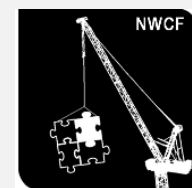


Market Intelligence

NACF Review 2016



Introduction

The NACF pulls together some of the country's major public sector construction frameworks, promoting best practice nationally, whilst supporting government construction strategy.

The NACF and its partners are in a unique position to understand, and report on, the construction market across the country and has a significant reporting process in place to manage and monitor construction performance.

This review will interrogate Market intelligence which is gathered on a quarterly basis across the country, providing a snapshot of the current market, and predictions for market movements going forward.

Note- The report is not intended to be used for specific cost indices or availability, but can be used to make informed decisions about future budgets or even design decisions.

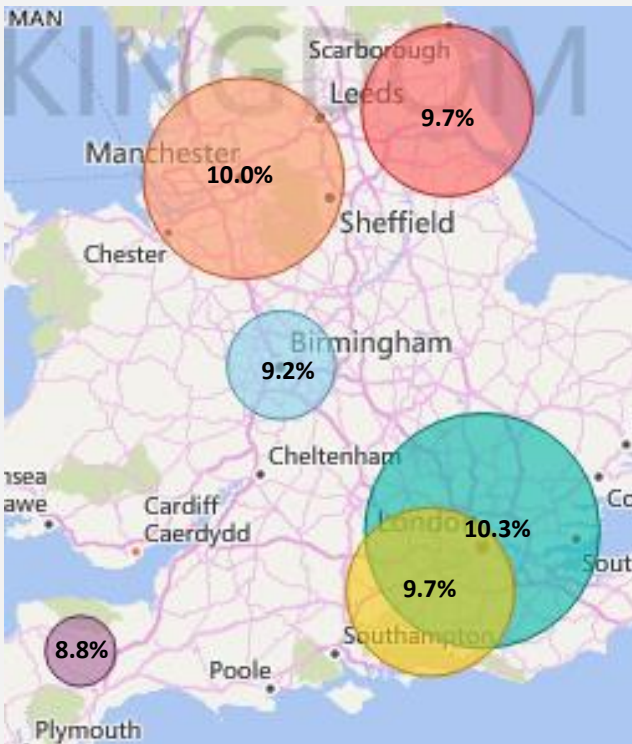
Costs Overview

Costs increased on average by 10% across all trades and regions in 2016, slightly less than the 11% increase seen in 2015. The greatest increases were seen in the Tower Crane package at nearly 20%, this was focused however in the southern regions. Curtain walling showed the lowest average increase. With the exception of the Tower Crane package, cost growth was relatively consistent across the country.



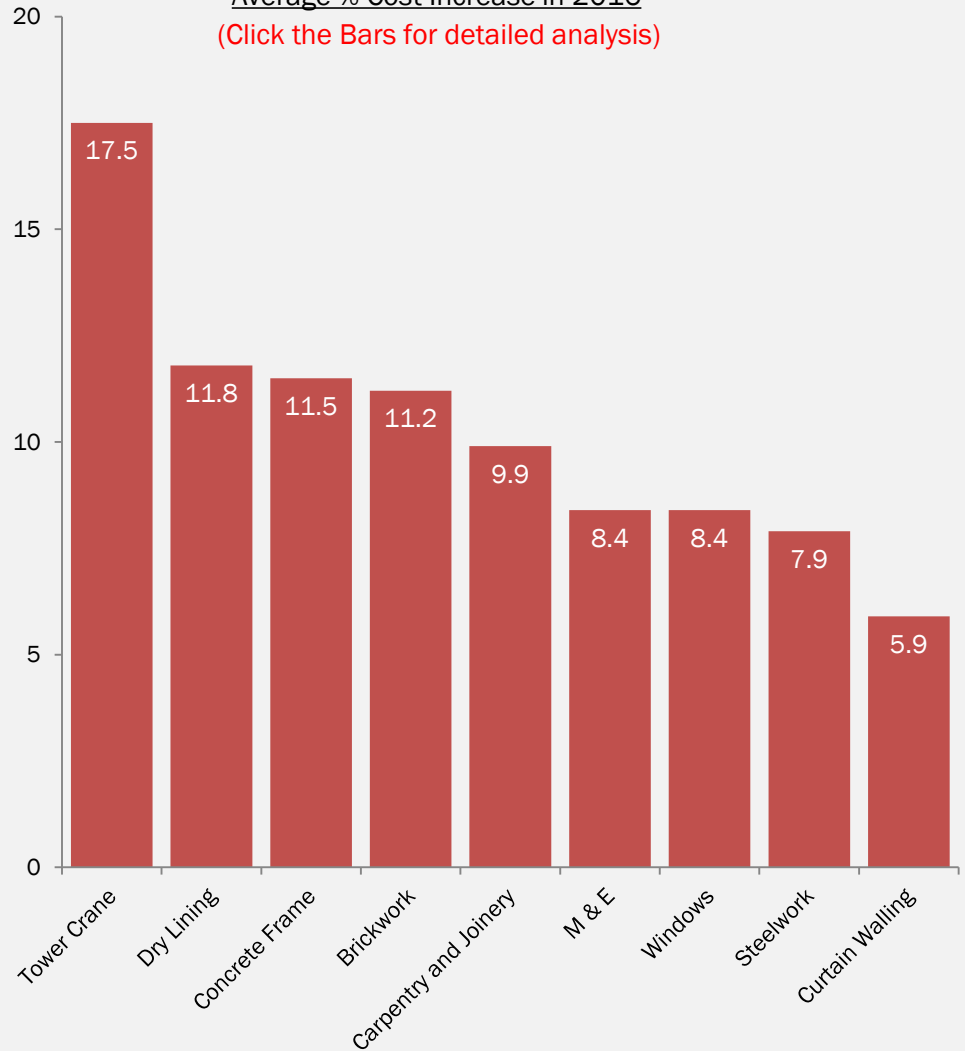
Costs Overview

Average % Cost Increases in 2016 per region



Average % Cost Increase in 2016

(Click the Bars for detailed analysis)



