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DATA • PROJECTS • NETWORKING

MIXED MESSAGES

SECOND QUARTER 2019 CONTRACT PERFORMANCE REPORT

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BUILDUK
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EXECUTIVE SUMMARY

Depending whether you're a glass half empty or a glass half full type of person, the second quarter of 2019 was either sharply down on the previous quarter, or significantly up on the same period last year in terms of construction contract value awarded across the UK according to data collected by Builders' Conference.

Having got off to a flying start with a first quarter that delivered more than £25.01 billion, the second quarter has seen something of a return to normality with a £16.41 billion combined total across April, May and June. Such a marked decline could be read as an immediate cause for concern, particularly given the worrying profit warnings emerging from some of the industry's biggest and best-known names.

Q2 saw a fall of almost 35% percent compared to Q1, an £8.59 billion decline in a single quarter. The number of projects recorded during Q2 was 4 percent down on the previous quarter. But context is everything. Q1 was an anomaly; a huge blip following the stability the industry enjoyed in 2018 when a £4 to £5 billion monthly average that became almost monotonous in its predictability. As a result, the combined total of contracts awarded for the first half of 2019 is a staggering £41.59 billion, almost twice the £27.95 billion recorded in the same period last year. There is a tendency, at present, to blame any economic fluctuations on the painfully protracted Brexit process. But the marked difference between Q1 and Q2 suggests that some clients were keen to award certain contracts before the original 31st March 2019 deadline.

The hope now, of course, is that they do the same again ahead of the revised 31st October 2019 deadline, driving up construction activity for Q3 and Q4.

Research in Q2 by Builders' Conference indicates businesses in the sector are introducing clauses within bids for possible tariff increase past 31st October 2019 on materials & goods protecting themselves against a hit on profit margins.

Build UK contractor members contributed £3.8 billion (23.14%) of all new construction contracts in Q2 with Morgan Sindall Group topping this list with 55no projects, the largest being a £195 million contract awarded to their Property Services Division to upgrade various properties throughout the Borough of Waltham Forest. Another project of note in Q2 which was given the green light was the £200 million mixed-use regeneration of Camberley, Surrey Town Centre for Surrey Heath Borough Council awarded to Kier Group.

As we come to the end of a hot July, we have a new Prime Minister in post after Theresa May was forced to step down having failed to deliver on her Brexit promises. In all likelihood, the appointment of Boris Johnson will spark a hastily arranged General Election that will bring with it promises of increased expenditure on vote-winning areas such as education and infrastructure. It is important that any such promises are then delivered upon, as both these sectors remain depressed at present. Indeed, were it not for the sterling performance of the housebuilding sector – which delivered almost half of all new contract awards in Q2 - the UK construction activity outlook would currently look very different.

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The housing sector consistently tops the monthly contract awards charts generated by Builders' Conference.

MARKET SECTORS

Housing projects dominate construction activity in the UK, delivering approximately 40% of the sector excluding mixed use developments - where definitive analysis of each element of the project is unavailable.
Looking more closely at housing, 66% of all projects started in Q2 were privately funded, but news of a slowdown in house prices over the last few days, may prove to have a negative impact on future investors & buyers.

April, May & June saw totals of £2.89, £2.93 & £2.08 billion respectively of housing projects giving an overall total of £7.9 billion by value (48.1%) in Q2 and 856 by number (39.7%).

The catch all group 'Miscellaneous' which brings together mixed use developments comprising housing, retail & entertainment etc provided £2.03 billion (12.4%) in Q2- 2019. The education sector was once again third in the quarter with a total of £1.22 billion (7.4%). Similar to last quarter, the Entertainment & Leisure sector reached £1.15 billion which points to an ongoing level of economic positivity despite the Brexit negotiations. Infrastructure projects including roads, railways & airports disappointingly did not reach the £1 billion in Q2.

