



Quarterly Trends Report

Quarter 1 2018



Bhangals Quarterly Trends Report – Quarter 1 2018

Bhangals Construction Consultants has created a Quarterly Trends Report for the first quarter of 2018. The purpose of the report is to provide an insight into the UK construction industry, based on the company's own experiences and findings.

Market findings

The latest figures published by the Office of National Statistics (ONS) in January 2018, showed a third consecutive quarterly decline in construction output in the three months through to December 2017. This was driven predominantly by the continued decline in private commercial work, which fell by 4.1% in January 2018.

Despite the fall, which was the ninth consecutive quarter of decline, the report showed an increase in new orders and the highest output of housebuilding since 2007, signalling more positive signs for the industry as we moved into 2018.

This positivity is a theme we have seen at Bhangals Construction Consultants throughout the first quarter of 2018 (January to March) as our existing clients, which include architects, developers and contractors, have experienced growth and moved onto larger scale developments. We've also seen an increase in productivity across the industry with professionals operating at a faster speed, making decisions quicker and taking decisive action.

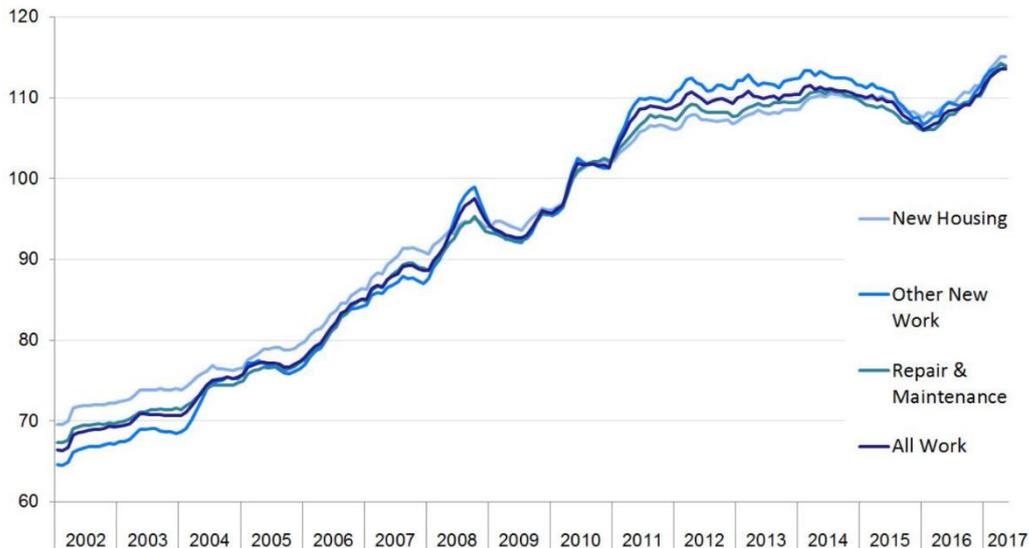
Cashflow and costs of materials

At Bhangals Construction Consultants, we have seen a surge in the number of contractors coming to us with claims against clients who are not paying and settling final accounts, which signals a sign of weakness and lack of trust in the market.

We have also seen an increase in materials rates from the merchants in January, although this does tend to occur annually and was no great surprise (see Table 1 below).

Material Price Indices

Chart 1: Construction Material Price Indices, UK
Index, 2010 = 100



Source: Table 1, Monthly Statistics of Building Materials and Components

The sub-contractors labour rates have generally been steady and we have not seen too much of a rise in this, but they are tightening their payment terms which could have an impact.

We also noticed that January 2018 was particularly busy, when previously January was known in the industry for being a slow month. We put this down to the trade counters opening between Christmas and New Year, which previously hasn't been done on the whole. This allowed contractors to push on with projects straight after Christmas without delay. It will be interesting to see if this will become an ongoing trend.

Service and project trends

During Quarter 1, Bhangals Construction Consultants continued to offer a combination of the following services to its clients: quantity surveying, estimating, and project management for private residential, commercial and community projects. We experienced particular demand for our estimating service, which we have put down to more people improving and not moving. Our estimating team also noticed an increase in the number of estimates for loft conversions which, according to the Royal Institution of Chartered Surveyors (RICS), can, on average, equate to one third of the cost of moving house but could increase the value of a home by up to 25%.

The trend for loft and basement conversions has been growing steadily since 2012, according to research published last year by Halifax, as people look for more space without the stress and costs of moving house. London in particular has seen a surge in the number of basement conversion planning applications in recent years.

We have also seen a noticeable rise in the number of property developers and architects coming to us to cost plans for multi-residential developments, such as apartment blocks.

Events and their impact on the sector

The collapse of Carillion in January 2018 was a shock to a lot of people, with thousands of people in the construction industry losing their jobs all over the UK, from apprentices to top level. Carillion employed 20,000 people across the UK and was responsible for the maintenance of 900 schools, many prisons and hospitals. It also worked on highways and held the high profile HS2 (High Speed Railway) contract.



Photo courtesy of Construction News

The fall of Carillion has meant that, at the very least, various large-scale projects in the public sector will be held up as a result. The bigger concern is the 'ripple effect' and how it will affect other companies, such as materials suppliers and the sub-contractors who had 'banked' on working on these government contracts or have outstanding invoices that need to be paid.

In our experience, this major event caused a lot of uncertainty and sometimes panic in the market with the view of 'if a large company like Carillion can fall then anyone can'. We have noticed that an increasing number of sub-contractors are starting to enforce their own payment terms, as opposed to taking on the payment terms imposed upon them by the larger developers.



Bhangals as a business

Bhangals Construction Consultants has had a strong start to 2018 in Q1. We had a busy January, which has not been the trend previously, and have seen 28% growth in the business when compared to Q1 2017.

We took the lead on a variety of large construction projects this quarter. Notably, the successful delivery of a multi-unit residential project in London. Our quantity surveyors costed the project, sent it to tender and conducted value engineering, saving the client 6% on costs.

We also undertook a construction project of our own, expanding into the office next door at our Head Office in Northampton, which has doubled our office space to 2,200 sq. ft.





The future

Generally, the construction market appears to be strong. Having said that, we have noticed that lenders appear to be tightening their belts when it comes to mortgages and financing developments. This could also be an emerging trend and one that we will keep an eye on.

With Brexit still looming, people are apprehensive about how this will affect the market and the rate at which new homes are being built.

With regards to Bhangals Construction Consultants, we are forecasting a strong Q2. We have a number of new construction projects in the pipeline and have been shortlisted for a national construction award, which we hope will open more doors for us and result in work on some larger developments.

Parm Bhangal, Managing Director of Bhangals Construction Consultants, said: “This quarter has been particularly significant from our point of view, which is what prompted us to create our first Quarterly Trends Report – something we will continue to compile going forward.

“The usual trends, such as a minimal increase in material costs have continued, but the level of year on year growth experienced by ourselves and our clients was unexpected.

“The impact of the Carillion collapse and uncertainty surrounding Brexit has also started to show through with sub-contractors tightening up their payment terms and mortgage lenders being more cautious.

“The industry, at the moment, remains buoyant but it will be interesting to see how Q2 fares.”