REPORT

COVID-19: GLOBAL SURVEY

THE IMPACT ON THE CONSTRUCTION SECTOR ACROSS THE WORLD

APRIL 2021 – ISSUE 9

RLB Rider Levett Bucknall

CONTENTS

INTRODUCTION

Edition 9 of the RLB Covid-19 Survey completes the year since our first Covid-19 Survey. Our analyses over the year record a global construction industry that has responded flexibly and pragmatically to an unprecedented set of circumstances.

In that time, the virus has circled the globe in successive waves, health crises being accompanied by economic standstills. The construction industry around the world began the pandemic by being very seriously affected by site shutdowns. However, it was then but was then held in most countries to be vital to economic wellbeing, so once health measures were in place, sites re-opened and work carried on, albeit with some effects on costs and programmes.

However, despite mass inoculation programmes being rolled-out around the world, the downstream effects of the changes to working life and life in general, remain to be seen. With Edition 9, RLB begins to look forward, beyond the pandemic, to delve into what may lie beyond, in relation to work, life and play, and the junction of that with construction industry activity.

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. Survey 6 onwards have been produced at 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

EFFECT ON THE INDUSTRY

Almost **90%** of respondents report significant effects on the sector

RECOVERY TIME

66% of respondents believe recovery is less than a year away

TENDER PRICING

66% **show increases** vs. **19%** show reductions

SITE CLOSURES

82% respondents report less than **10%** site closures in the city

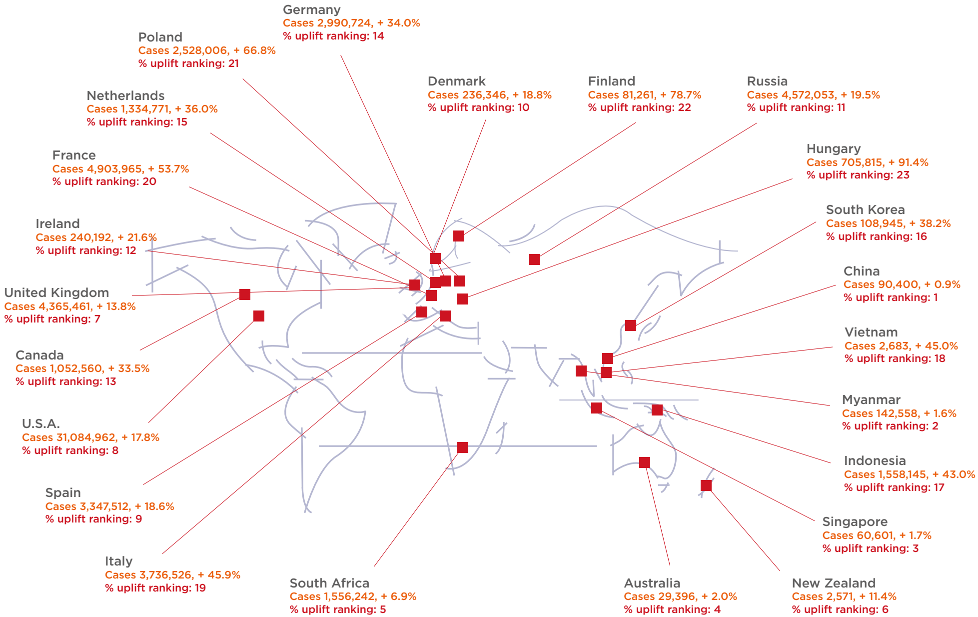
Consistent best performing sectors

- Data centres
- Healthcare
- Infrastructure
- Industrial & Logistics
- Energy

Least affected cities sectorally by **continent**	Region	**Most** affected cities sectorally by **continent**
LAS VEGAS	AMERICAS	CHICAGO
BEIJING	CHINA	HONG KONG, WUHAN, CHENGDU
LONDON	EUROPE & UK	DUBLIN
SYDNEY/WELLINGTON	OCEANIA & SOUTH ASIA	MELBOURNE

GLOBAL SURVEY

The map of the world shown here shows the countries with RLB offices that have contributed to Issue 9 of the survey. We have represented in orange the number of COVID-19 cases confirmed in each country as 9 April 2021 and a percentage increase from the number of cases confirmed as at 1 Feb 2021.