Employees Overview

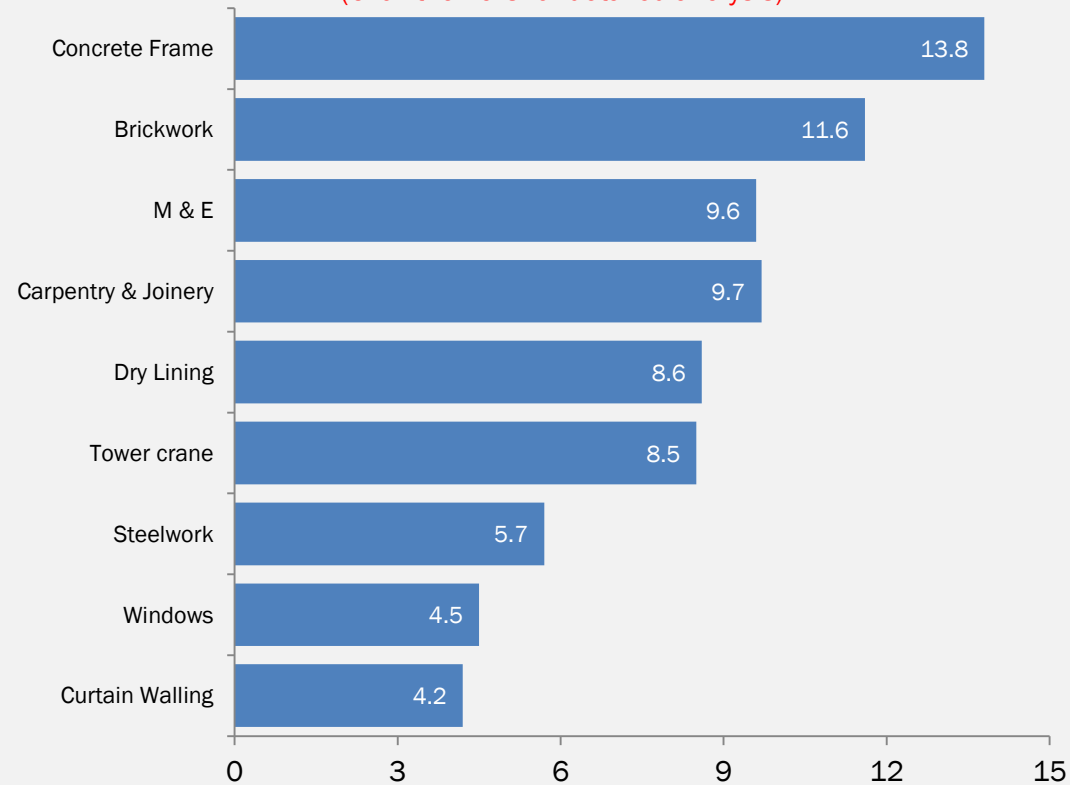


In 2016 the number of employees increased on average by 8% across the Country. This is less than that which was recorded in 2015 at 10%. This consistent growth informs us that employment in the construction industry continues to grow, however this is beginning to slow down, reflecting the skills shortage that is prominent in the market and the difficult conditions that are being witnessed in the industry as a whole.

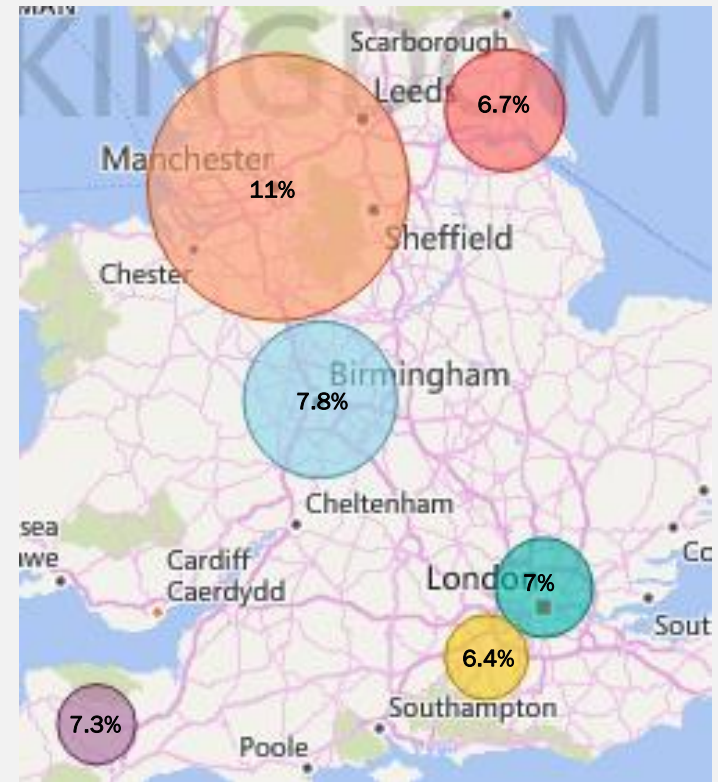
Employees Overview

% Increase in number of Employees per trade in 2016

(Click the Bars for detailed analysis)



Increase in Employees per region in 2016



Availability Overview

Availability in 2016 was on average 3 and a half weeks longer than 2015. This is less than seen in the previous year which registered 5 week longer lead times. Since 2014 therefore, availability across all trades in England is 8 weeks longer. This indicates two possibilities:

1- Increase demand - Supported by the resurgence of the industry and its continued growth.

