REPORT

COVID-19: GLOBAL SURVEY

THE IMPACT ON THE CONSTRUCTION SECTOR ACROSS THE WORLD

FEBRUARY 2021 – ISSUE 8

RLB Rider Levett Bucknall

CONTENTS

INTRODUCTION

This eighth edition of our global COVID-19 survey covers the period from 23 November 2020 to 1 February 2021 and features 45 responses from RLB offices in 21 countries.

Over the timeframe, much has happened, as the roll-out of vaccines has begun, and new ones have been added to the range of weapons that had existed in late November to tackle the virus. However, as rapidly as that has taken place, the virus is now known to have produced many variants of itself, further complicating the issues surrounding its compression. Through all of this, countries have sought to balance suppression of the virus against maintenance of economy, with the balance-point shifting depending on numbers of new cases. The result is that some countries, such as China, are now dealing with their "fourth wave", whereas others are still in "second-wave" mode.

This variability of local experiences provides the backdrop of the RLB COVID-19 survey, yet the final answer to the COVID conundrum appears more and more to be dependent on mass vaccination, as economies struggle to function effectively while the virus persists.

Methodology: Colleagues from around the world were asked a series of questions, and their responses were ranked, so that comparisons could be made. The aim was to produce numerical and visual analysis of their views, reflecting their current position regarding the COVID-19 outbreak. One survey response per city was collected, completed by a senior colleague, who adopted an industry-wide local appreciation of marketplace effects. Surveys 1 to 5 were produced monthly. From Survey 6 onwards, production has been adjusted to two-month intervals to allow time to digest the changes that are taking place and to be more proactive in commenting on possible outcomes.

CONTACT

Russell Lloyd
Global Board Director
E. russell.lloyd@uk.rlb.com
T. +44 (0)7976 358 556

Roger Hogg
Research & Development Manager
E. roger.hogg@uk.rlb.com
T. +44 (0)7786 078 520

HIGHLIGHTS

Easing of lockdown

35%

of respondents reported an easing of lockdown or return to normal

Longer term Recovery

Almost 58%

respondents saw the recovery period taking 9+ months post lockdown

Tender pricing

Almost 45%

of respondents now show increases, some up to 6%

Site closures

82%

respondents report less than 10% site closures in their city.

Consistent best performing sectors

- Data centres
- Healthcare
- Infrastructure
- Industrial & Logistics

Sector recovery

Commercial now has a slightly more positive outlook than previously reported

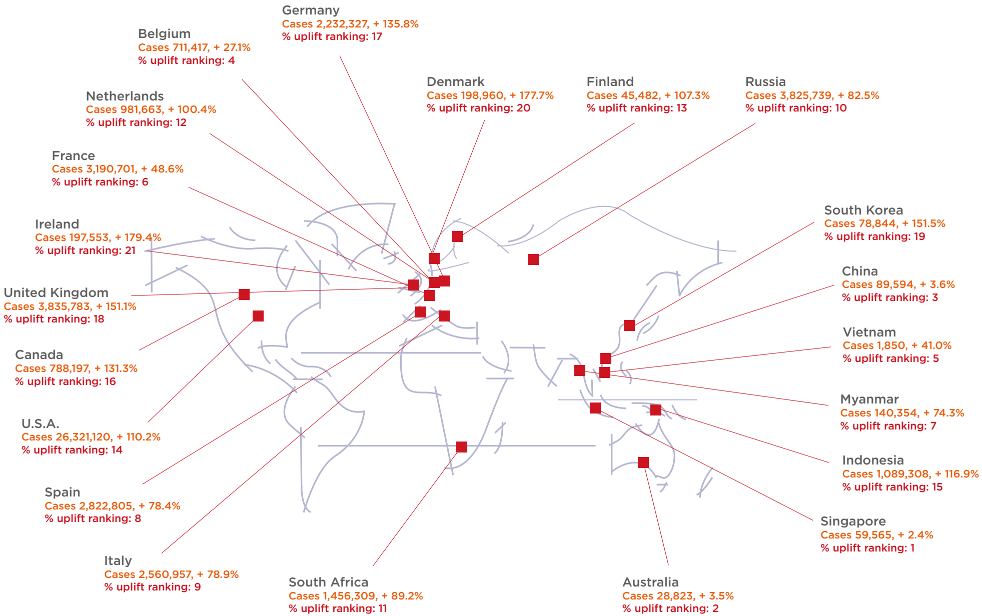
Least affected cities sectorally by **continent**

Most affected cities sectorally by **continent**

Least affected	Continent	Most affected
LAS VEGAS	AMERICAS	SAN JOSE
WUHAN	CHINA	MACAU AND CHENGDU
MADRID	EUROPE & UK	DUBLIN
SYDNEY	OCEANIA & SOUTH ASIA	SEOUL

GLOBAL SURVEY

The map of the world shown here shows the countries with RLB offices that have contributed to Issue 8 of the survey. We have represented in orange the number of COVID-19 cases confirmed in each country as at 1 February 2021, and a percentage increase from the number of cases confirmed as at 23 November 2020.



Source: RLB R&D, derived from: *Hale, Thomas, Sam Webster, Anna Petherick, Toby Phillips, and Beatriz Kira (2020). Oxford COVID-19 Government Response Tracker, Blavatnik School of Government.*

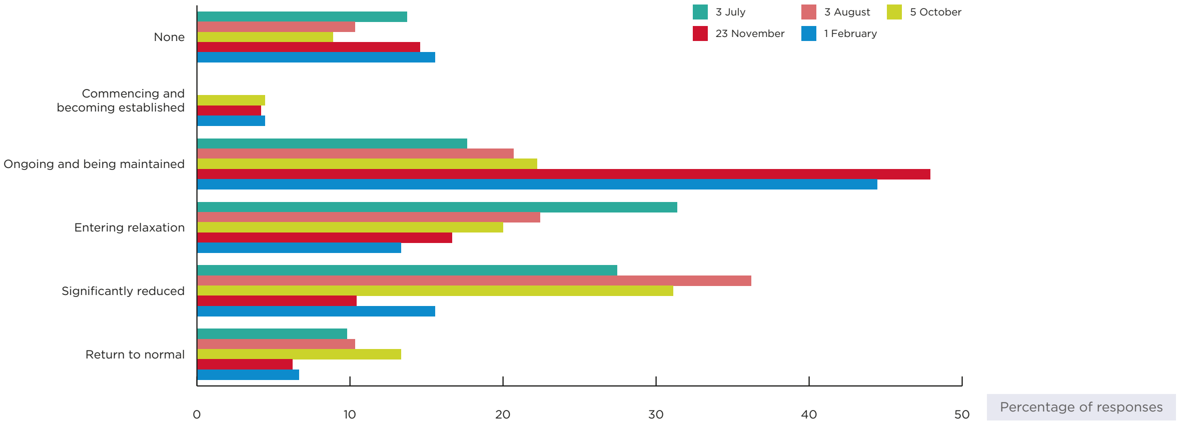
ANALYSIS

1. WHAT IS THE CURRENT STATE OF SOCIAL LOCKDOWN IN YOUR LOCATION DUE TO COVID-19?

Although about 15% of respondents still show lockdown as being absent in their location, almost 50% of respondents show lockdown as being maintained. Overall, the distribution of responses is almost balanced, with many respondents reporting reduction of lockdown and return of a semblance of normality.

“We are moving between different levels and it is confusing and extremely disruptive.”