Quarterly analysis of contracts awarded by Project Category for Q2 2019

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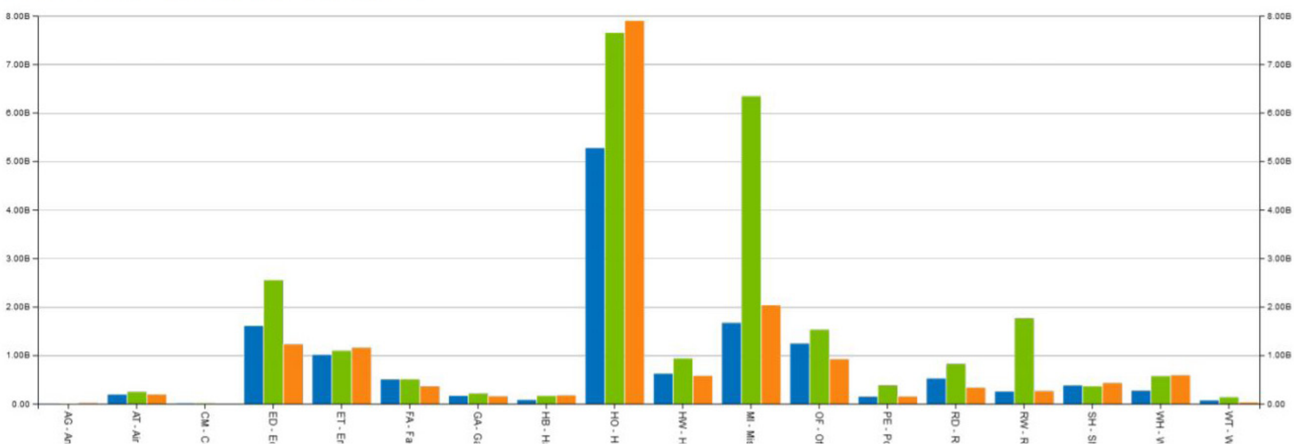

The chart above is taken from the data platform Builders' Conference has developed called Serino which accurately analyses all tender and contract award information from verified sources across the sector.

REGIONAL ACTIVITY

Regionally across the UK, London remains the epicentre of new construction activity. Of the £16.41 billion of new projects across the UK in Q2 made up of 2,159no projects, 18% by number and nearly 28% by value were in London with Build UK contractor members responsible for approximately 14% of London projects totalling £631 million. The largest project win was Finsbury Tower, London, a development valued at approximately £130 million which was awarded to Mace.

Quarterly analysis of contracts awarded
Analysis by Region for Q2 2019

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Region	Projects Q2 2019	Variance % Q1 2019	Variance % Q2 2018	Total value Q2 2019	Variance % Q1 2019	Variance % Q2 2018	Average value Q2 2019
01.0 - Scotland	128	-12%	-9%	£639.40M	5%	-42%	£5.00M
02.0 - Northern	88	-15%	-15%	£649.63M	10%	75%	£7.38M
03.0 - Yorkshire	135	-9%	-10%	£970.67M	-7%	29%	£7.19M
04.0 - East Midlands	153	-9%	44%	£1,246.26M	9%	26%	£8.15M
05.0 - East Anglia	78	11%	56%	£637.31M	32%	82%	£8.17M
06.0 - West Midlands	169	-3%	16%	£1,345.39M	-26%	27%	£7.96M
07.0 - North West	229	4%	1%	£1,719.24M	-12%	44%	£7.51M
08.0 - South West	122	0%	16%	£583.40M	-63%	7%	£4.78M
09.1 - South & Mid Wales	54	-4%	17%	£234.40M	6%	-7%	£4.34M
09.2 - North Wales	3	-79%	-79%	£5.45M	-97%	-89%	£1.82M
10.0 - Bedfordshire	27	17%	-10%	£452.12M	245%	158%	£16.75M
10.1 - Essex	53	-42%	-12%	£296.20M	-76%	-5%	£5.59M
10.2 - Hertfordshire	48	-11%	17%	£180.28M	-56%	5%	£3.76M
10.3 - Kent	81	-8%	21%	£435.02M	-31%	11%	£5.37M
10.4 - Surrey	111	39%	68%	£682.99M	61%	128%	£6.15M
10.5 - East and West Sussex	64	-23%	8%	£253.83M	-44%	-34%	£3.97M
10.6 - Berkshire	34	-23%	-13%	£353.46M	-34%	35%	£10.40M
10.7 - Buckinghamshire	26	-26%	24%	£118.39M	-25%	-21%	£4.55M

Serino is able to record every contract award by its region, producing an accurate overview of where construction activity is concentrated throughout the UK.

Camberley Town Centre Regeneration
Image source Kier Group

Mace Finsbury Tower London Broad
Image source hcl architect

With recent news that HS2 might not be on Boris's priority list, the proposal to boost economic growth in the Northern Powerhouse regions might suffer. However in Q2 this region did see an increase in activity with 229no projects totalling £1.72 billion.

East & West Midland regions combined secured over £2.5billion of new construction contracts researched by Builders' Conference in Q2 with Build UK member Wates Group securing the marquee project of the new 2022 Commonwealth Games aquatic centre for £60 million.

In Scotland there was a small increase in value of contracts in Q2 however the number of projects fell by 12%.

The collective regions of Home Counties saw a decline in the value of contracts awarded, with £3.24 billion in Q2 (compared to £4.29 billion in Q1.