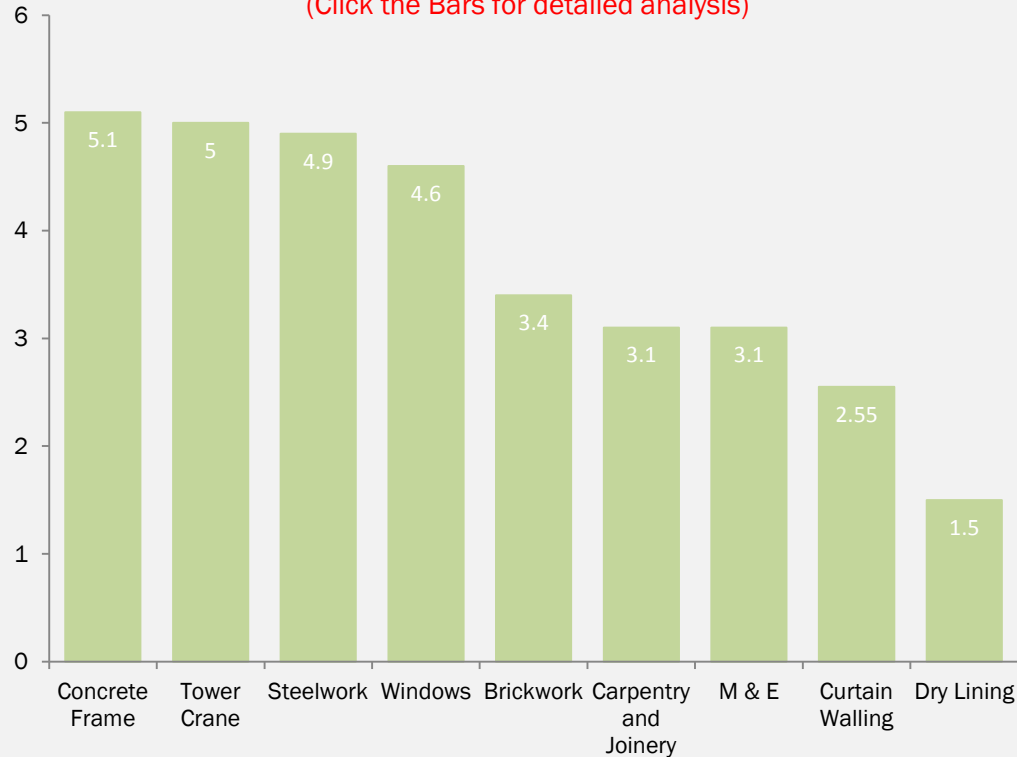
2- Material shortages - Studies suggest the materials shortages witnessed in 2014 and through 2015 have faded and are now less of a concern.



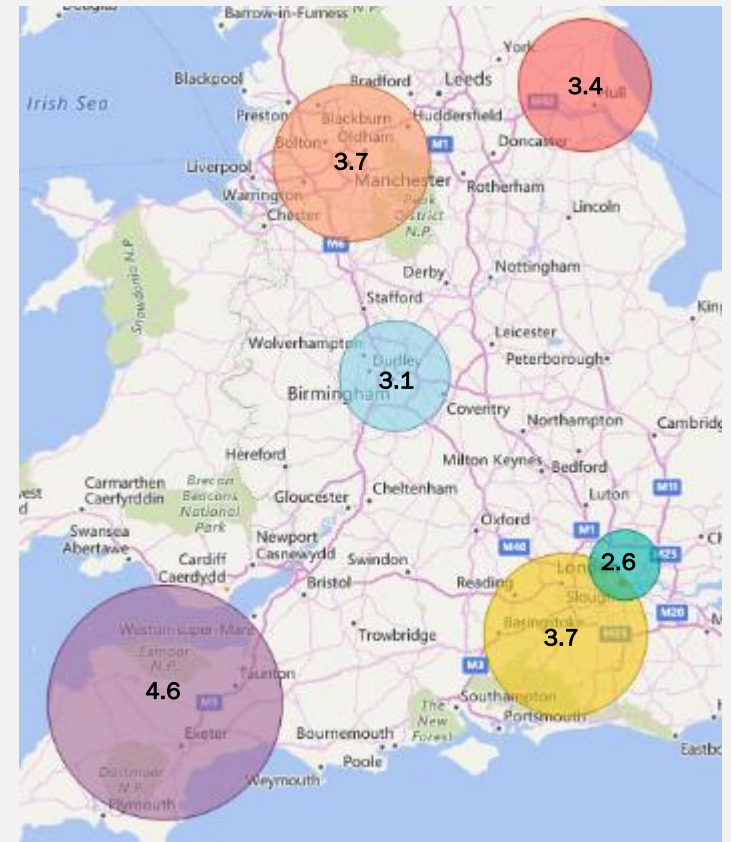
Availability Overview

2016 Average Weeks increase in availability compared to 2015

(Click the Bars for detailed analysis)



average increase in lead times per Region compared to 2015 (Weeks)