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.*

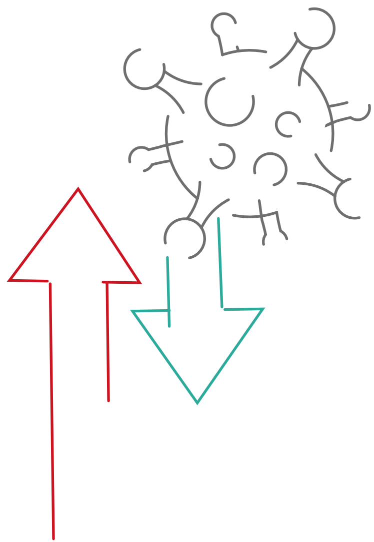
OVERVIEW

In Issue 9 of the RLB COVID-19 survey, covering the period from 1 February 2021 to 9 April 2021, responses were received from 43 cities in 23 countries.

China now leads the way with least percentage of increases in cases, followed by Myanmar, Singapore and Australia. New Zealand once again records the smallest number of new cases, at 264, followed by Australia, China and Vietnam. Australia again features positively in its percentage uplift and absolute case numbers.

Countries most affected by additional cases are Hungary, Finland, Poland and France, each with well over an additional 50% of new cases in the period. The United Kingdom and the United States, both of which saw large case number increases last time around, this time reported less than 20% increases, although in the case of the United States, that represented an additional 4.7m cases. Hungary's near doubling of cases, though problematic, was far lower than the increases reported from the UK and the United States in our previous survey.

Despite the enormity of the vaccination development, production, delivery and injection challenge, there have been remarkable strides in mass inoculation, with some countries having already, by mid April, vaccinated around half of their population. However, the fact remains that the stringent safety and mitigation measures adopted over the last year will still have to remain in place for an as yet unknown period of time.



ANALYSIS

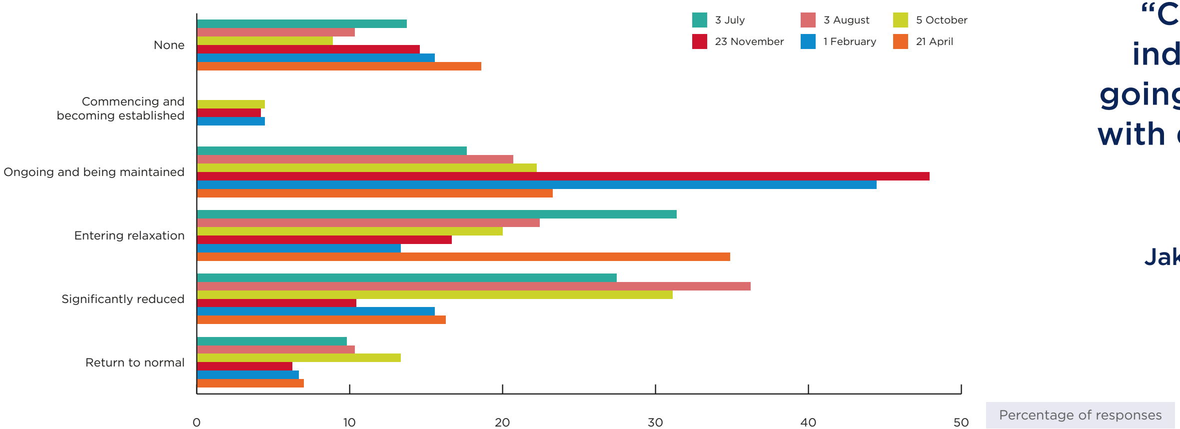
1. WHAT IS THE CURRENT STATE OF SOCIAL LOCKDOWN IN YOUR LOCATION DUE TO COVID-19?

RLB's analysis of lockdown status shows steady upward creep of locations having no lockdown in place. Now, almost 19% of locations report no lockdown, although there may be some overlap with the 7% of locations reporting a return to normal.

The major change for this survey lies in reports of relaxation being underway, at 35%, almost 3 times the previous percentage.

"Construction industry is still going ahead but with delays in all projects."

