Construction Industry Prospects

West Midlands

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Data up to end December 2009

in association with

About Glenigan

Glenigan combines comprehensive data gathering and exhaustive research with detailed statistical modelling and expert analysis, to deliver a trusted insight into UK construction trends and activity. Glenigan customers include construction companies, manufacturers and suppliers of materials used in construction projects, as well as specialist service providers including recruitment agencies, financial institutions, IT and telecoms companies.

Glenigan clients win more contracts and make confident strategic decisions by providing unrivalled UK construction project leads and market intelligence. Endorsed by The Chartered Institute of Building, you can be confident that Glenigan will deliver exceptional service, value and return on your investment.

Glenigan will help you

- **Win more contracts** using comprehensive project details about planned and current construction schemes for an informed sales pitch and cost-effective, efficient marketing;
- **Reduce risk** and assess market prospects to identify new opportunities using extensive construction activity data, analysis and forecasting by 12 regions and 11 sectors;
- **Save time** using custom statistics generated in seconds to answer questions specific to your business and help you make confident strategic decisions;
- **Better understand key players** using in-depth company profiles; and
- **Save money**. Research is expensive and resource intensive. Use Glenigan so you can focus on winning new business.

For more information go to www.glenigan.com.

About WMCCE

The West Midlands Centre for Constructing Excellence (WMCCE) supports business improvement programmes to help to help companies increase productivity, improve business processes, implement innovative technologies, adopt best practice and train the workforce. It does this by promoting:

- The Constructing Excellence agenda (Latham and Egan), helping to bring about a culture change within the construction industry;
- The Climate Change Sustainability agenda, now considered to be almost inextricably linked to Constructing Excellence; and
- The Skills agenda, encouraging more people into the industry at all levels, helping them to find the right training.

All of this is facilitated by WMCCE's role as a "knowledge hub" within the construction industry, collecting information and disseminating it, and by communication with industry stakeholders including client organisations, consultants, contractors and suppliers, as well as the universities, colleges and professional bodies (institutions etc.).

For more information, go to please visit www.wmcce.org

UK Construction Industry Overview

Official statistics confirm that every part of Great Britain endured double digit falls in the value of construction output during the first half of 2009. (Figures have not yet been released for Northern Ireland.) The immediate prospects for industry activity remain extremely bleak for most regions. The first quarter of 2009 saw a dramatic slump in new project starts and detailed planning approvals, with some regional indicators falling by up to 70% in value. Whilst the pace of decline has subsequently moderated, the flow of new projects starting on site is still markedly lower than a year ago.

Regions in the North of England, together with Wales, endured the sharpest declines in new project starts last year, but other parts of the country, including the Midlands and London, have experienced a marked deterioration in project starts during the first eleven months of 2009. More encouragingly a number of regions have seen a pick up in the value of detailed planning approvals during the three months to November 2009, albeit against the weak levels seen last year, pointing to an improvement in project starts during 2010.

Main Contract Awards for All Sectors

Region	2007	2008	2009
East Midlands	3,393	2,506	2,161
East of England	3,302	3,089	2,724
London	6,492	6,799	6,270
North East	2,244	1,941	1,648
North West	4,593	4,305	4,672
Northern Ireland	1,092	1,166	1,301
Scotland	5,174	4,227	4,549
South East	5,420	5,286	4,788
South West	3,512	3,477	3,379
Wales	1,902	1,606	1,570
West Midlands	2,849	3,270	2,617
Yorkshire and the Humber	3,354	2,923	2,954

Underlying value of contract awards. (Excludes individual projects of more than £100 million and framework agreements).

Detailed Planning Approval for All Sectors

Region	2007	2008	2009
East Midlands	4,187	3,589	2,464
East of England	5,201	4,138	2,939
London	8,311	7,370	5,873
North East	2,831	2,172	1,745
North West	6,610	6,255	4,493
Northern Ireland	1,929	2,446	2,165
Scotland	6,686	5,634	4,272
South East	7,478	7,186	5,040
South West	5,880	4,359	3,394
Wales	2,842	2,027	1,541
West Midlands	4,352	3,833	3,132
Yorkshire and the Humber	4,412	4,565	3,047

Underlying value of projects securing detailed planning approval. (Excludes individual projects of more than £100 million and framework agreements).

West Midlands Construction Industry Prospects

Although conditions in the West Midlands construction market remain tough, prospects do appear to be brightening. The value of underlying construction starts fell by 37% during the first nine months on a year earlier (see table below), but as anticipated the region has enjoyed a partial recovery during the final quarter of the of the year. However, whilst a tentative recovery in project starts is anticipated for 2010, the weak level of project starts endured during 2008 and 2009 will continue to depress construction output in the region.

Industrial building has historically accounted for a significant proportion of projects in the West Midlands, reflecting the importance of manufacturing to the regional economy and the region's favoured status as a location for major distribution facilities. During 2008, industrial projects accounted for 13% of projects started, twice the UK average.

Unfortunately, key manufacturing industries in the region, such as motor vehicle production, have been hard hit by the economic downturn, with many suspending production. Faced with weak domestic and overseas demand and surplus capacity, few manufacturers are planning to invest in new industrial premises. In addition, sluggish consumer spending is also curbing retailers' appetite for large distribution facilities, while the uncertain economic outlook and the limited availability of debt finance will continue to restrict the flow of new speculative developments. Against this background detailed planning approvals for industrial projects in the West Midlands fell by 60% last year, and during the first ten months of 2009 were 67% down on the level seen a year ago.