Brickwork

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2016

At a Glance

Costs

Average: 11%
Peak: Q3
Lowest: London/SE
Highest: WM



Employees

Average: 12%
Peak: Q2
Lowest: WM
Highest: NW



Availability

Average: 3.5 Weeks
longer
Peak: Q2
Lowest: SE
Highest: Y & H



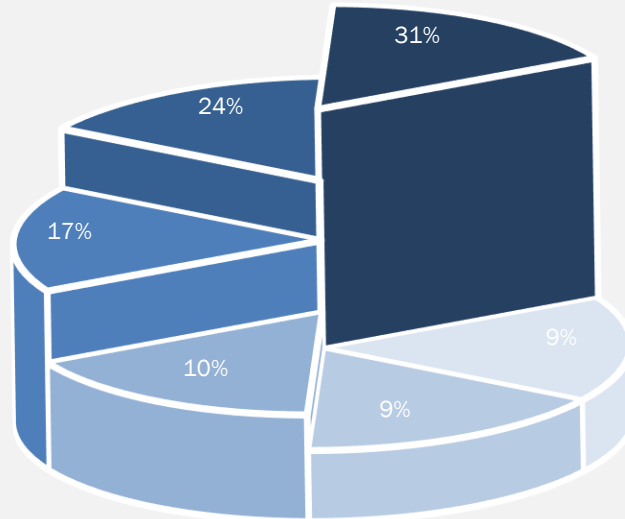
2017 Forecast

Cost: 9%
Availability: 4 Weeks
longer



% Cost Increase per Region in 2016

- West Midlands
- North West
- South West
- Yorkshire and Humber
- London
- South East



Costs in 2016 rose on average by 11%, the biggest increase seen in the West Midlands. This compares to 2015, where there was a 20% increase. This indicates the Brickwork package stabilising after uncertainty during 2014/15. This is expected to continue through 2017, with an 9% increase against 2016 expected. Looking back, costs have risen by nearly 50% since 2014. Employees in the trade increased dramatically in Q2 compared to the same period 2015 and has increased by 20% since 2014. However, the recorded increases in the final half of 2016 provide evidence that this increase is slowing. Availability in 2016 was on average 3.5 weeks longer than in 2015.

Carpentry and Joinery

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2016 At a Glance

Costs

Average: 10%
Peak: Q3
Lowest: London
Highest: South West



Employees

Average: 9%
Peak: Q3
Lowest: London
Highest: WM



Availability

Average: 3 Weeks
Longer
Peak: Q4
Lowest: SE / London
Highest: South West



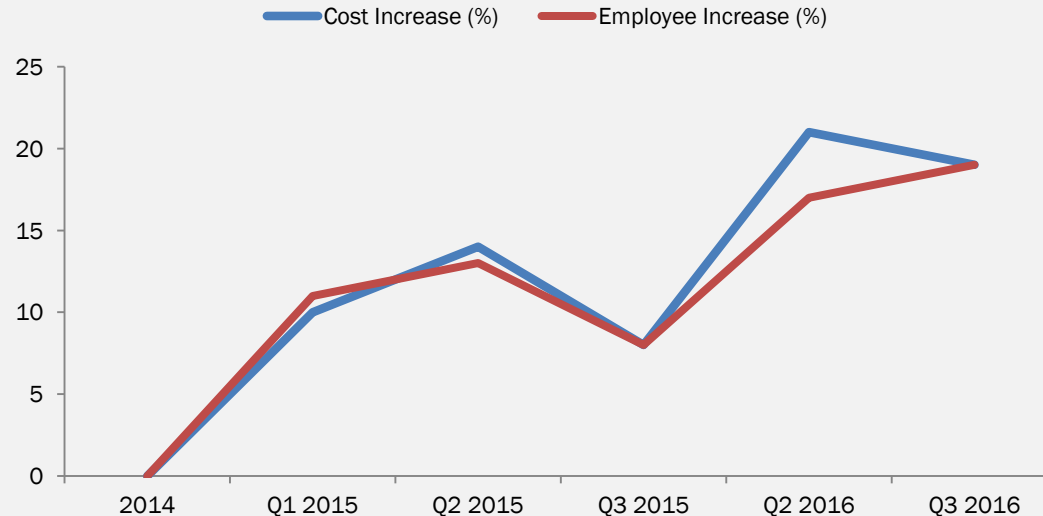
2017 Forecast

Cost: 8%
Availability: 2.5 Weeks
longer



Costs have risen consistently in 2016 by 10%. The volume of employees also grew, albeit far less consistently, averaging at 9%. Both increases are less than those seen in 2015. Since 2014, the trade has grown by 20% in terms of employees and by nearly 30% in costs. Availability was also 3 weeks longer than in 2015, with a steep increase in Q4, possibly hinting at availability issues going into 2017.