Jakarta, Indonesia

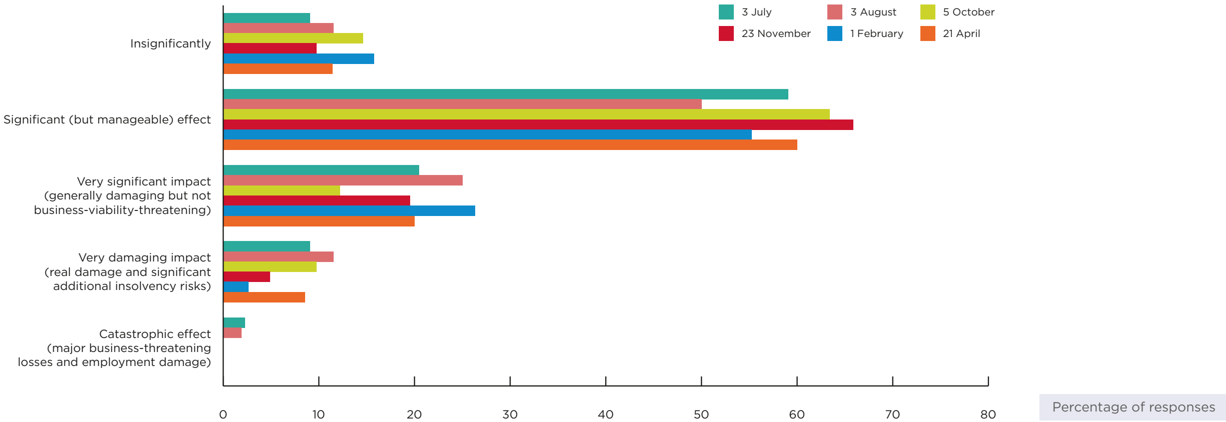


2. HOW SIGNIFICANTLY HAS THE LOCKDOWN AFFECTED NORMAL CONSTRUCTION ACTIVITY?

Almost 29% of respondents now report very damaging effects, with a further 60% recording significant impacts. Taken together, that means that almost 90% of respondents are reporting at least significant effects on the industry as a whole.

“Supply chain has been impacted by delayed shipping from China.”

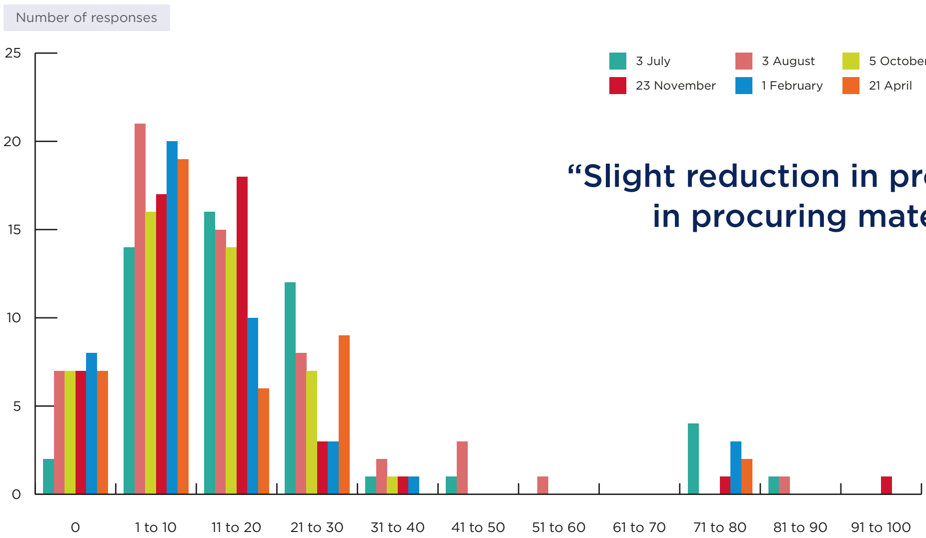
Los Angeles, USA



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

32 of the 43 responses, 74%, now report productivity impacts of not exceeding 20%, with over 60% again saying less than 10%.

In the previous survey, 84% had reported effects of not exceeding 20%. This inconsistency between the surveys is due to a bundle of responses (9 in total) 21%, showing productivity effects of 20-30%. This result will be followed-up in the next survey to identify whether it is a one-off or whether it is a new trend in understanding of the cost effects of the outbreaks on site management and operational costs.



"Slight reduction in productivity but the difficulty in procuring materials has the most impact."

