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## OUT OF 2012 AND INTO 2013

Well doesn't time fly when you're having fun!

The thirteenth year of the new millennium came and went with water on everyone's lips, yes water (and now snow!). The year began with severe drought warnings but ended with biblical downpours resulting in a very watery Christmas holiday for many in the UK.

The "old favourites" were though almost constants in our daily lives; the UK's economic woes, the Euro crisis and the ongoing conflicts and tensions in parts of the Arab world and Middle East.

Most of us managed to forget these troubles for a glorious month or so in the summer as the Olympic and Paralympic Games showcased London and the UK at its best.

It has also been a generally satisfying year for us at MDA. Although our euphoria has not quite touched the heights of the Olympics, we have radiated a quiet glow since the Spring.

In April we finally managed to secure the lease surrender of our old Croydon office and as a result were able to consolidate our Mayfair and Croydon teams into a new Head Office back in our old stomping ground of Victoria. In addition, we were also then able to re-establish our base on the South Coast in Brighton.

The resultant rationalisation and cost savings certainly made the last six months of the year easier to bear.

This coupled with the ongoing success of our operations in Eastern Europe and our increasing workload in the Middle East, means we can look forward to the future with renewed confidence and vigour.

What of 2013 and beyond then?

Whilst conditions will still be tough in the UK and we cannot rest on our laurels yet (indeed this Briefing again prophecies more uncertainty), personally, I do think the economy will slowly start to improve in 2013.

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## TENDER PRICE FORECAST

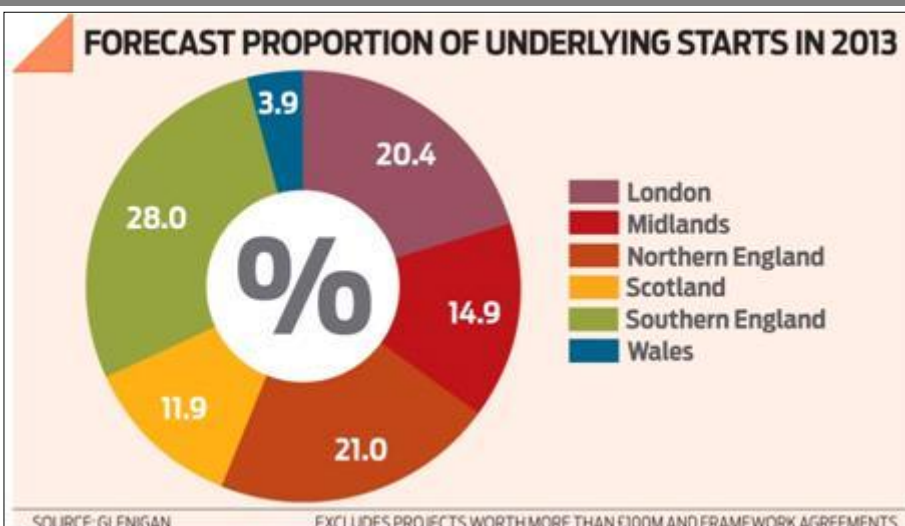
### GROWTH FORECASTS AND THE CHANCELLOR'S AUTUMN STATEMENT

There continues to be little or no sign of any improvement in the Construction Sector despite the modest improvement in the UK economy and a return to positive, if marginal, GDP growth of 0.9% reported in the third quarter. Output in the Construction Industry continued to fall and the estimated total construction output fell by 11.3% in the year to 3Q 2012 according to the report on Q3 2012 statistics published by the Office for National Statistics (ONS). The total level of construction output in the third quarter 2012 was reported to be the lowest since the second quarter of 1999.

The volume of new work fell by 2.20% in 3Q 2012 compared with 2Q 2012, where the largest fall was in private commercial (8.2% down) and the only significant increase being in infrastructure which showed a 9.9% increase. According to the ONS the volume of all new work fell by 14.5% in the year to 3Q 2012.