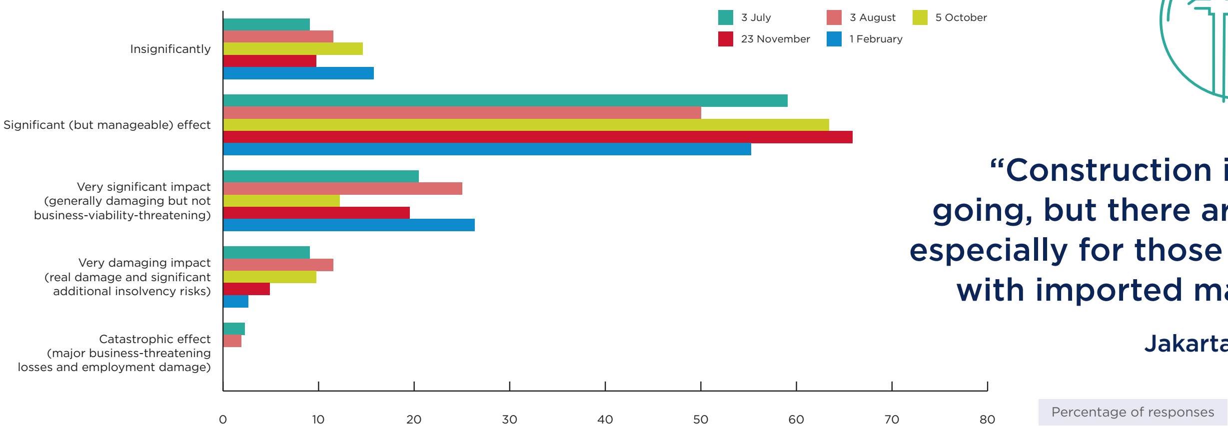
Gauteng, South Africa



2. HOW SIGNIFICANTLY HAS THE LOCKDOWN AFFECTED NORMAL CONSTRUCTION ACTIVITY?

Although there is a near doubling of the percentage of respondents who believe that lockdown effects are negligible, among those who believe that the effects are significant, there is a movement toward more damaging rather than less damaging effects. None of our respondents view the damage as catastrophic, but almost 85% see it as a real impact.

The results vary widely between countries relative to where they are in response to the pandemic and government regulations currently in place. In **Canada**, "all non-essential construction has been shut down" whereas reports from the **USA** confirm "sites are open and well managed by contractors."



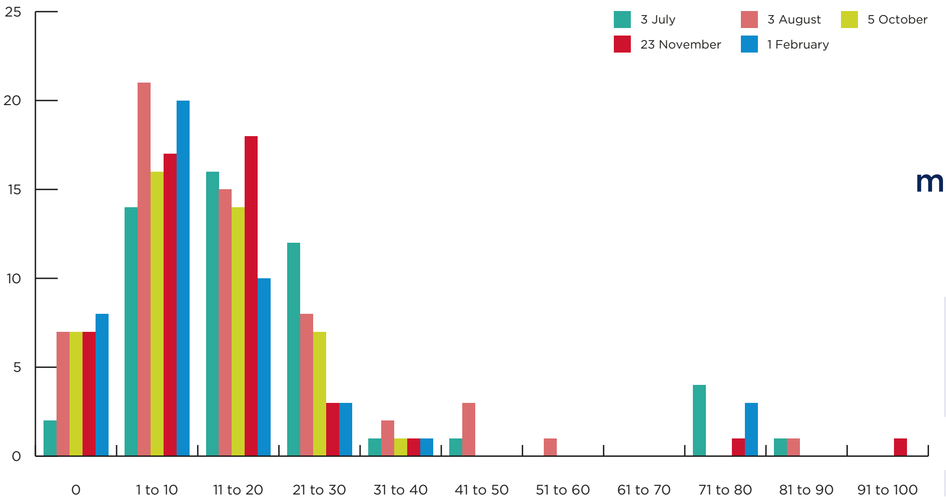
"Construction is still on going, but there are delays especially for those projects with imported materials."

Jakarta, Indonesia

3. WHAT IS THE ESTIMATED PERCENTAGE FALL IN PRODUCTIVITY OF ON-SITE CONSTRUCTION OPERATIONS?

In common with recent previous surveys, 38 of the 45 responses, 84%, report productivity impacts of not exceeding 20%, with over 60% saying less than 10%. This consistency between surveys indicates that any adverse effects have largely been absorbed into a new concept of normality which accommodates the constraints deriving from health and safety, together with the reality of having to deal with the problems and carry on. The reality is contractors and workers have adapted to the new normal, a sentiment strongly reinforced by USA respondents, with **Portland, USA** commenting; "Contractors and sub-contractors have long since learned how to operate and manage physically-distanced jobsites."

Number of responses



"There has been some fall in productivity due to late delivery of imported materials and components."

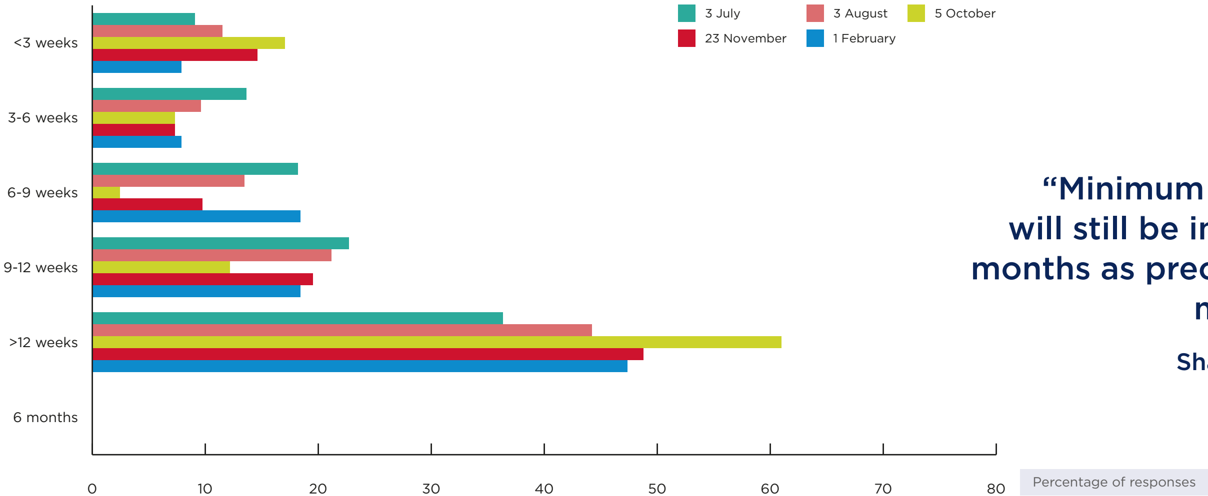
Hong Kong, China

As part of issues 2 to 8 of our surveys, we asked a question on productivity to gain a better understanding of how COVID-19 has affected on-site construction operations.

Expressed in groupings of 10%

4. FROM THIS POINT, HOW LONG DO YOU FORECAST FOR LOCKDOWN TO BE COMPLETELY REMOVED?

While views on the timing of lockdown removal are still weighted toward the higher end of the time frames options, there is a slight "downward creep" in the figures, edging toward lesser timeframes. This may reflect the prospect of vaccination availability, with many respondents anticipating positive effects but with the understanding that, "it will depend on the speed of the vaccination programme", as highlighted by our Amsterdam, Netherlands office.