Wates Construction Commonwealth aquatic centre Birmingham
Image source Wates

From this quarter

KEY PROJECTS

Mixed Use Development Camberley, Surrey
awarded to Kier Group (*approx value £200 million)*

Housing Repairs & Maintenance Waltham Forrest, London
awarded to Morgan Sindall Property Services *(approx value £195 million)*

Term Contract for 5,600 properties Central Bedfordshire
awarded to Engie *(approx value £190 million)*

481 Apartments, 2one2 Broad Street Birmingham
awarded to John Sisk & Son *(approx value £183 million)*

Mixed Use Development, Finsbury Tower LondoN
awarded to Mace *(approx value £130 million)*

Residential & Commercial Units, Enfield, London
awarded to Galliford Try Partnerships *(approx value £125 million)*

University Building Broomhill Campus, Sheffield
awarded to BAM Construction *(approx value £70 million)*

350 Dwellings Middlesbrough
awarded to Galliford Try Partnerships
(approx value £62 million)

Olympic sized pool, Smethwick West Midlands
awarded to Wates Construction
(approx value £60 million)

What lies ahead?

A slowdown in new bids within pre-construction departments across the UK is now a reality with Builders' Conference research teams confirming this information on a daily basis. However the reason for this decline is likely to be the upcoming Summer holiday period together with ongoing uncertainty and concern around Brexit.

Any clouds of unease within UK construction company boardrooms due to the lack of future marquee project opportunities are probably founded however this may be trumped with the recent news of a number of company balance sheets not providing what the stock market & shareholders expected. The UK government now needs to demonstrate a clear defined and robust strategy for UK Construction, not just for the next year or two but longer term up to 15 years, especially as the sector provides 7% of UK's GDP. If we are to meet the future demands of country not within the European Union then infrastructure, connectivity and hub status have to be the key to UK's success.