In the latest statistics published by the ONS, for the quarter from September to November 2012, the picture remains largely the same as that reported above for the 3rd quarter to September 2012 with the total construction output in November 2012 estimated to be 9.8% lower than in November 2011. According to the ONS in the quarter from September to November 2012 the volume of construction output decreased by 9.1%, new work decreased by 11.2% and repair and maintenance was down by 5.0% with the largest decline in output continuing to be seen in the private commercial sector which fell by 16.2% compared with the same three month period in 2011.

The volume of infrastructure work decreased slightly (2.4%) in the three months from September to November 2012 compared with the same three month period in 2011, although this sector has shown recent signs of recovery (as demonstrated in the ONS 3Q 2012 report). Most forecasts for tender price inflation over the next three years to 2015 have been revised downwards as the weak market conditions persist and any recovery continues to be hampered by the wider economic uncertainty and lacking in momentum.



## FRANCE VIVE LA DIFFERENCE?

As part of a review of comparative building costs across Europe we focus in this edition of 'Briefing' on our closest neighbour, France.

We have been undertaking a variety of projects in the country for a number of years and recently carried out cost studies relating to a number of varying building types.

We have studied approximately 60 sites, which have predominantly comprised office buildings with and without basement parking, warehouses and a number of vacation resorts situated in Corsica and the Alps.

For comparison we have focused on offices located in the Paris region which generally comprised basement car parking – it is here we analyse and compare 'La Différence' with UK costs



The cost range for offices with basement car parking is £1,148/m<sup>2</sup> to £1,754/m<sup>2</sup>, with the average cost being £1,353/m<sup>2</sup> based on a sample size of 28 schemes and an average December 2012 exchange rate

When the basement car parking costs and areas are stripped out of the costs, this would impact by adding between £150 to £360/m<sup>2</sup> for the office building, (actual cost depending upon the scope of basement parking relative to the building area), resulting in a range £1,298/m<sup>2</sup> to £2,114/ m<sup>2</sup>.

These costs compare with average office build costs in London, which utilising our own cost database provides a range of £1,500/m<sup>2</sup> to £2,100/m<sup>2</sup>.

Costs exclude external works, demolition, professional fees and VAT (TVA) and assume a category 'A' fit-out with comfort cooling.

As with the UK there are regional cost differences throughout France. For example, costs in the Paris region are approximately 10 to 15% higher than most other major cities in France, with the difference increasing if in central Paris.

It can be seen that the building cost differences between UK and France in average terms, are comparable at the higher range, with France being less expensive when compared at the lower range.



## PROJECT FOCUS: DUDLEY COLLEGE NEW VOCATIONAL AND 6th FORM CENTRE

MDA are proud to have provided Quantity Surveying consultancy services for Dudley College Learning Quarter with the first two phases opening in September 2012.



### PROJECT TEAM

**Client:** Representative  
Dudley College;  
Estates Department

**Lead Consultant, Employers Agent,  
Architect, M&E, Civils, Structural,  
CDM-C Consultants**  
Pick Everard

**Master planning Architect**  
Metz Architects

**Landscape Design**  
Munro & Whitten

**Cost Management/Quantity Surveyor**  
MDA Consulting

**Planning Consultant**  
Delta Planning

**Main Contractor**  
ISG



The College Principal, Mr. Lowell Williams welcomed the Rt Hon Dr Vince Cable MP, on the 21st November 2012, to officially open the Dudley Learning Quarter. The Minister, along with guests from the education, commerce and the public sectors joined students and staff at Dudley Evolve to mark this commemorative event.

The event marked the opening of the first two phases of the Dudley Learning Quarter, which encompasses £28m of new buildings in Dudley town centre. These new developments are known as 'Dudley Evolve' and 'Dudley Sixth', which offer a wide range of vocational courses and A-Levels (A2's).

## PROJECT FOCUS: DUDLEY COLLEGE NEW VOCATIONAL AND 6th FORM CENTRE

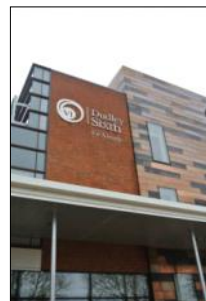
**Dudley Evolve** is approximately 8,300m<sup>2</sup> Gross Floor Area. It houses fantastic learning facilities for business, information technology, travel and tourism, sport, public services, performing arts, hair and beauty, media, graphics, art and design, along with a new stage school for performing arts, dance and music students.