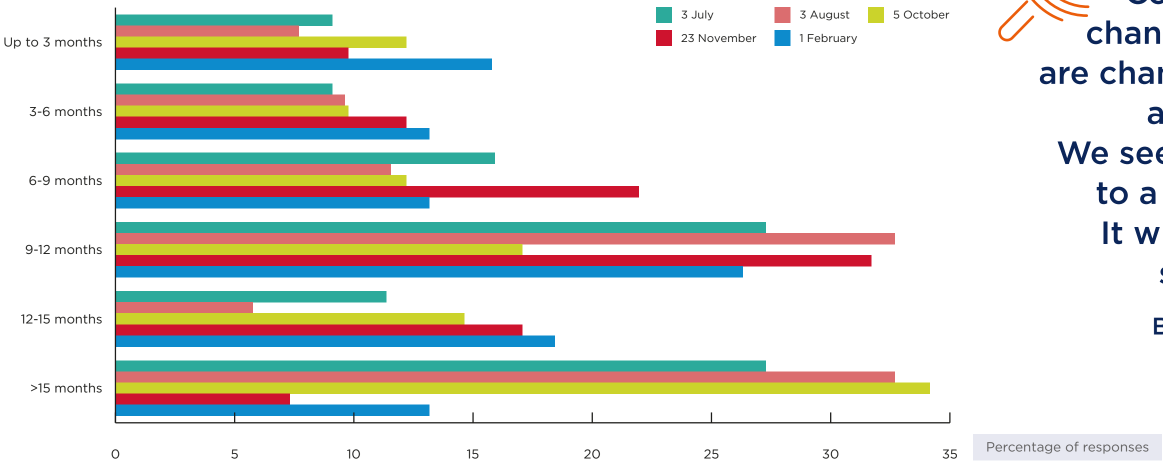
"Minimum lockdown will still be in place for months as precautionary measures."

Shanghai, China

5. AFTER RELAXATION OF LOCKDOWN, WHAT IS THE ESTIMATE OF RECOVERY TIME FOR YOUR LOCAL MARKET?

For those economies that have exited the lockdown scenario, recovery is already underway, whereas for others, there is a way to go in lockdown, and then subsequent recovery after removal of constraints.

This time around, we see a slight firming of views toward longer-term recovery periods, with almost 58% holding that the recovery period could be still in excess of 9 months beyond end of their respective lockdown.



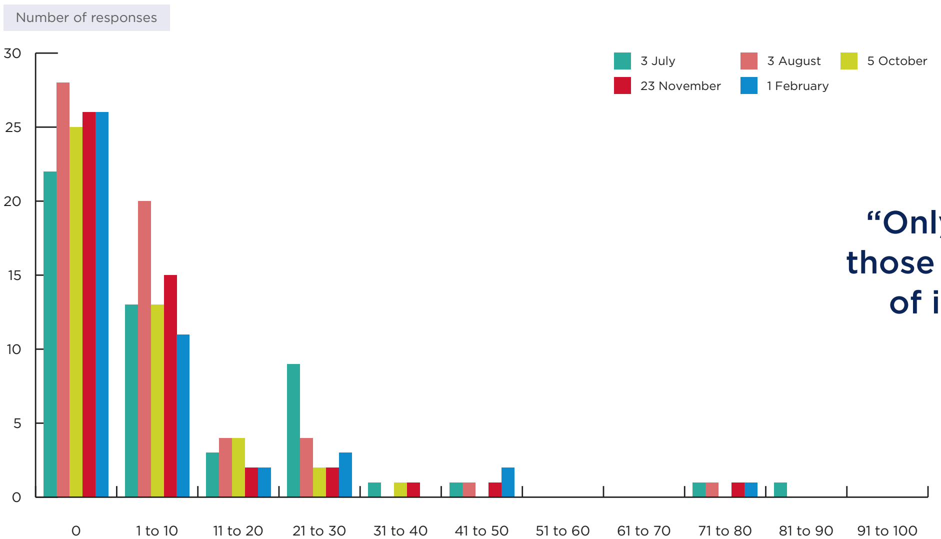
"Companies are changing, people are changing, habits are changing. We see a transition to a new market. It will not be the same again."

Brussels, Belgium

6. WHAT PERCENTAGE OF CONSTRUCTION SITES ARE CURRENTLY CLOSED?

26 of the 45 respondents now report no site closures, and over 82% now see less than 10% site closures, only slightly down on the corresponding value in the previous survey.

Several respondents confirmed again that some site closures are due to deferral rather than lockdown or closure for safety reasons as a result of positive tests. In **Paris, France** it was reported that although few sites are closed, “many construction works are postponed for several months.”



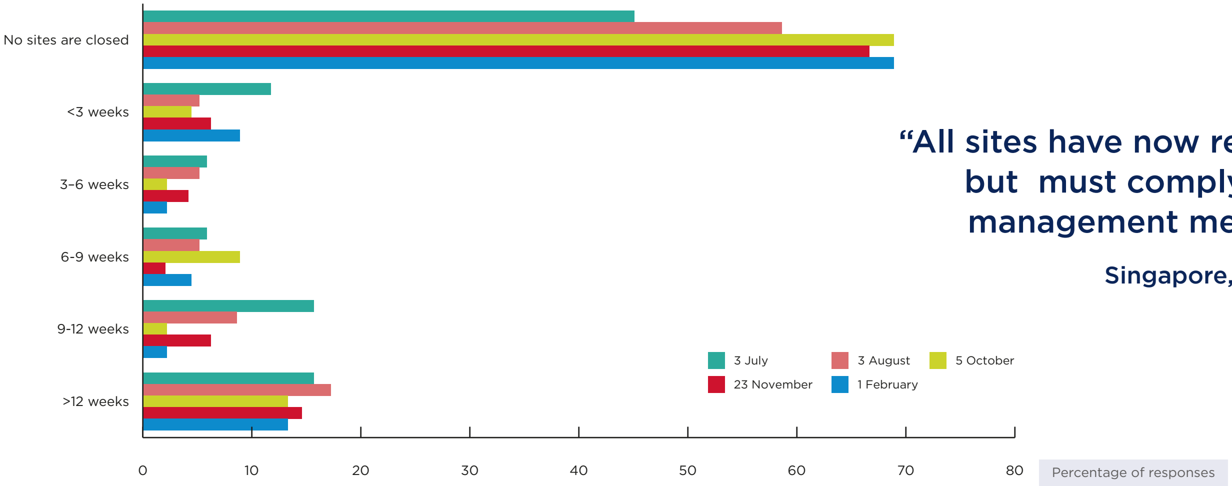
Expressed in groupings of 10%

“Only essential sites are open - those involving the construction of infrastructure - particularly health and transit.”

Toronto, Canada

7. ON AVERAGE, FOR SITES THAT ARE CURRENTLY CLOSED, HOW LONG HAVE THEY BEEN CLOSED?

More than two thirds of locations report all sites being open and working, which is reflective of governments' continuing commitment to construction as a key component part of countries' economies. While there are still site closures, there are often other issues at play, including strategic decision-making as to bringing deferred and delayed projects to completion in markets that are necessarily temporarily partly stalled.

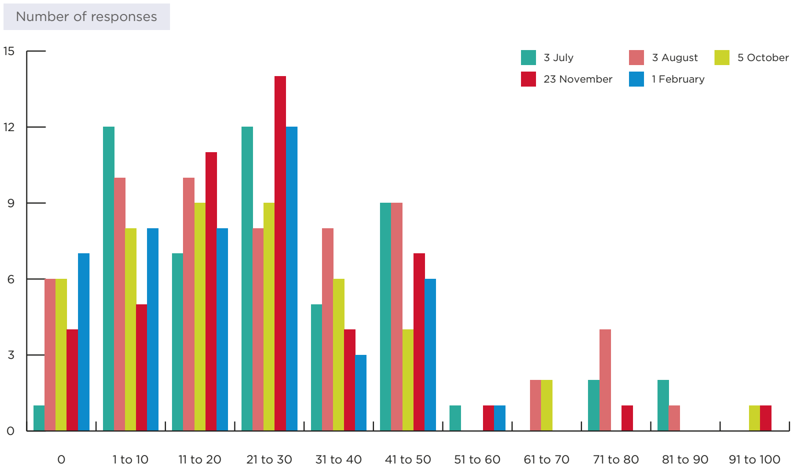


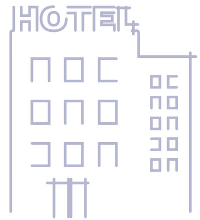
"All sites have now reopened but must comply to safe management measures."