TOP 50 CONTRACTORS' RESULTS 01/04/2019 - 30/06/2019

Position	Number of Projects	Contractor	Total Value	Agriculture	Air Transport	Communications	Education	Entertainment	Factories	Garages	Harbours & Waterways	Housing	Health & Welfare	Miscellaneous	Offices	Power & Energy	Railways	Roads	Shops	Warehouses	Water & Sewage
1	2	Laing O'Rourke	£1,060m	–	–	–	–	–	–	–	–	–	–	1,000	60	–	–	–	–	–	–
2	55	Morgan Sindall	£644.2m	–	–	–	74.6	69	–	–	–	355	1.7	40	86	10	–	8	–	–	–
3	28	Galliford Try	£543m	–	–	–	0.5	–	–	–	–	401	10	67	65	–	–	–	–	–	–
4	53	Kier Group	£484m	–	5.75	–	116	12	3	–	–	37	47.4	221	33.5	–	0.75	–	–	8	–
5	17	Bowmer & Kirkland	£432.8m	–	–	–	93.8	16	–	0.35	–	–	0.58	0.2	1.2	–	–	–	231	90	–
6	39	Engie UK Ltd	£403.7m	–	–	–	6.35	0.9	7	2.45	–	367	10	–	–	10	–	–	–	–	–
7	13	Redrow Homes	£362.2m	–	–	–	–	–	–	–	–	362	–	–	–	–	–	–	–	–	–
8	16	Barratt Homes	£337.9m	–	–	–	–	–	–	–	–	336	–	–	0.19	1.9	–	–	–	–	–
9	3	Telford Homes plc	£320.4m	–	–	–	–	–	–	–	–	320	–	–	–	–	–	–	–	–	–
10	10	Sisk Group	£296.6m	–	–	–	–	–	–	10	–	259	–	–	13	–	–	15	–	–	–
11	12	Bellway Homes Ltd	£291.8m	–	–	–	–	–	–	–	–	292	–	–	–	–	–	–	–	–	–
12	15	Taylor Wimpey	£250.8m	–	–	–	–	–	–	–	–	251	–	–	–	–	–	–	–	–	–
13	22	Graham Construction	£241.8m	–	–	–	20.4	–	–	6	15	–	57	14	22	–	28	40	5.85	33.5	–
14	11	Winvic Construction Ltd	£237.2m	–	–	–	–	–	25.7	–	–	–	–	–	–	–	24.5	–	–	187	–
15	7	Henry Construction Projects Ltd	£230.4m	–	–	–	–	10	–	–	–	213	–	–	–	–	–	–	7.9	–	–
16	11	BAM	£211.2m	–	–	–	82.2	12	–	40	37	36	–	–	–	4	–	–	–	–	–
17	19	Willmott Dixon	£201.1m	–	–	–	63	24	–	–	–	57	–	6.5	50.6	–	–	–	–	–	–
18	3	Ardmore Construction Ltd	£190m	–	–	–	–	40	–	–	–	150	–	–	–	–	–	–	–	–	–
19	12	Wates Ltd	£182.3m	–	–	–	11	60	–	7	–	68.2	–	–	31.1	–	–	–	5	–	–
20	13	Bloor Homes	£167.8m	–	–	–	–	–	–	–	–	168	–	–	–	–	–	–	–	–	–
21	13	Persimmon Homes	£147.3m	–	–	–	–	–	–	–	–	147	–	–	–	–	–	–	–	–	–
22	2	Mace Ltd	£145m	–	–	–	–	–	–	–	–	–	–	130	15	–	–	–	–	–	–
23	1	Roadbridge FCC JV	£139m	–	139	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
24	3	McAleer & Rushe	£137m	–	–	–	–	40	–	–	–	50	–	–	47	–	–	–	–	–	–
25	2	Morris Homes Ltd	£127m	–	–	–	–	–	–	–	–	127	–	–	–	–	–	–	–	–	–
26	7	Buckingham Group Contracting	£115.6m	–	–	–	–	15.5	11.5	–	–	–	–	–	16.1	–	9.5	11	–	52	–
27	10	Countryside Properties plc	£111.6m	–	–	–	–	–	–	–	–	112	–	–	–	–	–	–	–	–	–
28	13	Balfour Beatty	£109.2m	–	–	–	10	–	–	–	2.4	–	23	7.9	2.5	–	–	63.4	–	–	–
29	20	Midas Group	£102.8m	–	1	–	7	42.5	10.3	–	–	23.5	7	1.5	–	–	–	–	10	–	–
30	7	RG Carter	£101.7m	–	–	–	9.82	9	–	–	–	20.4	2.5	39	21	–	–	–	–	–	–
31	8	Tolent Construction	£100m	–	–	–	–	–	–	–	–	26.9	–	67	4.10	–	–	–	–	–	–
32	1	Henry Boot Group	£100m	–	–	–	–	–	–	–	–	–	–	–	–	–	100	–	–	–	–
33	10	ISG	£99m	–	–	–	8	25.5	–	8	–	23	–	–	20	–	–	–	2.5	12	–
34	10	Readie Construction Ltd	£98.3m	–	–	–	–	–	43.3	–	–	–	–	10	–	–	–	–	–	45	–
35	6	Cala Homes	£90.2m	–	–	–	–	–	–	–	–	90.2	–	–	–	–	–	–	–	–	–
36	9	Robertson Group	£87.3m	–	–	–	60.3	–	12.7	–	–	6.5	–	–	7.8	–	–	–	–	–	–
37	1	Westfield Europe Ltd	£84m	–	–	–	–	–	–	–	–	84	–	–	–	–	–	–	–	–	–
38	5	Trench Holdings	£83.4m	–	–	–	2.9	29	–	–	–	–	–	11.5	40	–	–	–	–	–	–
39	3	Russells Construction Ltd	£82m	–	–	–	–	28	–	–	–	54	–	–	–	–	–	–	–	–	–
40	8	Hill Partnerships Ltd	£81.7m	–	–	–	–	–	–	–	–	81.7	–	–	–	–	–	–	–	–	–
41	1	Beijing Construction Engineering Gro	£80m	–	–	–	–	80	–	–	–	–	–	–	–	–	–	–	–	–	–
42	3	McGoff Group Ltd	£79.2m	–	–	–	–	–	–	–	–	70	4.2	5	–	–	–	–	–	–	–
43	11	Interserve Plc	£76.1m	–	–	–	51.6	1	6.5	–	–	–	6.5	–	–	–	–	10.5	–	–	–
44	1	BMM JV Ltd	£76m	–	–	–	–	–	–	–	76	–	–	–	–	–	–	–	–	–	–
45	2	Beck Interiors Ltd	£75m	–	–	–	–	75	–	–	–	–	–	–	–	–	–	–	–	–	–
46	4	Higgins Construction	£71.7m	–	–	–	–	–	–	–	–	50.7	–	21	–	–	–	–	–	–	–
47	3	John Paul Construction	£71.3m	–	–	–	–	40	–	–	–	–	21.3	–	–	–	–	–	–	10	–
48	6	Avant Homes	£70m	–	–	–	–	0.85	–	–	–	69.2	–	–	–	–	–	–	–	–	–
49	4	Jehu Group	£65.4m	–	–	–	–	–	–	–	–	65.4	–	–	–	–	–	–	–	–	–
50	2	HG Construction Ltd	£65m	–	–	–	–	–	–	–	–	2	–	63	–	–	–	–	–	–	–
Total for Period: £16,440.4m				10.8	186	0.1	1,221	1,152	352	150	170	7,923	573	1,897	914	145	259	329	423	584	23.1

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