The building is situated in the centre of Dudley on Tower Street, close to the existing main campus building at the Broadway .

Challenges faced in the construction work included working in an extremely busy town centre adjacent to existing buildings and public realm space, coupled with a challenging timescale. The building design incorporated the façade of a disused fire station that has intrinsic historic interest.

**Dudley Sixth** is approximately 2,500m<sup>2</sup> Gross Floor Area, and is a brand new A-Level (A2) centre. It offers AS and A2-Level courses in fabulous new facilities, backed up with excellent support and teaching with well equipped teaching rooms and laboratories as well as computer zones and quiet, study friendly support areas - there is also plenty of breakout space for relaxing during breaks.

Each project was procured via a single stage JCT Design and Build Contract and in accordance with EU Procurement procedures. Risk and value management strategies were implemented from the outset of both project's, from inception through to completion.



### WHERE NEXT?

#### 'Dudley Advance'

During the opening ceremony Dr Cable announced to the 150 guests that the college had been successful in securing £2.2m for the third phase of the Dudley Learning Quarter. The Government's Enhanced Renewal Grant will part fund the £6.6m Dudley Advance, a new building which will house a Centre for Advanced Manufacturing and Engineering Technology and which is due to be completed by Autumn 2014.





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## OUT OF 2012 AND INTO 2013 CONTINUED

Thankfully we all avoided the dreaded fiscal cliff over the new year and the London stock market "surged" as a result to its highest levels for the last 18 months or so. If we can also avoid the next US fiscal stand off, which I believe is at the end of March, then confidence should slowly continue to improve as a result.

UK construction activity will continue to rely heavily on London and the South East, although there are encouraging signs of increased activity in parts of the Midlands and South West.

As before and for the foreseeable future, many consultants will continue to look to grow overseas with an emphasis on "the East" for markets and profit, despite the inherent risks on cashflow and bad debt that this carries.

Notwithstanding, keep the faith and best wishes for a happy and prosperous 2013 to you all.



## **TENDER PRICE FORECAST CONTINUED GROWTH FORECASTS AND THE CHANCELLOR'S AUTUMN STATEMENT**

Our forecast for tender prices for London is 0% to +1% for 2013 increasing to +1.5% to +3% in 2014 and +3% to +4% in 2015 as market conditions gradually strengthen.

Whilst still somewhat subdued, the outlook for London remains better than that for the regions where our forecast for tender prices is -1% to +0.5% in 2013 increasing to between +1% and +2.5% for 2014 and +2.5% to +3.5% for 2015.

Whilst tender prices have fallen by some 12%, according to BCIS, since the fourth quarter of 2007 construction costs have continued to rise. The BCIS projection shows construction costs are set to rise by just under 1.0% during the whole of 2012 and by a further 11.58% over the next four years to the end of 2016. The equivalent all in Tender Price Index (TPI) projection to the end of 2016 is for a 12.7% increase. This would tend to suggest that contractors have cut their margins as far as they can go, and for the limited work that is available, tender increases will start to more closely reflect cost increases from 2014 onwards.

The overall picture would therefore seem to be one of flat lining for the next 12 – 18 months then a slow recovery through to 2016 and beyond.

How quickly the economy will recover is subject to much speculation at present with the GDP for 2012 now expected to fall by 0.1% in the final quarter following its return to growth in the previous quarter. In their latest December 2012 forecasts the Office for Budget Responsibility (OBR) have cut their UK 2013 growth expectations from 2% to 1.2% before increasing to 2% in 2014, 2.3% in 2015, 2.7% in 2016 and 2.8% in 2017.

Whilst 2013 has started with the FTSE looking stronger, the overall UK economy remains fragile and the Governor of the Bank of England has forecast a 'zigzag' pattern of growth this year with the historically low base rate of lending is likely to continue as a result.

