.2. Housebuilding was the best performing category, but all parts of the industry saw a rise in activity. This growth was accompanied by a sharp rise in costs due to a surge in demand for construction materials and severe supply shortages.

The rise in economic activity is also reflected in an 8% increase in job vacancies during the first three months of the year and a small decline in unemployment according to the ONS. The survey results point to further improvement in the labour market during the current quarter. The results also suggest that any increase in unemployment, as the furlough scheme ends in the autumn, will be more modest than recently anticipated in official forecasts.

Furthermore, a strengthening labour market and stronger wage growth should bolster consumer confidence and help underpin the wider economic recovery.

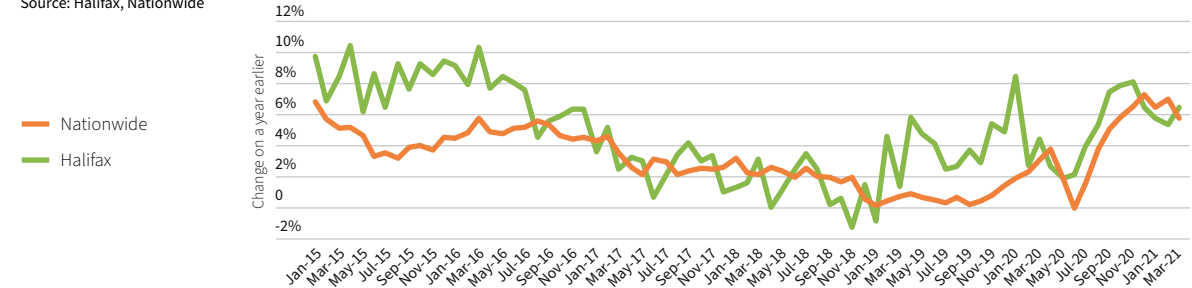
CIPS Activity Surveys

Source: IHS Markit/CIPS



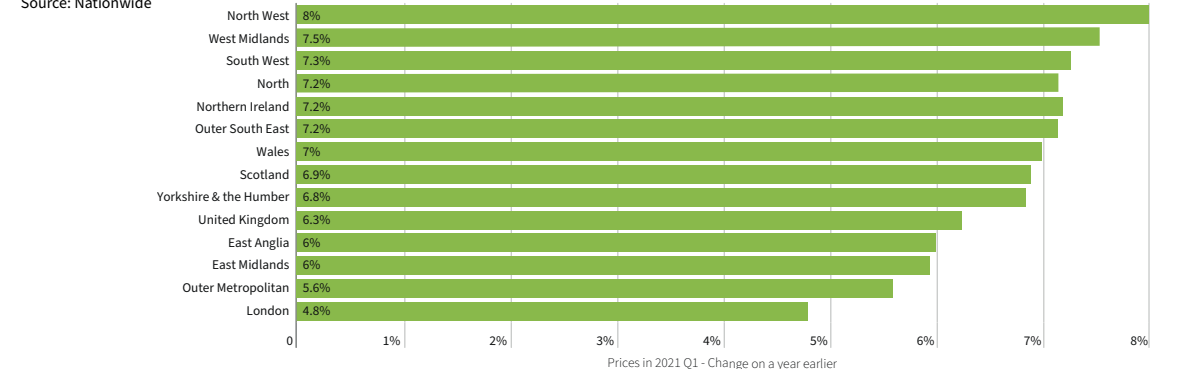
House Prices

Source: Halifax, Nationwide



Regional House Price Inflation

Source: Nationwide



Sector Analysis

Totalling £6,432 million, residential-starts during the three months to May were 67% higher than a year ago but 24% lower than the same period in 2019. Underlying-starts (less than £100 million) were only 5% behind 2019 levels. Main contract awards increased 70% against the previous year and detailed planning approvals climbed 27%. Both were higher than the same period in 2019.

While industrial-starts increased 44% against the previous year, they were 6% lower than two years ago. The industrial development pipeline is strong, with main contract awards having climbed 140% and project-approvals having increased 9% against the previous year. Compared to the same period in 2019, main contract awards experienced growth of 66% while project-approvals were 101% higher.

The office development pipeline is also strong, with main contract awards increasing 154% and project-approvals increasing 84% against the previous year. Both were much higher than 2019 levels. Project-starts were 4% higher than the previous year, but 11% below the same period in 2019. Underlying-starts were very strong and climbed 126% against the previous year.

At £810 million, retail-starts increased 230% against the previous year and 22% compared with two years ago. Sharp growth was largely due to underlying-projects which climbed 190% against the previous year. Project-approvals declined 28% against the previous year and were 16% lower than the same period in 2019.