Singapore, Singapore

8. WHAT PERCENTAGE OF PROJECTS (BY NUMBER) HAS BEEN PUT ON HOLD AT PRE-CONSTRUCTION STAGE?

In this survey, almost 78% of responses indicate that less than 30% of projects are being held at pre-construction stage, slightly more than the 70% of the last survey. However, there remains a residue of significant proportions of deferred or stalled projects in some locations, which may reflect serious concerns as to market conditions on the way out of the end of the pandemic.





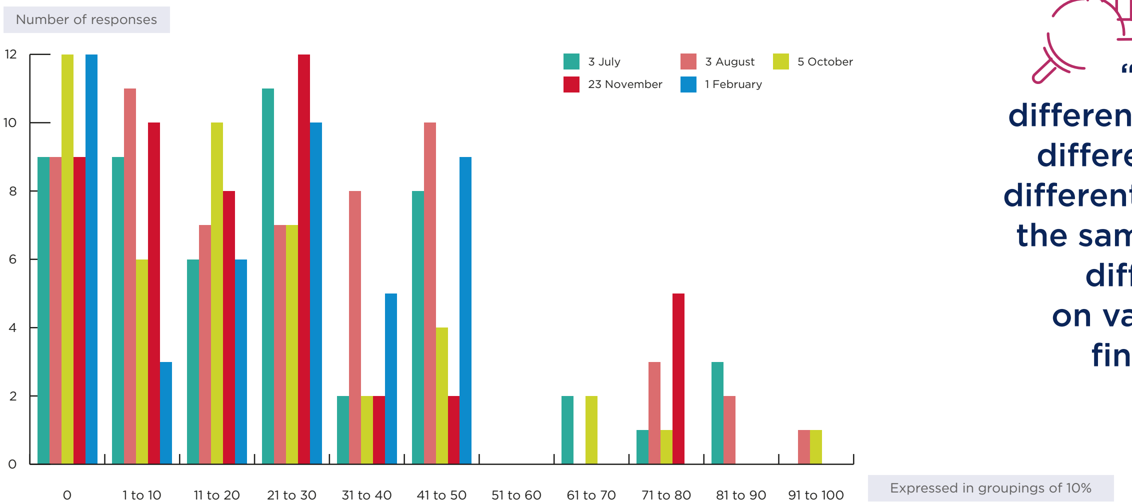
“These [on hold] projects continue to be primarily in the hospitality sector.”

Castries, St Lucia

Expressed in groupings of 10%

9. BY WHAT PERCENTAGE HAS THERE BEEN A DROP-OFF IN THE NUMBER OF TENDER ENQUIRIES?

Although the bulk of the perceived drop-off of inquiries is again concentrated at the lower end of the groupings shown, still almost one third of respondents are of the opinion that there is a drop-off of over 30%. Although another third see a drop of less than 10%, still there are concerns for cities that have seen large numbers of construction market sectors adversely, and in some cases, very adversely, affected by lockdowns, economic fallout and health measures.

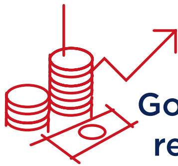


"We are seeing different sectors react differently, and even different clients within the same sector react differently, based on varying levels of financial stability and cashflow."

Boston, USA

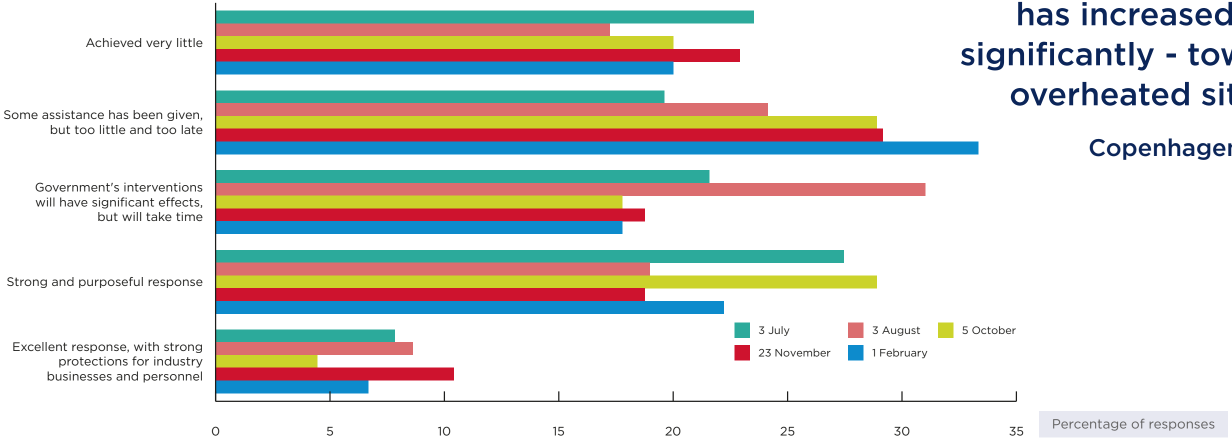
10. HOW HAS YOUR NATIONAL GOVERNMENT'S ACTIVITIES IN RELATION TO THE COVID-19 PANDEMIC AFFECTED THE CONSTRUCTION INDUSTRY?

The broad spread of views shown in previous surveys in respect of this question is repeated in Survey 8, with only slight changes of general opinion. The "too little and too late" response has seemed to firm slightly, but that is largely at the expense of the "achieved very little" belief. In overview, the general consistency may depict a world just moving on and dealing with life as it is, rather than with an ideal of what it could be.



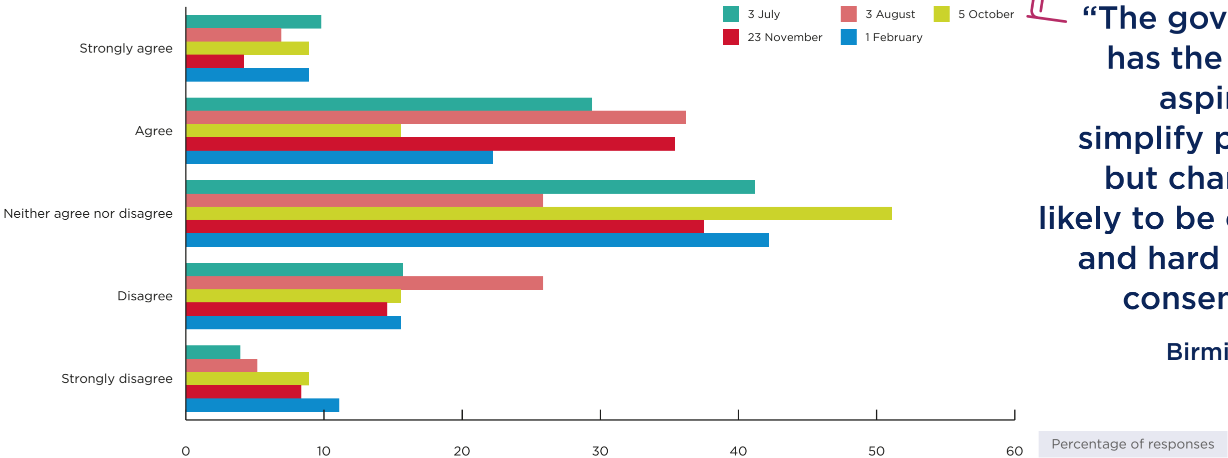
Government has lifted restrictions on public investments, which has increased activity significantly - towards an overheated situation."

Copenhagen, Denmark



11. WILL THE AFTERMATH OF THE PANDEMIC INCLUDE RELAXED PLANNING CONSTRAINTS AS A STIMULUS TO SPEEDY RESUMPTION OF ACTIVE DEVELOPMENT?