In their most recent report published by the Construction Skills Network (CSN) in January 2013, some 60,000 construction jobs are reported to have been lost in 2012 and that they do not anticipate the industry returning to its 2007 output peak until at least 2022.

It was hoped that the Chancellor's autumn statement might contain some much needed help and stimulus to the Construction Industry, however, with little room for manoeuvre the Chancellor delivered a fiscally neutral budget. The government hopes to raise £5bn from cuts in most Whitehall departments of 1% in 2013 and 2% in 2014 to be spent on infrastructure projects in the hope of kick starting economic growth.

This additional investment will include £1bn to improve good schools and build 100 new free schools and academies; £270m for Further Education Colleges; £1bn on road improvements and £600m on scientific research.

The decision to exempt new buildings from empty property rates is a small but welcome step in helping to reduce risk to developers tentative about speculative projects.

### **Sources:**

Office of National Statistics (ONS): Output in the Construction Industry: September and Q3 2012  
Office of National Statistics (ONS): Economic Review, November 2012  
Building Cost Information Service (BCIS) October 2012 and November 2012  
Office for Budget Responsibility (OBR)



## David Helm

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### HAMPTON BY HILTON HOTEL, LUTON, "TAKES-OFF"

MDA have successfully completed the handover of a Hampton by Hilton at Luton on behalf of Ability Group, a client with whom MDA have a long and successful history of delivering commercial and residential property projects successfully. Services that we provided were Project Management, Cost Consultancy and CDM-Coordinator.

### PROJECT TEAM

**Client:**

Ability Group

**Lead Consultant / Project Manager**

MDA Consulting

**Architect**

EPR

**Consulting Engineers**

Meinhardt

**Cost Management / Quantity Surveyor**

MDA Consulting

**CDMC**

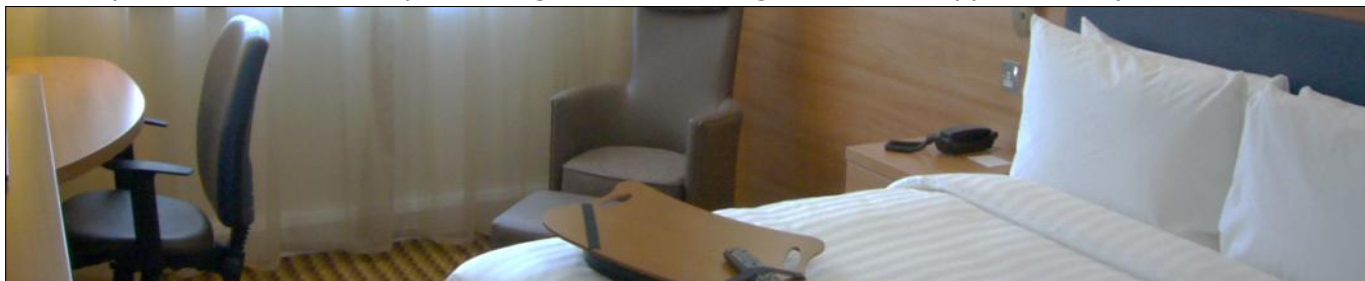
MDA Consulting

**Main Contractor**

Bowmer & Kirkland



The hotel consists of 188 guestrooms, located across four floors, with business, meeting and dining areas as well as a fitness centre at ground floor. In addition, the building includes a separate ground floor concession area and two upper floors of fully glazed offices that have their own dedicated ground floor reception, lifts and roof top terracing with an entire green roof of approximately 1,200 m2.



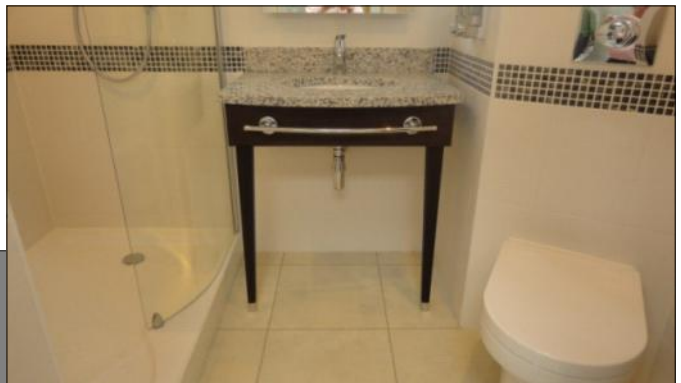


## HAMPTON BY HILTON HOTEL, LUTON, "TAKES-OFF"

A pre-cast concrete panel system was chosen for the main structural solution and the fully tiled bathroom pods were manufactured in northern Italy thus providing a speedy on site build period with the minimum of time being spent on "wet" trades and snagging.