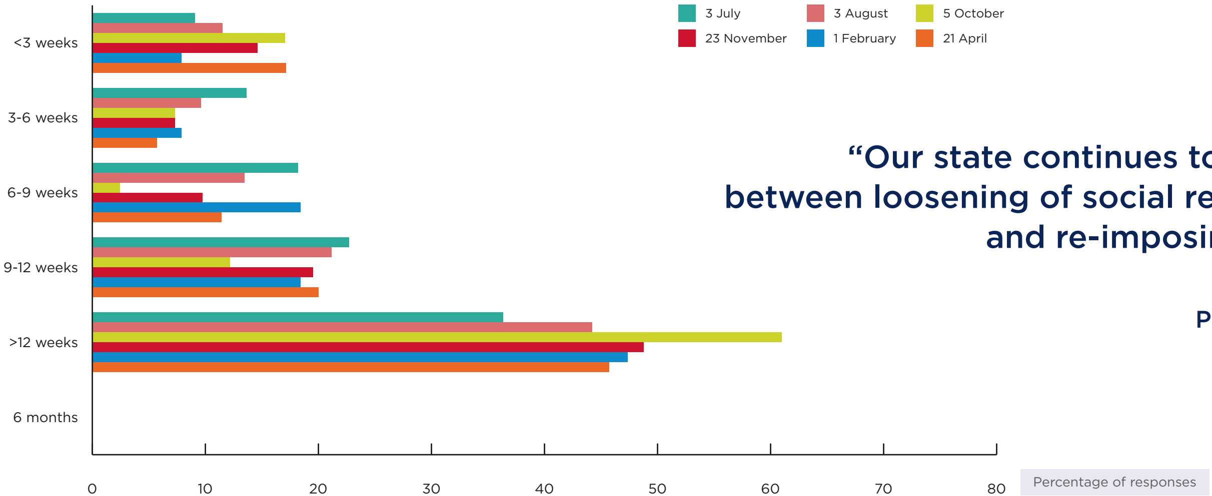
St Lucia

As part of issues 2 to 9 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?

In correspondence with the earlier question on persistence of lockdown, almost two thirds now believe that relief of lockdown lies more than nine weeks away. This response is very similar to our previous survey, except that there is now slightly stronger emphasis of the period 2 to 3 months away. One clear possibility is that the advent of inoculation is having cumulative effect on remaining populations available to contract/transfer the virus, so the expected lockdown removal timeframe should reduce. However, it should be borne in mind that the surveys are now 2 months apart, so this current report is effectively experiencing the future that was forecast by the previous report.



"Our state continues to oscillate between loosening of social restrictions and re-imposing them."

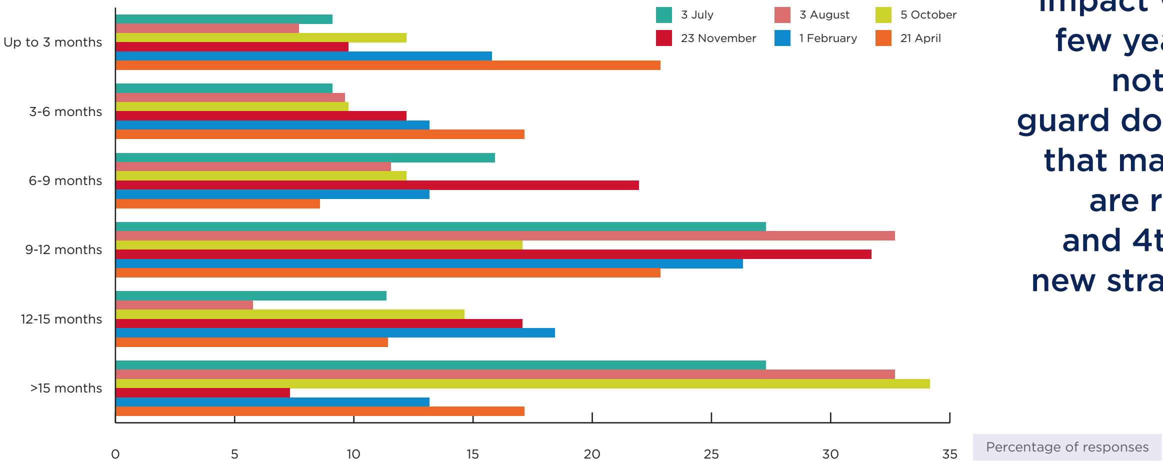
Portland, USA

RLB Rider Levett Bucknall

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

Over two thirds of respondents are now of the opinion that recovery will take less than a year from this point in time, and is slightly up on our previous survey.

While we have moved on in time by two months, this movement still is supportive of a view that the effect, though significant, is such that recovery can be fairly swift.