While respondents appear to be living with their governments' responses to the pandemic, as they have to do, there appears to be a winding-down of hopes for relaxation or loosening of planning constraints aimed at stimulating construction. This may be just pandemic-fatigue, or it may be a realisation that governments will have a wide array of problems post-pandemic, and relaxation of planning constraints may be a lesser consideration than that of re-activating the wider economy.

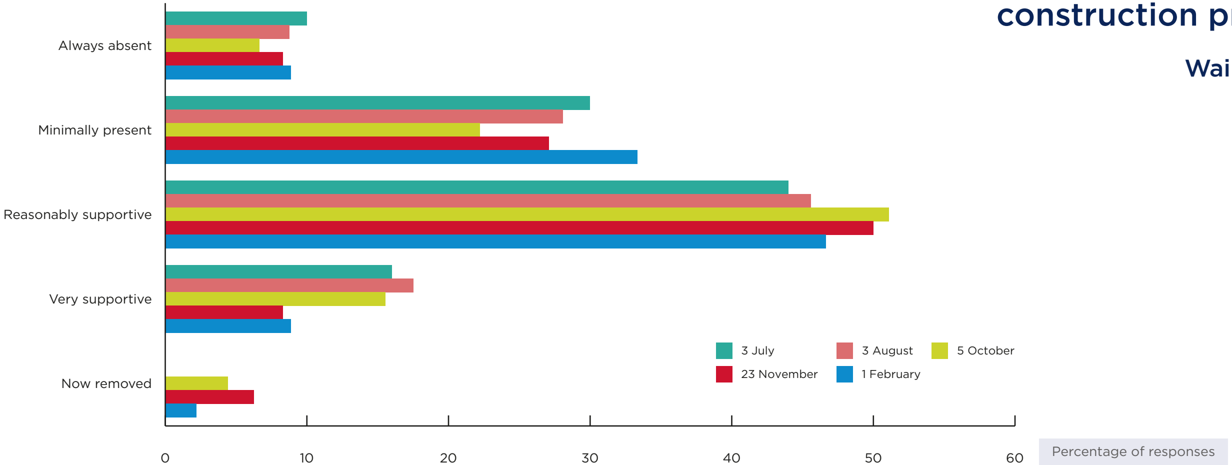


"The government has the political aspiration to simplify planning, but changes are likely to be complex and hard to reach consensus on."

Birmingham, UK

12. WHAT HAS BEEN THE EXTENT OF GOVERNMENT SUPPORT TO LARGER COMPANIES?

Feedback on government direct financial support to larger companies remains consistent with previous surveys, with only slight increases showing in respect of growing acceptance of minimal support levels.

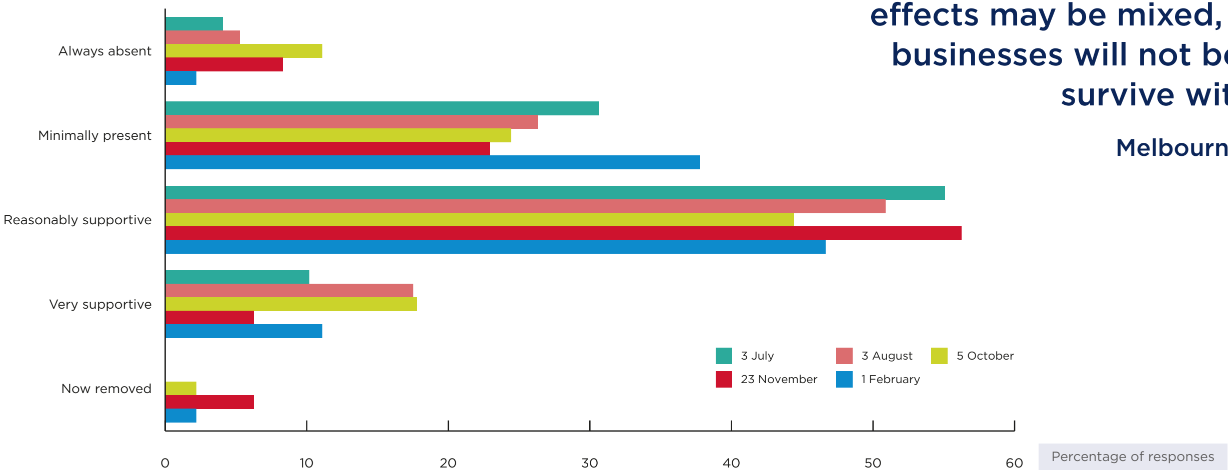


"Construction may rebound quicker than anticipated as a result of newly elected local officials changing and funding being allocated for "stale" construction projects."

Waikoloa, USA

13. WHAT HAS BEEN THE EXTENT OF GOVERNMENT SUPPORT TO SMALL AND MEDIUM-SIZED ENTERPRISES (SMES)?

Governmental support for SMEs shows a movement toward the belief that support has been minimal, largely at the expense of the "reasonably supportive" response. This could again reflect growing awareness of the need to simply accept the situation regardless of any outside support.



"The introduction of the 'job keeper' scheme at the very beginning of the pandemic has kept business alive. It comes to an end in March 2021 and the effects may be mixed, as some businesses will not be able to survive without it."

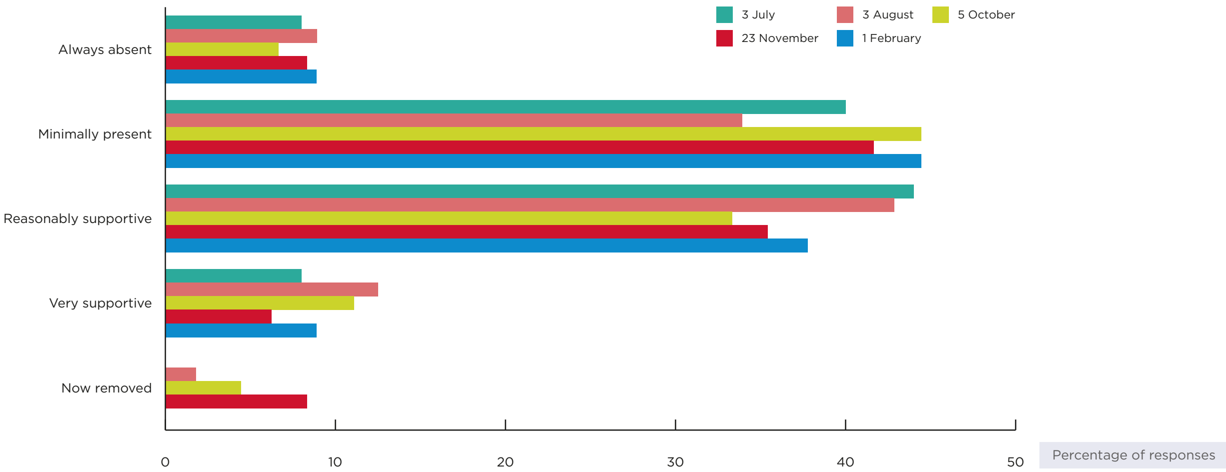
Melbourne, Australia

14. WHAT HAS BEEN THE EXTENT OF GOVERNMENT SUPPORT TO SELF-EMPLOYED INDIVIDUALS?

For self-employed people, the general view is that of a slight consolidation of understanding of reasonable levels of support. However, the figures may be skewed somewhat by the absence in the current survey of any reports of support having been removed.

"The Government is introducing measures to attract the foreign workforce from middle Asia back to the region."