Precast 'Bathroom Pods' in manufacture



Precast 'Bathroom Pods' internal fittings and finishes

The site is close to Luton Airport and is adjacent to the Luton Airport Parkway station and had been constructed on land, which was a former factory that provided supplies to the adjacent former Vauxhall motor works.

The brown field site required remediation and extensive consultation with the Environment Agency to establish an acceptable remediation strategy that culminated in a supplementary S106 relating to the Employers Agent's insistence for ongoing ground water monitoring.

The property is being operated by Hilton Worldwide, Ability's long term partner. The "Hampton" brand now totals ten properties in the UK, five of which opened in 2012.



Negotiations have just completed with the developer for MDA to provide further services (PM/QS/CMD-C) for the fit-out works to the 6th floor.

The Project was procured using a JCT Design and Build Contract and was competitively tendered.



## Rob Kennedy

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### DERWENTHORPE PHASE 1

### JOSEPH ROWNTREEHOUSING TRUST WINS PRESTIGIOUS AWARD

MDA are providing Project Management services to Joseph Rowntree Housing Trust on Phase 1 of the new housing development on the eastern outskirts of York. In the Autumn of 2012, we were pleased to hear that the project had won the prestigious Sunday Times Housing Award for Best Affordable Housing Development 2012.



View from the newly constructed Jubilee Pond towards Derwenthorpe Phase 1 Housing



Image of the completed Derwenthorpe Phase 1 Housing Development

The first phase, as reported in the Summer 2011 edition of MDA Briefing, comprised of the build of 64 family homes with 25 mixed tenure social houses that are built to high thermal performance standards, to Code for Sustainable Homes , Codes 4 and 5.

The Project is being developed by David Wilson Homes as part of a Development Agreement with the Trust and due for completion in Spring 2013.

The future phases of the project, referred to as Temple Avenue Quarter, Fifth Avenue Quarter and Meadlands Quarter are due to commence in 2013 bringing the total number of mixed tenure homes to this region of York, in excess of 500

### NEWS ITEM: LANCASHIRE FIRE AND RESCUE

MDA are pleased to announce that they have been appointed as Project Manager, Employers Agent, Quantity Surveyor and BREEAM Assessor on the proposed new Lancashire Fire and Rescue Head Quarters at Washington Hall, Chorley.

The Project consists of the construction of a new build office head quarters building of approximately 3,300m<sup>2</sup>, associated external works and drainage on the existing fire and rescue training facility. The consultancy service commences immediately and it is envisaged that construction will commence in May 2014 with completion in Summer 2015.

The commission will be undertaken from our Birmingham office.



## Helen Richards-Carpenter

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### MARKETING ACTIVITIES 2012 AND BEYOND

The marketing team has been progressing MDA's activities in terms of our Business Development initiatives and we continue to align our strategy to dovetail to the needs of the market.

#### Women in Property; South Coast Branch

MDA has supported the launch of this new branch of the international Association of Women in Property, by offering their sponsorship to assist with both growing the branch's profile and funding of monthly CPD events, seminars and professional networking opportunities.

Helen is one of the 5 founding committee members of this initiative, which launched in October 2012. The launch event is an absolute credit to the construction industry in the south east as it saw nearly 100 attendees (both female and male!), who travelled to Jamie's Restaurant, Brighton from Chichester across to Dover as well as from Buckinghamshire and London. Jane Duncan (Vice President of RIBA) was the guest speaker who gave her support to the new branch and spoke about her own journey as a female in the construction industry and how she has managed to achieve both her professional status and becoming Managing Director of her own successful architectural practice. A true inspiration.