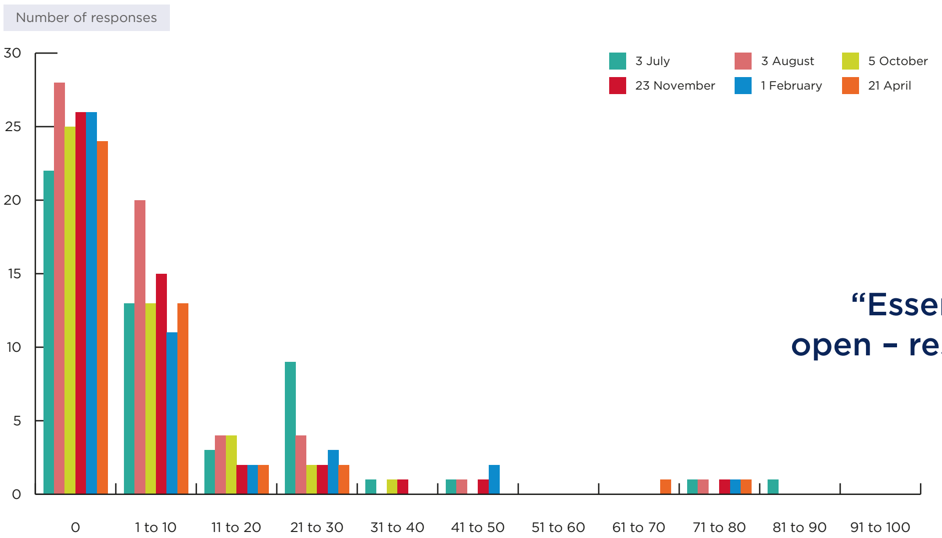
"Our govt has advised that the pandemic impact will last for a few years. They are not letting their guard down, knowing that many countries are reporting 3rd and 4th waves and new strains of virus."

Singapore

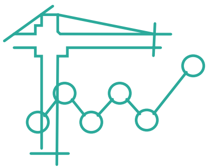
6. WHAT PERCENTAGE OF CONSTRUCTION SITES ARE CURRENTLY CLOSED?

24 of the 43 respondents now return no site closures, and over 86% now report less than 10% site closures, slightly up on the corresponding value in the previous survey.

Site closures are once again more likely due to works deferral than to actual lockdown. Physical lockdowns themselves are transitory and exist now only for sites that have identified a case or cases and are closed for deep-cleaning, then re-opened as quickly as is safely possible.



Expressed in groupings of 10%



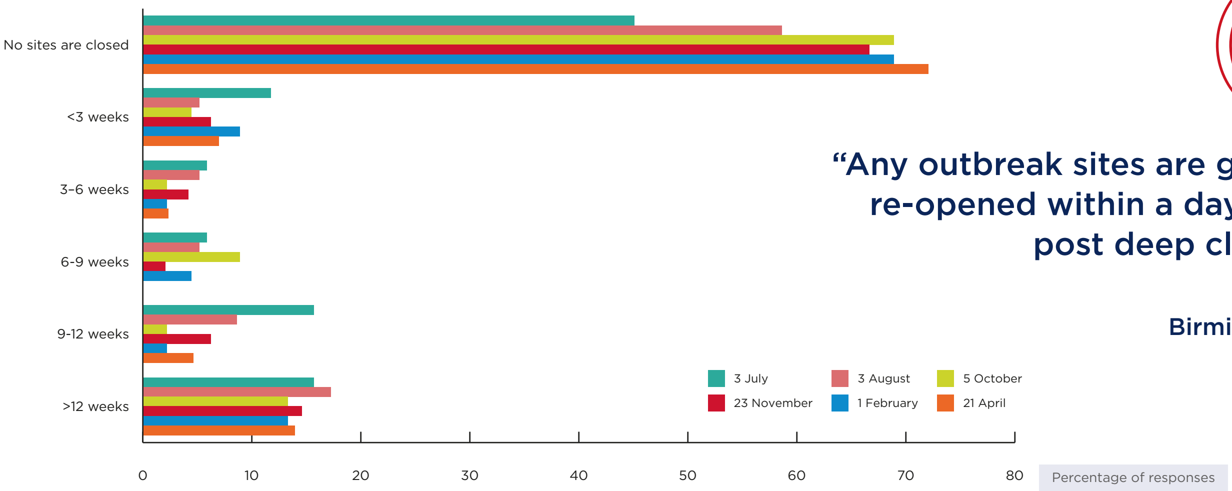
"Essential construction sites are open – residential, data centres and medical projects."