Moscow, Russia



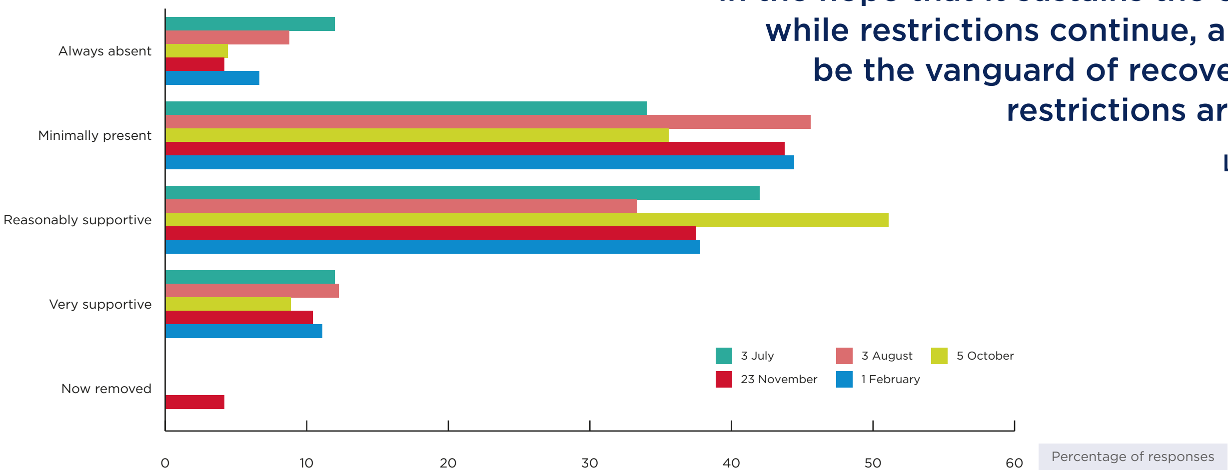
15. WHAT HAS BEEN THE EXTENT OF GOVERNMENT SUPPORT TO INDUSTRY SECTORS?

Opinions on governmental direct investment in the construction industry align with previous surveys, suggesting as "business as usual" approach on the part of the respondents.

The construction industry is seen as essential activity by many Governments, even during lockdown, and therefore activity is ongoing, albeit commentary suggests new projects are slow or hesitant to start.

"The Government has allowed the construction industry to remain active, in the hope that it sustains the economy while restrictions continue, and it will be the vanguard of recovery when restrictions are lifted."

London, UK



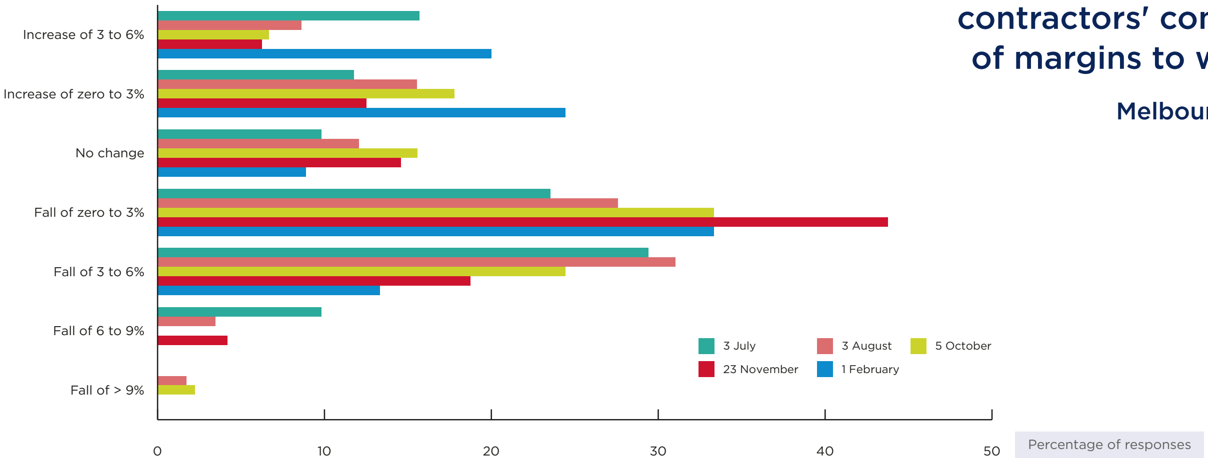
16. HOW WILL TENDER PRICES BE AFFECTED FOR THE OVERALL YEAR 2021?

This edition of the survey shows a marked change in views, with a number of locations now reporting increases of up to 6% over last year's figures. Almost 45% of respondents now show increases, which is in stark contrast to the less than 20% of the previous survey.

Correspondingly, the number of reports of falls has declined almost 67% to just under 46%. This turnaround is however very regionally dependent, and these headline statistics cover an array of local effects that can be best appreciated via local RLB Reports.

"Expectation is that pricing through 2021 will be stable, with modest input cost increases. Offsetting these will be contractors' compressing of margins to win work."

Melbourne, Australia



SECTOR ANALYSIS

WHAT IS THE GENERAL EFFECT OF THE PANDEMIC ON CONSTRUCTION SECTORS?

Issue 7 of the survey, back in November, portrayed a picture of sectoral performance which had become more and more obviously consistent, with hotel, hospitality and leisure, as well as general retail, being particularly badly hit. That picture has not drastically changed in the current issue, although it is certainly becoming clearer now that adversely affected sectors remain consistent around the world, and that some may be changed significantly and permanently, long after successful vaccination programmes have been implemented.

Many respondents noted similar concerns as to the shape of the future of these sectors, which of course, in turn, poses complex questions for investors and public sector bodies.

Methodology: The narrower single width entries reflect a respondent's view that a particular sector has been positively or negatively affected (value + 1 or -1).

Double width bars indicate major positive or major negative effects in a particular sector (value + 2 or -2).

Where a respondent indicated no effect on a sector, that sector has a bar with nil length (effectively does not exist).

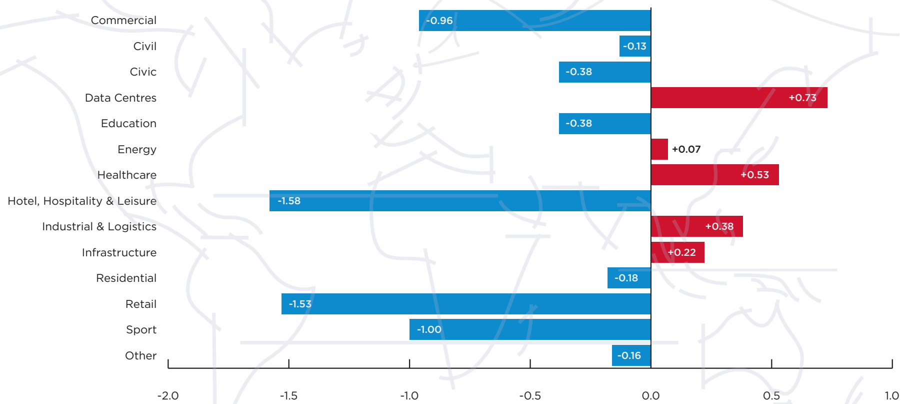
"All non-essential construction has been shut down recently. No new residential starts allowed."