#### Highlights of the 2012/2013 Events Calendar include;

- Wine Tasting and presentation from Brighton and Hove District Council on Partnering initiatives, Brighton
- Construction Quiz Night, Brighton
- PQQ and ITT training sessions, Crawley
- Architectural Walk around Chichester
- Festival Event, Brighton

#### Launch of BRIC Networking Events

The inaugural MDA BRIC event is occurring on 24th January 2013, London to offer an opportunity for clients and fellow industry professionals to come and network with members of our London team.

As the year continues, there will be BRIC events across our portfolio of offices and these offer us all an exciting new platform to grow relationships. To register your interest in attending please email [bric@mdaconsulting.co.uk](mailto:bric@mdaconsulting.co.uk) whereby we will add your details to our mailing list.







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### NOW THE GAMES ARE OVER UK CONSTRUCTION FORECAST FOR 2013



At the start of the credit crunch in 2008, the prediction was that the UK economy and property and construction markets in particular would recover by the latter half of 2012. The London Games were seen as a milestone and turning point, following which growth and activity levels would return to pre-credit crunch levels. This view was based upon historical trends and patterns of previous cyclical downturns and periods of growth experienced in the UK economy. It has been evident however to most observers and economists over the last two years that the London Games were not going to represent a magical economic turning point and the shape of the UK recovery was following a different pattern which was best summarised as "**Location, Location, Location!**"

Whilst London and the South of England in particular has been protected from various aspects, but by no means all, of the credit crunch recession and the subsequent period of slow growth, it is evident that London's current position as the financial capital of the world and foreign investors' view of London as a safe investment haven has undoubtedly helped it and parts of the UK as a result, weather the economic storm.

This pattern is unlikely to change dramatically with on-going public funding cuts affecting many of the UK's regions, which will continue to do so over the next 2 to 3 years. However, in MDA's view the look ahead for the UK construction and property consulting sector as a whole is that the glass is half full and not half empty

Whilst margins are still tight and competition for work intense, MDA is experiencing signs of economic stability and pockets of regional growth and it will be a question of who reacts to these opportunities and gets out of the starting blocks first.



MDA's view is that the current and forecast period of slow growth (as opposed to "stagnant" growth that some political commentators like to describe it) over the next 2 to 3 years will not lead to "fat cat" bonuses and heady excesses that some experienced in the construction industry pre 2008. The current growth is however a good indication that increased investment, particularly from the private sector and overseas funding, is continuing and that some sort of stability is returning to the construction market.

A good example of this is the education sector where MDA has seen evidence that some previously shelved projects for Colleges of Further Education are being resurrected through a combination of more

## NOW THE GAMES ARE OVER UK CONSTRUCTION FORECAST FOR 2013

focused public spending topped up with elements of commercial funding.

The prime housing market has also been relatively immune to the credit crunch, firstly as a result of the drop in value of Sterling against the Euro between the latter part of 2008 up to the start of 2012 and secondly as both UK and foreign investors seek to invest in bricks and mortar in key strategic locations where their money is safe.

MDA sees the construction and property industry continuing on a slow but underlying period of recovery. Opportunities will arise to those companies that continue to listen to its clients and provide tailor made innovative services. A previous article in MDA Briefing referred to construction resources needing to be more mobile for the next 2-3 years.

Whilst this remains the case, it also true that consultancy services need to be more adaptable to and respond to clients' changing needs. Challenges will still remain however for example from clients' who are under pressure from their shareholders to accept lowest cost tendering rather than perhaps take a more collaborative approach to procurement. Coming off the fence, MDA recommends a collaborative approach for many of the projects that it is involved with but with an element of "competitive tension" to ensure that best value is achieved.

The UK economy is closely linked with the fortunes of our Eurozone friends, the confidence of the US recovery and the middle and far East market, particular China. It is difficult to predict how World events will pan out and the impact that they may have on the UK economy and construction industry but the recovery has started and will continue to do so.

In summary, there will not be a mystical turning point that many believed the 2012 London Games would represent and the message is "Keep Calm and Carry on".



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