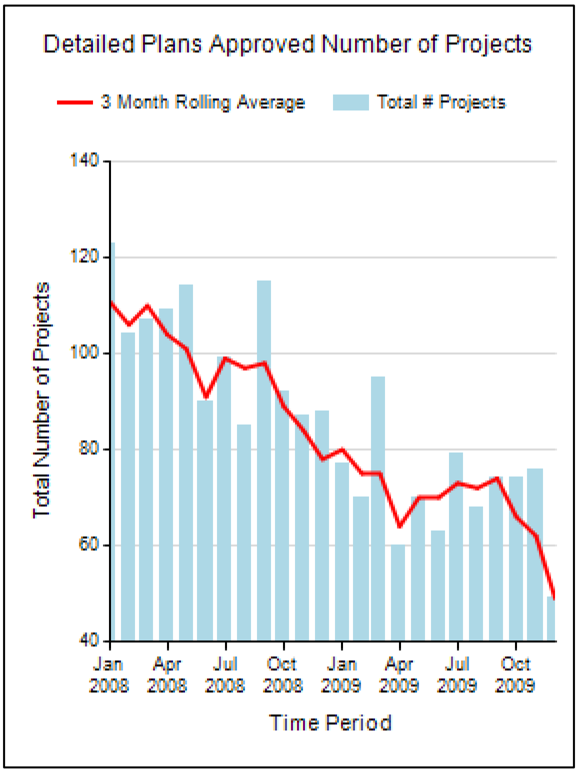
The downturn in the West Midlands' private housing sector has also been dramatic, with the value of underlying project starts during 2009 running at a third of the level seen during 2006. The value of private housing projects securing planning approval has also fallen sharply, halving in 2008 before falling by a further 69% during the first ten months of this year. Nevertheless, the region's exposure to the private housing sector, should help to brighten the region's prospects as conditions in the wider housing market gradually improve and developers reactivate stalled projects.

Forecast construction starts (large* projects up to £100 million)

	Underlying construction starts (£ million)	Change on previous year (%)
Quarter 4, 2008	610	-29%
Quarter 1, 2009	513	-46%
Quarter 2, 2009	508	-17%
Quarter 3, 2009	632	-19%
Quarter 4, 2009 (f)	741	21%
Quarter 1, 2010 (f)	601	17%
Quarter 2, 2010 (f)	624	23%
Quarter 3, 2010 (f)	759	20%
Quarter 4, 2010 (f)	635	-14%
Quarter 1, 2011 (f)	750	25%
Quarter 2, 2011 (f)	641	3%
Quarter 3, 2011 (f)	766	1%

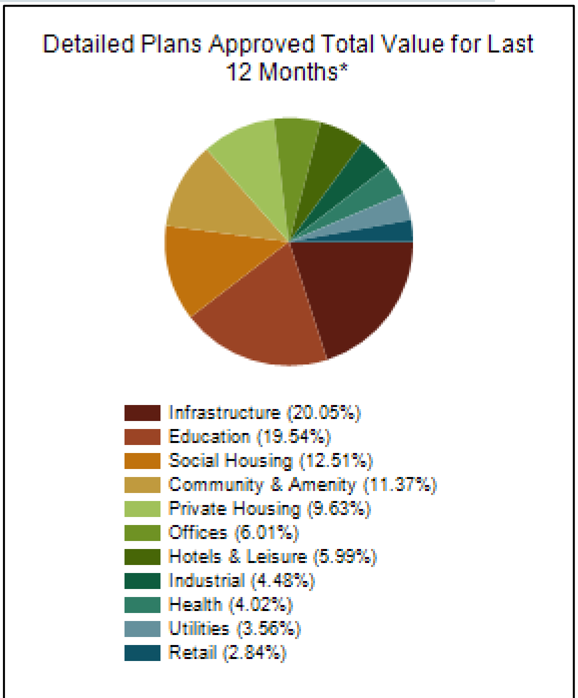
* >£100k civil projects, >£250k commercial projects, >10 units residential
p – provisional, f – forecast.
Source: Glenigan

The development pipeline for public sector related construction activity has improved in this year a largely disappointing performance during 2008. Social housing projects securing detailed planning approval rose 5% during the first ten months of 2009 (and the value of work



starting on site has risen by around 40%). The value of underlying education securing planning approval almost trebled during the first ten months of this year, while the approval of health projects rose by 40%.

Whilst the increase in public sector approvals should help stabilise new project starts near term, the probability of approved schemes starting on site as planned are likely to lengthen as 2010 progresses. In light of deterioration in government finances such projects will be vulnerable to review after next year's General Election.



*Excludes individual projects of more than £100 million and framework agreements

Whilst the pick up in public sector work is expected to help stabilise new project starts during the remainder of 2009, the weak start to the year is forecast to drag down overall project starts in the West Midlands by 38% this year. The recent surge in publicly funded projects securing planning approval promises to underpin an anticipated recovery in project starts during 2010, although such projects may be reviewed in the light of deteriorating government finances after next year's General Election.