Toronto, Canada

GLOBAL ANALYSIS BY SECTOR

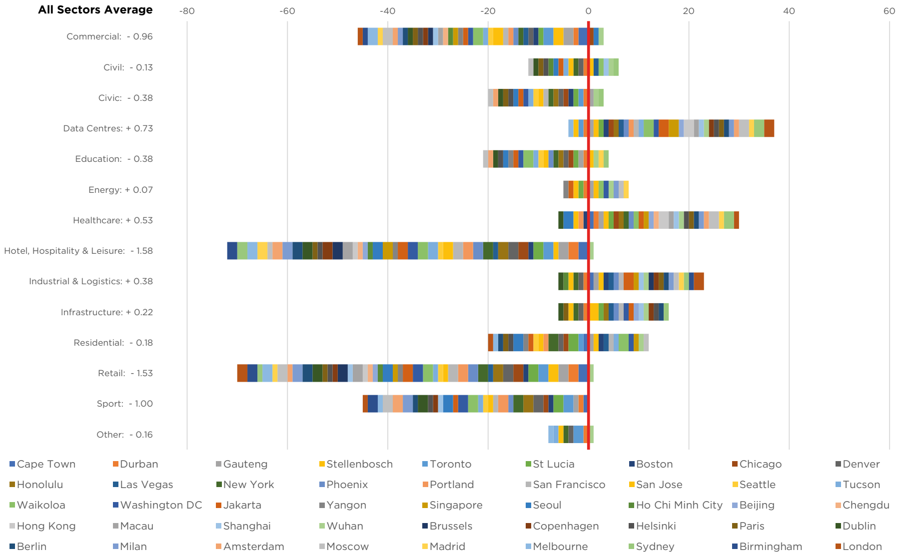
The regional city-centric analysis of sectors, overleaf, shows more clearly the impacts in the various regions of the specific sectors' positions. Checking each region's breakdown against the other regions reveals a level of consistency that suggests that cities around the globe are facing similar structural effects and have to react to relatively common impacts on particular sectors. However, the exact mix and extent inevitably varies between cities, as it does between regions, giving rise to complex responses in each country.

Bearing in mind the fact that the cities in this survey represent only the most predominant in the respective countries surveyed, the countries' local sectoral challenges are magnified by the complexity of their own internal markets.



CITY ANALYSIS BY SECTOR

Detailed sectoral breakdown shows the build-up of sectors' effects. It is interesting to note that in the case of the worst-affected sectors overall, many of the locations have reported very adverse effects. On the other hand, where sectors are showing positive outcomes, the respondents' views have more often focused on simply a positive response, as opposed to a very positive answer. The result is that negative responses appear in the chart as much more heavily weighted than are the positive.



"Due to current level of activity in certain sectors, recovery as a whole in the industry should be relatively swift."

London, UK

SECTOR ANALYSIS BY CITY

The regional city-centric analysis of sectors, overleaf, shows the totality of sectors' positions in their respective city locations and within their regions. The overall average shown for each city is their total sector average, and is the best comparator measure as between cities. Readers will also note that the cities' rankings are on a global basis (the 45 responses), so show how a region sits in the overall framework of global sector activity.

A particularly relevant point about the sectoral breakdown, is that in many cases what appears to be a balance is shown, between positive and negative sectors. This may be slightly misleading, as whether there is in fact a balance, depends on the respective activity levels that existed in each sector of each city, before the advent of COVID.

"Take up of return to work in the office is unable to be assessed at this stage, so the effect on demand for new commercial office space is unable to be calculated."

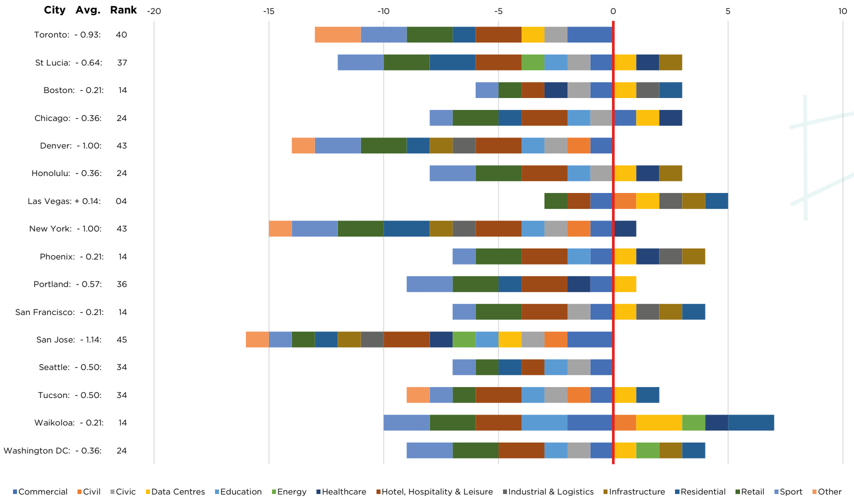
Sydney, Australia

"Sectors most affected are likely to require significant recovery time as many businesses have been starved of cash."

Birmingham, UK

SECTOR ANALYSIS BY CITY (AMERICAS)

For The Americas, only Las Vegas is solidly in the uppermost part for the performance table, ranking 4th out of the 45. Boston, Phoenix, San Francisco and Waikoloa all tie at 14th in the table, meaning that there is a strong Americas representation in the top half of the group. At the other end, Toronto, Denver, New York and San Jose have all been significantly adversely affected overall, and each appears very much at the tail end of the statistics. Toronto and New York stand out however, as both show a small number of sectors very adversely affected, resulting in their particularly low standing in the table.

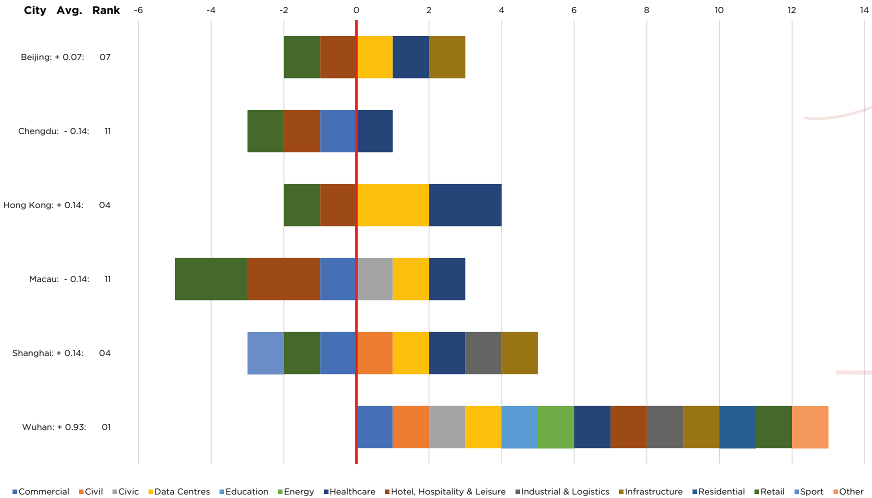


"Our city may not recover as quickly as some others. The diminished reputation of the city/region has and may continue to negatively influence market sectors."

Portland, USA

SECTOR ANALYSIS BY CITY (CHINA)

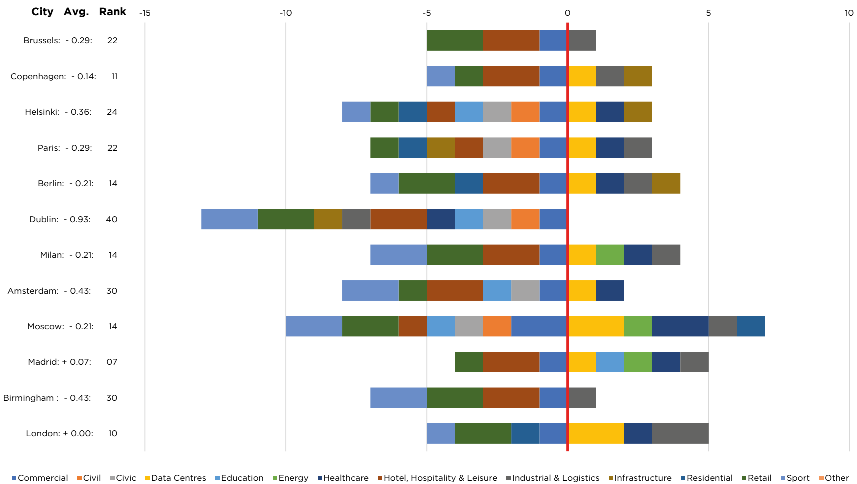
Of the Chinese cities surveyed, Wuhan is far and away the standout performer, presumably as its economy has largely returned to a form of normal after having undergone shutdown. Other Chinese cities fare well in the overall global standings yet are still affected by adverse impacts on the construction economy in multiple sectors. The outturn effect is a clustering of their results around a neutral overall effect, negatives largely balanced by positives.