Increase Cost and Employees compared to same quarter 2014 (%)



Concrete Frame

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2016 At a Glance

Costs

Average: 12%
Peak: Q2
Lowest: NW
Highest: WM



Employees

Average: 14%
Peak: Q3
Lowest: WM
Highest: NW



Availability

Average: 5 Weeks
longer
Peak: Q2
Lowest: WM
Highest: Y & H

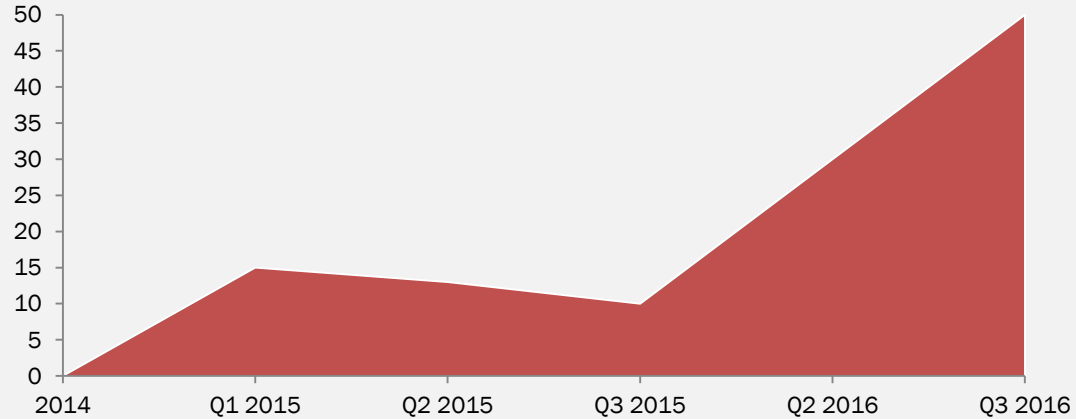


2017 Forecast

Cost: 15%
Availability: 4.5 Weeks
longer



Increase in Employees compared to same quarter 2014 (%)



When compared to 2015, costs increased an average of 12% nationwide. The number of employees in the trade, which increased by 14% on 2015. Both costs and the number of employees has increased by over 50% since 2014. Availability was 5 weeks longer than in 2015 and a further 5 week increase is expected over 2017.

Curtain Walling

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2016 At a Glance

Costs

Average: 6%
Peak: Q2
Lowest: NW
Highest: SW



Employees

Average: 4%
Peak: Q2
Lowest: SW
Highest: Y & H



Availability

Average: 2.5 Weeks
longer
Peak: Q2
Lowest: NW
Highest: SE



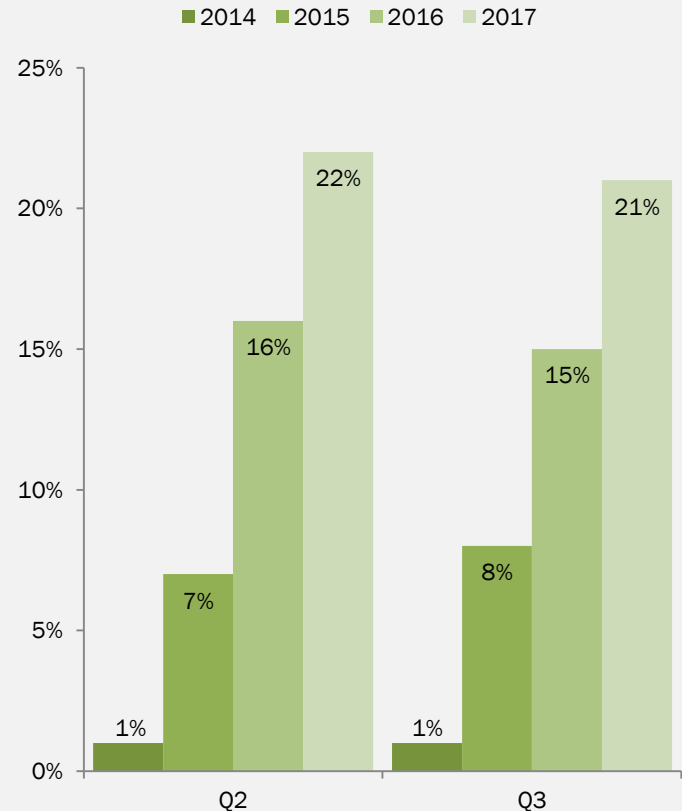
2017 Forecast

Cost: 6%
Availability: 4.5 Weeks
longer



Availability was 2 and a half weeks longer in the Curtain Walling package compared to 2015. Despite this, employees in the trade are up 4% on 2015, and just 10% overall since 2014. Costs have increased further, by around 20% since 2014, while in 2016 an increase of 6% was seen against 2015. Across the regions, growth was relatively consistent with the highest cost increase seen in the South West of England at around 9%. This consistent growth is expected to continue into 2017, with only a 6% increase. This implies slowing growth as the market continues constricting.