Dublin, Ireland

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.



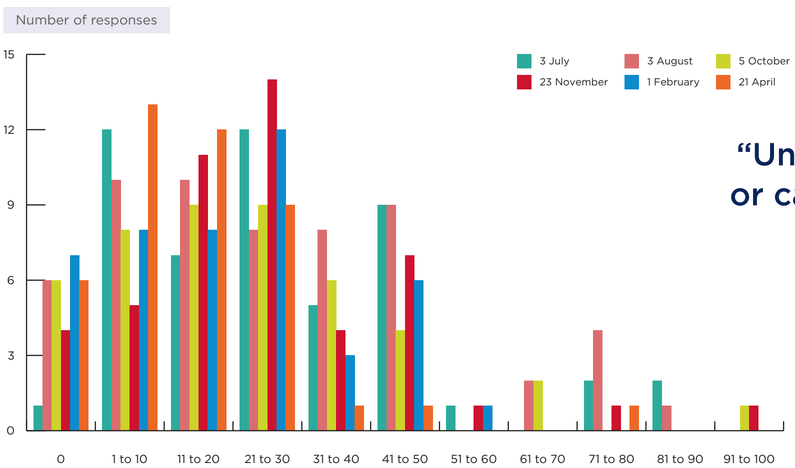
"Any outbreak sites are generally re-opened within a day or two, post deep cleaning."

Birmingham, UK

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

In this survey, 40 of the 43 responses (over 93%) indicate that less than 30% of projects are being held at pre-construction stage.

This is a much denser result than last time, and continues to develop the argument that there are significant numbers of projects on hold as clients decide whether to go forward or whether to wait for a clearer understanding of when the pandemic will subside and what will happen in particular markets when it does finally end.



"Unclear at this stage whether on hold, or cancelled. They may come back with different program space."

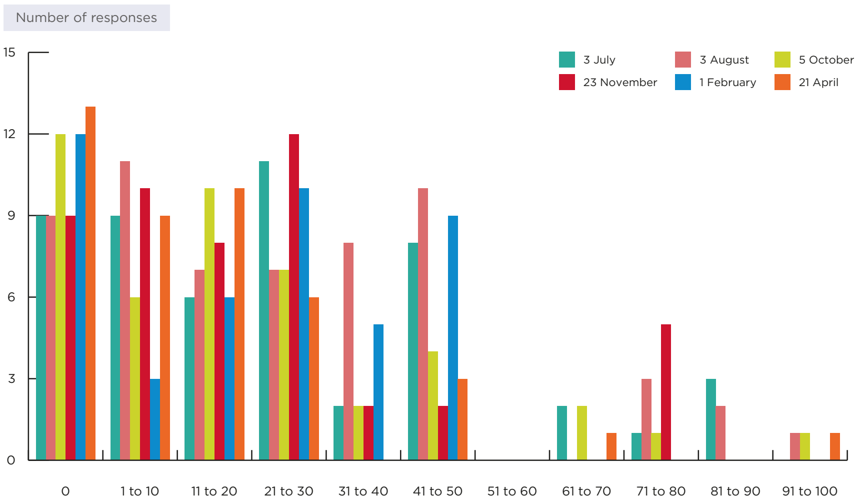
Chicago, USA

Expressed in groupings of 10%

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

Inquiry drop-off is compressed in like-fashion to project holds, with a much stronger emphasis on drop-off of less than 30% than has been the case in previous surveys.

Now, 38 of the 43 respondents (88%) report a reduction of less than 30%, as against 69% for the last survey. Clearly, there is a perception of a large number of projects having been shelved, even though that runs somewhat at odds with tender price levels being reported as being increased by the industry workload effects of the pandemic.



Expressed in groupings of 10%

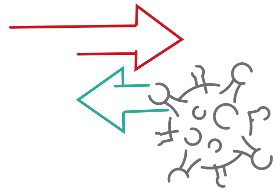
"While the beginning of 2021 was quite slow, enquiries in the last few weeks are gaining momentum and there appears to be a slow steady rise in activity week to week."