> **"Local inquiries still strong but overseas inquiries have been reduced significantly."**
>
> **Shanghai, China**

SECTOR ANALYSIS BY CITY (EUROPE AND UK)

For the UK and Europe, only Dublin appears to have been particularly badly affected sector-by-sector, 10 of the 14 sectors having shown adverse effects, and none positive. For the other cities, most show a mix of negative and positive effects, which often balance, although Amsterdam and Birmingham still tie at 30th spot out of the total 45 cities. Best performer in this group is Madrid, whose positive sectors outweigh the negative effects.



"Funding nervousness and caution is an issue."

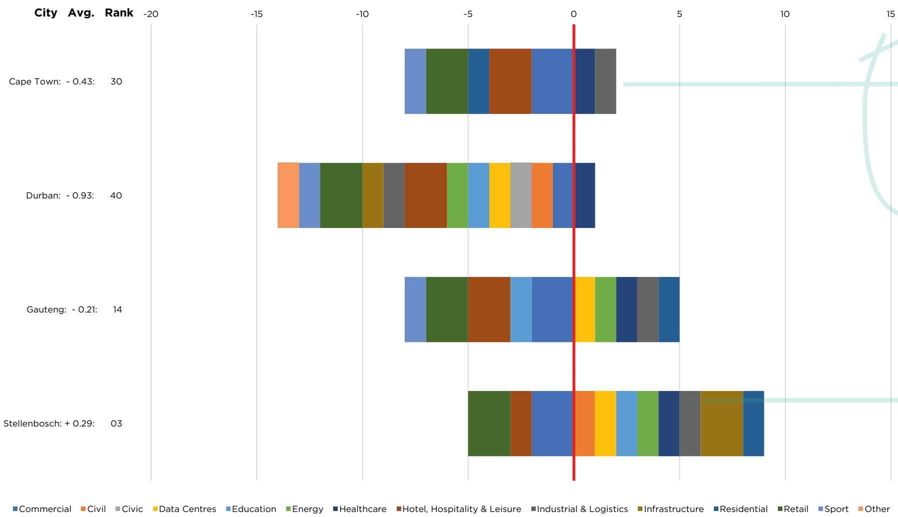
Dublin, Ireland

"There is still a shortage in many sectors and money is cheap and looking for a destination."

Amsterdam, The Netherlands

SECTOR ANALYSIS BY CITY (MIDDLE EAST AND AFRICA)

In South Africa Stellenbosch is the best performer, featuring at 3rd out of 45 total cities, and showing 8 of the 14 sectors in positive territory. Elsewhere, negative sectors outweigh the positives, with resulting overall standing straddling the range of global results.

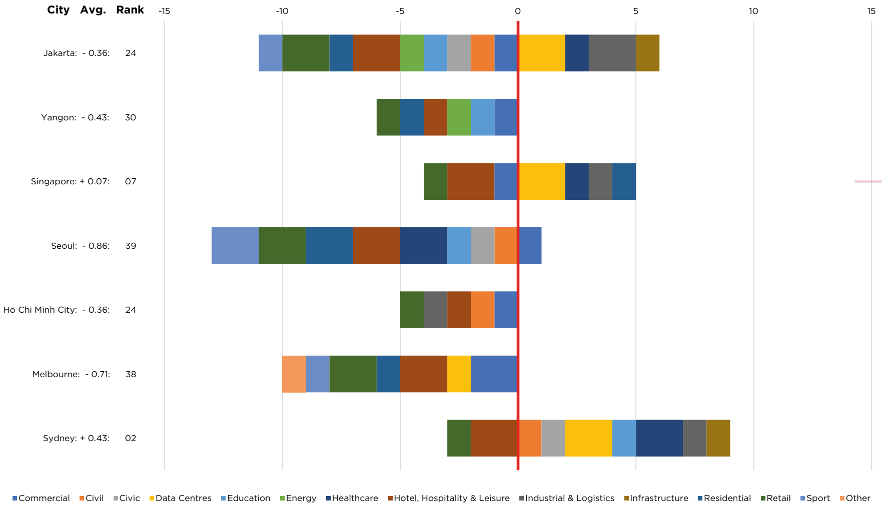


"In my opinion, we should prepare for this "new normal" up to 2025."

Gauteng, South Africa

SECTOR ANALYSIS BY CITY (OCEANIA AND SOUTH ASIA)

Oceania and South Asia is this time absent any returns from New Zealand, which is in a holding pattern as the virus appears to be substantially under control. This absence may slant the overall statistics somewhat, as the New Zealand cities have previously been among the better performers. In the current survey, Sydney and Singapore stand out as best-placed in the overall rankings, with Seoul and Melbourne at the other end. Seoul, in particular, reports 8 sectors adversely affected, against Melbourne's 7.



"Nil sites closed since commencement of the pandemic."

Sydney, Australia

CONCLUSION

In the two months period between surveys, the realisation has been driven home that, while vaccination offers hope of relief, there is nonetheless a process to be undertaken, which will take perhaps most of the year to complete. That process involves vaccinating in sufficient numbers to provide the virus with so few potential hosts as to effectively, then actually, eradicate it. However, there are also commentators who suggest that we will have to live with similar types of virus on an ongoing basis. Certainly, it is both tragic and stunning, how our inter-connected world supports viral transportation, and how readily economies can be severely undermined by the resulting effects.

Even though construction has been largely continued sector-wide in many locations, the overall effects on economies inevitably impact on construction activity eventually. While in some locations, thoughts are even now turning to re-establishing the old building occupancy and business orientation patterns, there may be long-term effects caused by the sudden impact of the virus on pre-existing lifestyles. What was normal before COVID may not be returned-to after COVID. Firstly, it may not be possible from a business standpoint, as many businesses are themselves integrated in supply and demand chains that have been severely disrupted, and secondly, from a public health perspective, the shadow of future viruses will have to be accounted-for as a real risk, in a way that it never was before.

The upshot is that we are envisaging different ways of working, different work and life models and consequent changes in the ways in which the built environment provides and manages facilities. Clearly, even now, some sectors are flourishing while others flounder, and the challenge has to be to understand in more depth what life will look like after the pandemic has subsided.

ABOUT RIDER LEVETT BUCKNALL

FRESH PERSPECTIVE

We are a global independent construction, property and management consultancy. We bring a fresh perspective combining technical expertise and technology to deliver service excellence.

FLAWLESS EXECUTION

We offer a range of complementary cost consultancy, project management, programme management, building surveying, health & safety and advisory services. We work from conception, through design, construction and operational performance of facilities to their eventual disposal or reuse.

We are committed to developing new services and techniques aimed at enhancing our clients' businesses in the long term.

INDEPENDENT ADVICE

Our clients have rapid access to the latest industry intelligence and innovations, which serve to enhance value and mitigate risk.

We provide expert management of the relationship between value, time and cost from inception to completion. We do this through our global and local team of experts, who possess a passion for both core services and innovation.

OUR SERVICES:

- Cost management
- Project management
- Programme management
- Building surveying
- Health & safety
- Specification consultancy
- Design management
- Strategic facility management
- Sustainability consultancy
- Contract advisory

Join our professional network

Rider Levett Bucknall

RLB.com

AFRICA | AMERICAS | ASIA | EUROPE | MIDDLE EAST | OCEANIA

RLB Rider Levett Bucknall