% Cost Increase compared to same period
2014



Dry Lining

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2016 At a Glance

Costs

Average: 11%
Peak: Q3
Lowest: WM
Highest: Y & H



Employees

Average: 9%
Peak: Q2
Lowest: SW
Highest: Y & H



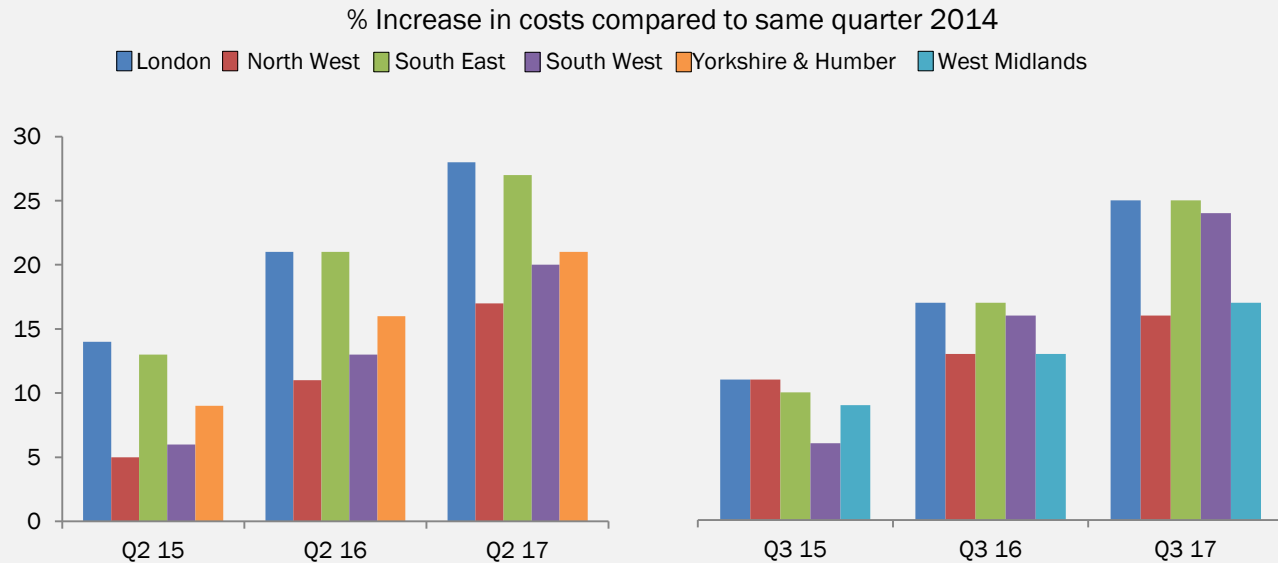
Availability

Average: 1.5 Weeks
longer
Peak: Q3
Lowest: SW
Highest: WM



2017 Forecast

Cost: 9%
Availability: 1.5 Weeks
longer



The Dry Lining market has shown consistent growth year on year in 2016, averaging an increase of 11% for cost and 9% for employees. When looking back to 2014, employees in the trade are up over 15%, despite this, the 9% seen in 2016 was less than the 12% recorded in 2015, implying a slowing of growth in this area. There was only a slightly longer lead time recorded in 2016, averaging just over a week longer in 2016 compared to 2015. Like costs, this is not expected to worsen as we move into 2017.

M & E

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2016 At a Glance

Costs

Average: 8%
Peak: Q4
Lowest: SW
Highest: Y & H



Employees

Average: 9.5%
Peak: Q4
Lowest: Y & H
Highest: SW



Availability

Average: 3 Weeks
longer
Peak: Q2
Lowest: SE
Highest: Y & H

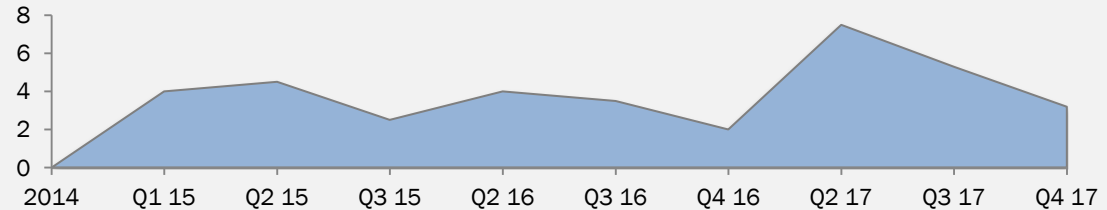


2017 Forecast

Cost: 7%
Availability: 6.5 Weeks
longer

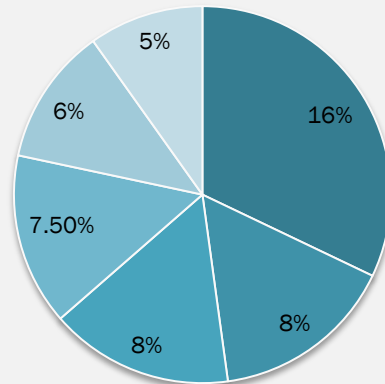


Availability Change compared to same quarter 2014



2016 Average Cost Increase per
region

■ Yorkshire and Humber
■ London
■ South East
■ West Midlands
■ North West
■ South West



Availability of the M & E trade is an area of concern going into 2017, with greatly increased lead times expected in Q2 2017, 8 weeks longer than 2016. Cost increases to 2015 were around 8% slightly higher than the previous year, although particularly high costs were seen in Yorkshire & Humber, reporting an average yearly increase of 16%. Nationally, Employees in M & E rose by nearly 10%, 1% down on the increase seen in 2015.