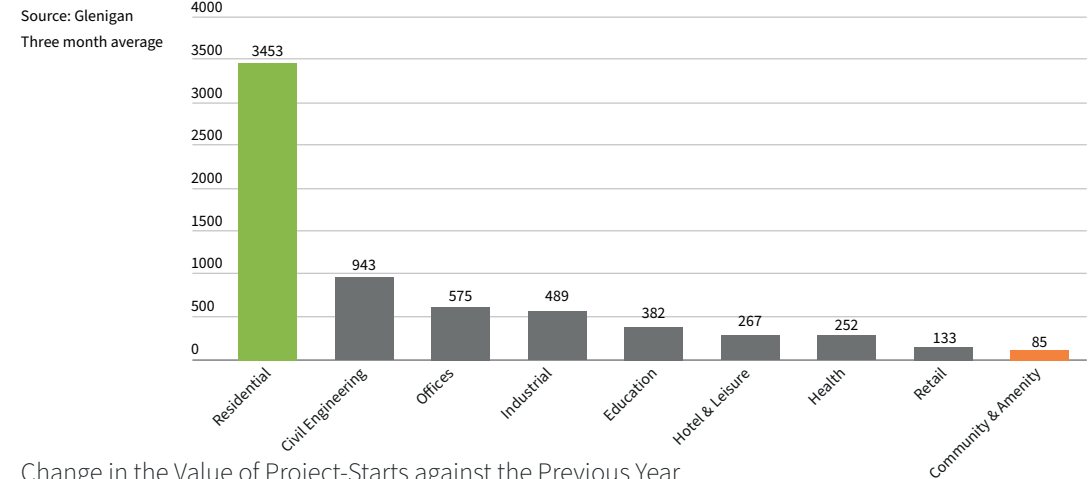
Hotel & leisure-starts climbed 71% against the previous year and were 16% higher than the same period in 2019. Growth was largely due to major projects (£100 million or more in value). In contrast, project-approvals declined by 35% against the previous year and by 28% compared with two years ago. This was due to a very sharp fall in major project-approvals.

Health project-starts totalled £440 million and were 11% higher than a year ago. Underlying-starts were strong, being 79% higher than a year ago and 8% up on the same period in 2019. Despite the development pipeline not experiencing growth against the previous year, the value of main contract awards and detailed planning approvals were higher than the same period in 2019.

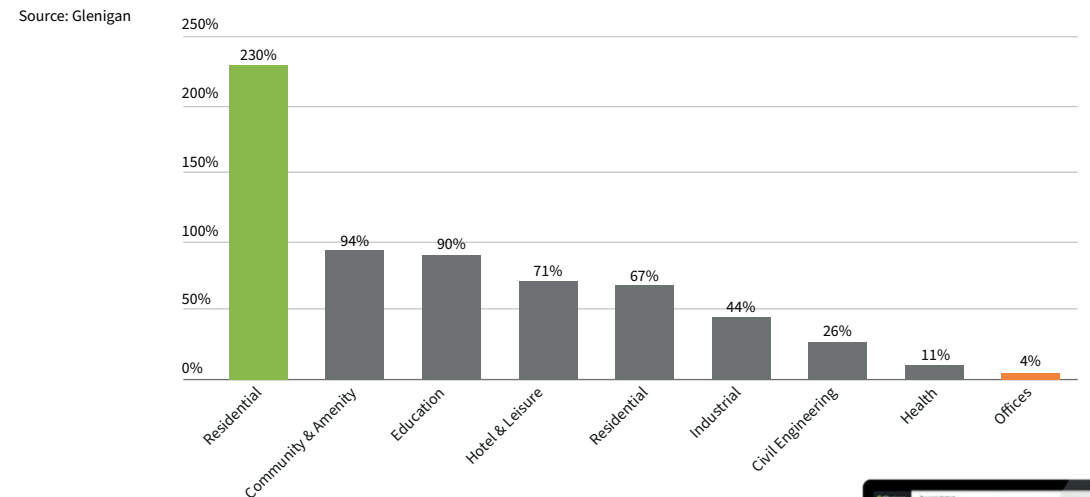
Education-starts during the three months to May were 90% higher than the previous year but remained 13% lower than two years ago. Growth against the previous year was due to both underlying and major project-starts. While both being 9% lower than the same period in 2019, underlying main contract awards climbed 61% and underlying project-approvals increased 22% against the previous year.

Civil engineering-starts totalled £3,240 million, 26% up on the previous year and 63% higher than two years ago. Growth was largely skewed by major projects. While main contract awards increased 62% against the previous year, detailed planning approvals fell 69%. This was despite underlying-approvals being 27% higher than the previous year.

Underlying Rolling Total of Contracts Awarded (£m)



Change in the Value of Project-Starts against the Previous Year



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EXECUTIVE SUMMARY

LEAGUE TABLES

GLENIGAN INDEX

ECONOMIC OUTLOOK

SECTOR ANALYSIS



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