

## CONSTRUCTION OUTLOOK: OCTOBER 2018

The latest ONS data show the volume of GB construction output rising by around 6% in 2017. With this rise, industry output is almost 30% above that in 2012.

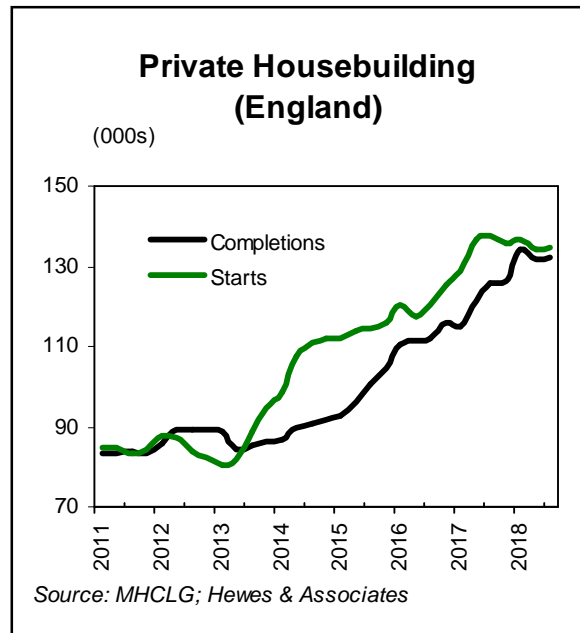
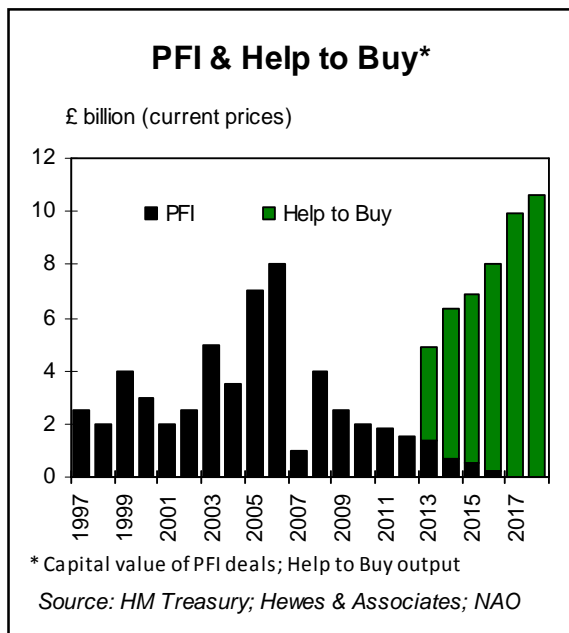
By the end of 2018, private housing, now the largest GB construction market, will be double the volume seen in 2012. Help to Buy has underpinned this growth, although that will end in 2023, and from 2021 it faces restrictions. Meanwhile, the latest data reveal a modest weakening in the new-build market, with reservations and starts easing over the twelve months to 2018 Q2. Alongside an absence of price growth, this suggests a weakening in development over the short-term.

More positively, as announced in the October Budget, local authority housebuilding will benefit from the removal of borrowing caps. As a result we expect public housebuilding to rise.

Commercial building orders are now almost 25% below their 2016 peak, with a near 40% drop in office orders underlying this.

Infrastructure construction is to benefit from large projects, such as HS2, although work on this will not start until 2019. Outside of the rail sector, orders data paint a rather dull picture, with orders down by around 40% over the twelve months to June 2018.

Aside from little in the way of good news concerning capital budgets, the important messages emerging from the Budget are: the immediate abolition of PFI, which means that the role of private finance, in any form, for infrastructure funding is highly uncertain; the waning positive influence of Help to Buy, and its end in 2023; the removal of local authority borrowing caps, which means that public housebuilding can secure real as opposed to conditional funding.



### HEWES & ASSOCIATES