Steelwork

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2016 At a Glance

Costs
Average: 8%
Peak: Q4
Lowest: SW
Highest: NW



Employees
Average: 5%
Peak: Q4
Lowest: SW
Highest: WM



Availability
Average: 5 Weeks
longer
Peak: Q2
Lowest: London
Highest: SW

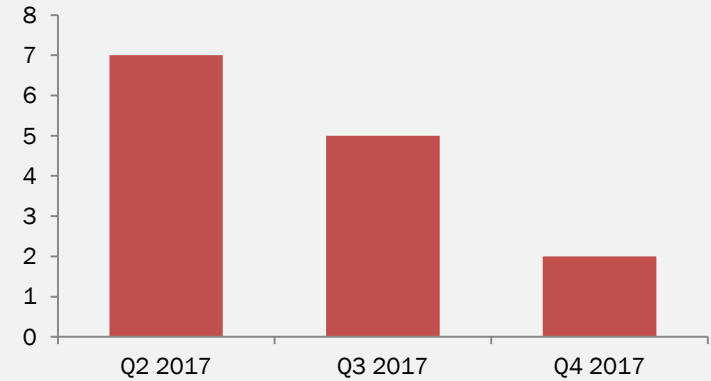


2017 Forecast
Cost: 9%
Availability: 6 Weeks
longer

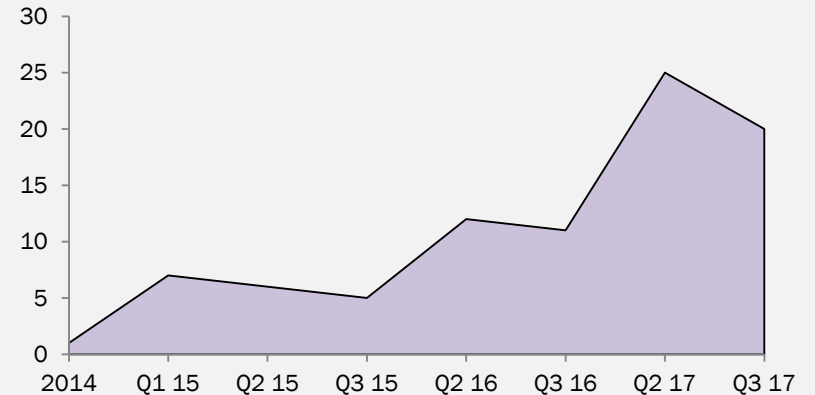


Steelwork showed an average cost increase of 8%, with the North West recording particularly high levels at 14%. Going forward, costs are expected to increase in 2017, as high as 25% those figures seen in 2014. Employees within the trade were up by about 5% on 2015, with many of these being seen in London, which averaged a 10% increase. In total, the number of employees in the trade has increased by nearly 20% since 2014. The trade registered 5 week longer lead times compared to 2015, additionally, going into 2017, this is expected to increase further with a 7 week increase on those levels seen in 2016.

Predicted reducing lead times in 2017
(Weeks)



% Cost Increase compared to same quarter 2014



Tower Cranes

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Tower Cranes saw an 18% increase in costs compared to 2015. Additionally 2016 saw steep rises in costs when compared to those seen in 2014. Despite these increases in costs, the trade saw only an 8% increase in employees compared to 2015, with the majority of these seen in London and the South East. However, employees in the trade have risen by 16% since 2014. Availability in 2016 was on average 5 weeks longer than in 2015. Going into 2017, it is expected that lead times for the package will be a further 5 weeks compared to times in 2016.

