

Construction: how will the election result impact the industry?

On 1st August 2024, BCIS held a webinar entitled ‘Construction: how will the election result impact the industry?’. During the webinar, attendees had the opportunity to submit questions.

Below is a selection of the questions that were submitted with answers from the webinar panel.

Q: What does the panel think will be the impact of increased house building targets by the new government on the all-in tender price index?

A: If they are realised then we would expect there to be upward pressure on the TPI, but it's a big if...

Q: Given the current challenges with planning submission turn-arounds, unless Labour announces major reforms to this process, do you think anything will actually improve in terms of output?

A: Labour has announced changes to planning and is proposing to improve the process, but any changes will not happen overnight so the impact on output is likely to be drawn out.

Q: How reliable are TPIs nowadays, and what does BCIS suggest to cost managers in achieving reliable early-stage cost plans?

A: Our All-in TPI is constructed using data captured from the market and is appraised by our TPI Panel of cost consultants. The TPI reflects the general movement in prices, but there are many factors that affect individual tenders, so it is important to read the commentary that is issued with the TPI.

Always prepare an elemental cost plan even when it is based on benchmark data and annotate it with all the data you have and all the base assumptions you have made. This will allow the QS to explain to the client and designers any changes that occur in the cost plan as the design develops.

Q: Show stoppers such as timings relating to planning permissions, I think the main issue is retro fitting existing stock

A: Retrofitting the existing stock would be a major task given the state and age of a lot of the stock in the UK. It would need substantial investment and, given the state of public finances and the cost-of-living crisis, I'm not sure where it would come from. Previous initiatives like the Green Deal failed in their attempts to address this issue.

Q: Could the government reduce corporation tax levels for housebuilders as an incentive to increase supply?

A: Not sure that would be enough. Carefully controlled supply maintains price levels and developers are looking to maximise their return on investment.

Q: As birth rates are down and the boomer population bulge is likely to pass soon, with older properties coming to the market, do you think that Gov should refocus their commitment to retrofitting existing stock which could be more beneficial and realistic than policies to build more new homes?

A: Retrofitting the existing stock would be a major task given the state and age of a lot of the stock in the UK. It would need substantial investment and, given the state of public finances and the cost-of-living crisis, I'm not sure where it would come from. Previous initiatives like the Green Deal failed in their attempts to address this issue.

Q: A major constraint to housebuilding is the availability of labour.

A: Not sure it really is, the main constraint is that developers don't want to flood the market with properties and dilute the prices they can realise.

Q: What is the average age of bricklayer in the UK currently?

A: Probably in the range of 35-49, CITB (The Construction Industry Training Board) would have more info on this.

Q: With reported increased immigration levels couldn't we retrain many of these people to work in the construction industry?

A: We could, but it would be a longer-term solution as the training process would take a while.

Q: Isn't Planning Permission being a blocker a red herring? More than 380,000 homes granted planning permission between 2011 and 2019 remain unbuilt - accounting for 40% of all homes with planning consent in England *(Shelter). The government's own 2018 review found that private developers will stall construction if there is a risk of flooding the market, which would reduce the price any new homes could be sold for. This shows planning permission is not the primary stumbling block

A: Completely agree. Until the government can control the supply of housing then the amount brought to market will likely remain at the long-term average of 217k per year.

Q: Outside IR35 working was a big part of construction workers benefits, removal of which has led to wholesale movement to EU workers back home

A: Yes, it probably had a negative impact, but I think the main drivers were Brexit and the pandemic.

Q: We should take nationally strategic infrastructure decisions out of the political arena.

A: Agree, this might be something that NISTA look to address to avoid the impacts of the election cycle.

Q: Given that neither central nor local Government have the funds, expertise or capacity to build the supposedly mandatory number of new dwellings, isn't that target simply illusory, and merely a slogan or window dressing for the new Administration?

A: Yes, over the last few decades many governments have tried to influence the number of new homes being built, but most have failed.

Q: This may sound like a silly question, but do we need 1.5 million new homes in the next 5 years - should it be less/more?

A: It's difficult to put a precise number on the amount of new housing needed. Need for new housing arises when the population grows, which is happening in the UK currently. But I am unaware of official data that quantifies current housing demand.

Q: Labour are net zero but not at all costs.

A: "If we can't afford it, we can't do it." - Rachel Reeves

Q: With challenges with working outdoors, and construction being a difficult environment, long hours and poor pay, how would you envisage the construction industry being more attractive to younger persons, certainly more trade style roles?

A: It's fair to say that construction has an image problem. We need to make the sector more attractive to work in, with more direct employment. Defined career paths and less reliance on sub-contracting would help in the long-run. Delivering construction projects leaves a lasting legacy, aspects that aren't highlighted enough when trying to attract new talent who are seeking purpose-driven careers.

Q: Birth rates may have declined but immigration is high. If net immigration is +750k or so per year then even if we were to build 300,000 new homes per year surely we would only be standing still?

A: We need a proper demand analysis to ascertain what the real need for housing is and then base the supply on that. Generally, demand is based on population growth, which is happening in the UK currently.