

The UK Commercial Building Market 1990-2004F

Executive Summary

Equities

- international markets remain in turmoil and threaten an economic crisis
- New York is off around a fifth this year and London's fortunes remain bound to it
- there is more pain to come, but markets go down as well as up
- there will eventually be fresh demand for quality companies

UK economy

- GDP growth of less than 2% this year, but inflation/interest rates remain low
- the government is spending.
- growth next year could be 3%, provided current financial crisis does not impinge
- potential structural threat from UK house price inflation

US

- Q2 growth will be less than 2% after 6.1% in Q1 – and it has a record trade deficit
- yet, the consumer continues to spend and June's housing permits were up 5%

UK and continental Europe

- the region is dominated by Germany's woes; major structural issues remain
- German GDP in Q2 is expected to be negative; unemployment is at three year high
- German construction orders fell 14% in May
- overall European GDP growth should be better in 2003-4
- European construction is flat, with sub-2% growth expected through 2004
- big 5 account for 71% of all European building and UK is pick of the bunch

Asia

- China will push world steel consumption to a new record this year
- Japan remains mired, but there are one or two signs of solidity

UK Construction

- forecast growth is 3% this year and next, with +2.2% in 2004

UK Private Commercial Building

- activity will slow this year and turn negative in 2003-4; offices especially
- current work-in-progress is at record levels
- commercial building accounts for one third of all new work; and 18% of all activity
- three sub-sectors account for 84% of all commercial work (offices = 45%)
- education and health are growing rapidly
- there is not a conclusive relationship between new commercial orders and output
- new orders were unchanged after first five months of 2002; offices down 31%

Public Building & RM&I

- non-residential work in this sector was worth £5.2 billion in 2001
- education dominates but offices are worth c£500m per annum
- RM&I accounts for 47% of total UK construction activity; 2001 real growth +4%
- excluding residential and infrastructure, the market is worth some £13 billion
- office refurb is worth £2 billion

Copies

- a copy of this 28 page report is available from Building Value; see 'Contact' elsewhere in this site.

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