2016 At a Glance

Costs

Average: 17.5%
Peak: Q2/Q4
Lowest: WM
Highest: London/SE



Employees

Average: 8%
Peak: Q2/Q4
Lowest: WM
Highest: London/SE



Availability

Average: 5 Weeks longer
Peak: Q4
Lowest: NW
Highest: WM

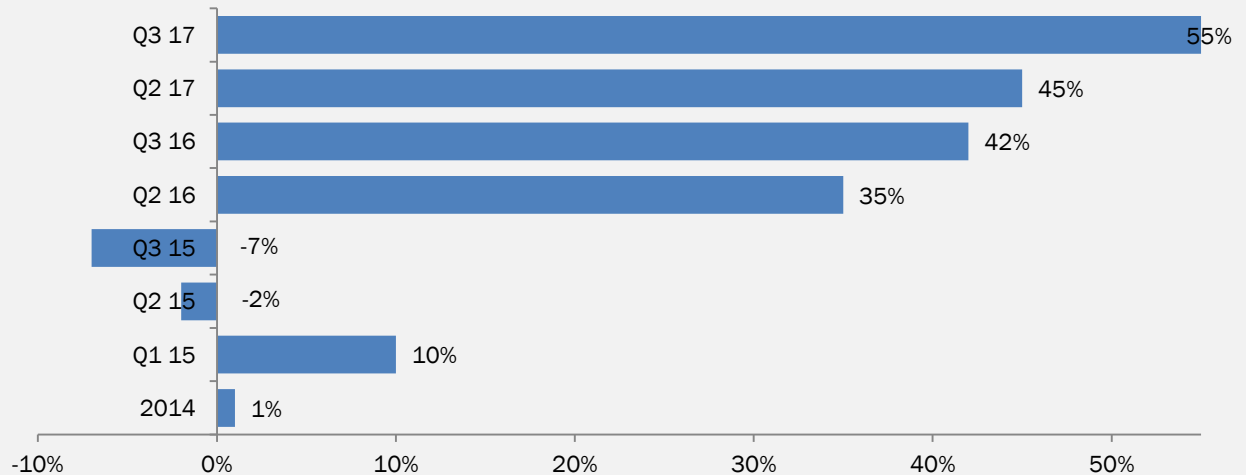


2017 Forecast

Cost: 8%
Availability: 4.5 Week longer



% Cost Movement compared to same quarter 2014



Windows

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2016 At a Glance

Costs

Average: 8.5%
Peak: Q2
Lowest: Y & H
Highest: London



Employees

Average: 4.5%
Peak: Q2
Lowest: SE
Highest: SW



Availability

Average: 4.5 Weeks
longer
Peak: Q2
Lowest: Y & H
Highest: London

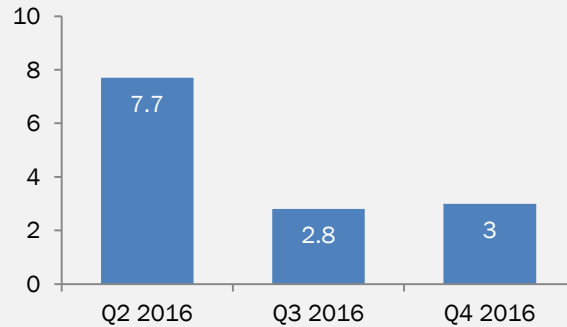


2017 Forecast

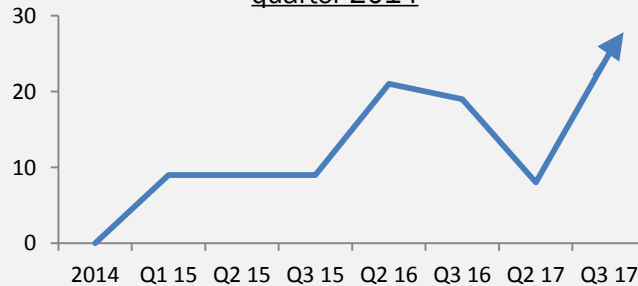
Cost: 6%
Availability: 6.5 Weeks
longer



No. Weeks increase in lead times
during 2016



% Cost increase compared to same
quarter 2014



Average increase in costs of 8%, with London seeing a huge 19% increase during the first half of 2016 compared to 2015. Costs rose quite significantly in 2016 when compared to 2014, nearly 20%, and further increases are expected in the third quarter of 2017. As with costs, the number of employees in the trade rose more significantly in the first half of 2016 when compared to 2015, although the average increase was just 4%. This trend is also replicated in the availability of the trade, suggesting increased demand during the first half of 2017.

Market Growth Compared to 2014

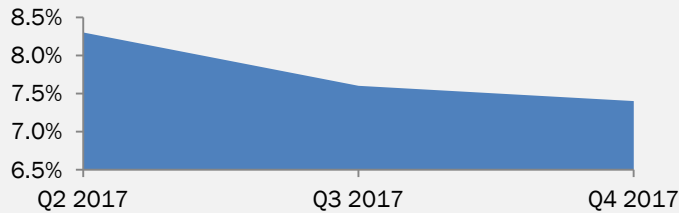
Since 2014, both the overall costs of the major construction packages, and the volume of employees within the trades, have increased. In 2016 the rises in costs have begun to outstrip the rises in employees. During 2016 we saw sharp increases at the start of the year before reductions towards the end, mirroring the movements seen in 2015 suggesting a pattern in the market. It must be noted that these results are relative to the market conditions seen in 2014, for which we do not have the data, implying higher levels during the final 2 quarters of 2014.

Average % increase in Costs and No. Employees compared to same quarters
2014

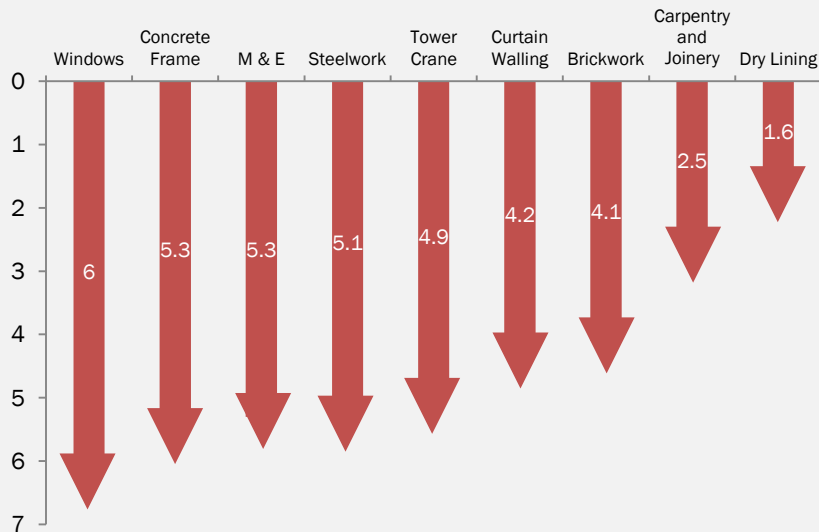


Forecasting 2017

Predicted % Cost Increase in 2017
compared to same quarter 2016



Predicted increased length of lead times in 2017
compared to 2016



The market is predicting a similar progression of costs as seen in 2016 although, for the third year in a row, to a lower level, averaging at around 8%. Positively, this growth is expected to be consistent across all the regions of the NACF and therefore there is no concern with regard to specific parts of the country. This growth is also relatively consistent across the major trades studied, with only concrete frames offering an area of concern, predicting 12% overall increases against 2016.

Availability is an area of concern with many of the trades offering significantly longer availability periods, averaging at 5 weeks more than 2016.

This slowing of growth points to more difficult times ahead for the industry, with increased costs and reduced availability across all trades and regions.