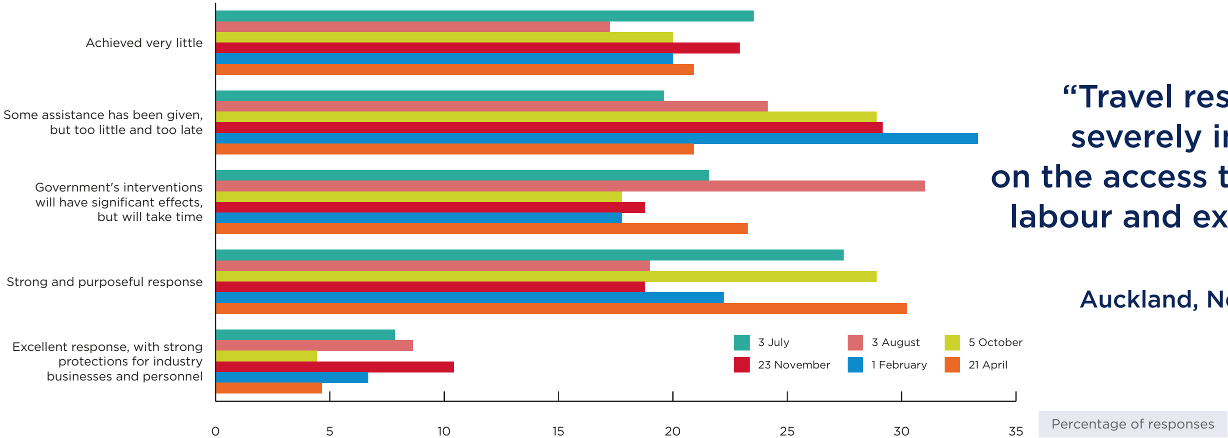
Melbourne, Australia

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

Responses here suggest significant and relevant governmental intervention, with a firming of the perception that individual governments' actions have been usefully employed in supporting the construction industry.

The "Strong and Purposeful Response" category is up by over one third, largely at the expense of the view that government assistance had been too little and too late. The passage of time looks to have fed into this change of emphasis, and may also be reflective of the impression of light at the end of the tunnel.





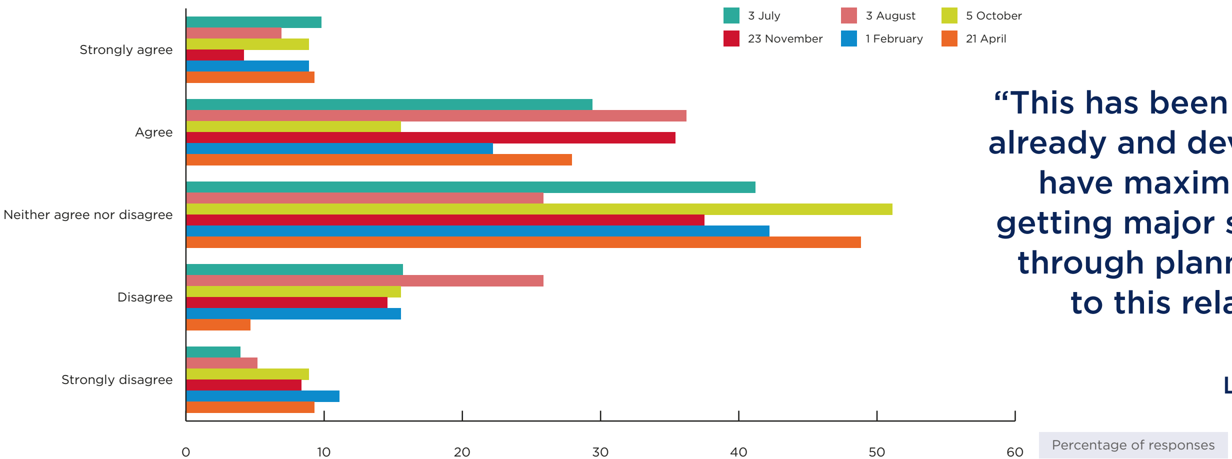
"Travel restrictions severely impacted on the access to skilled labour and expertise."

Auckland, New Zealand

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

Once again, responses here are fairly evenly balanced across the spectrum.

Regional and country-based analysis might reveal more detail and may expose the effects of differing political beliefs and approaches, but if anything, responses appear to be coalescing toward the centre, with the more extreme values of disagreement fading somewhat.



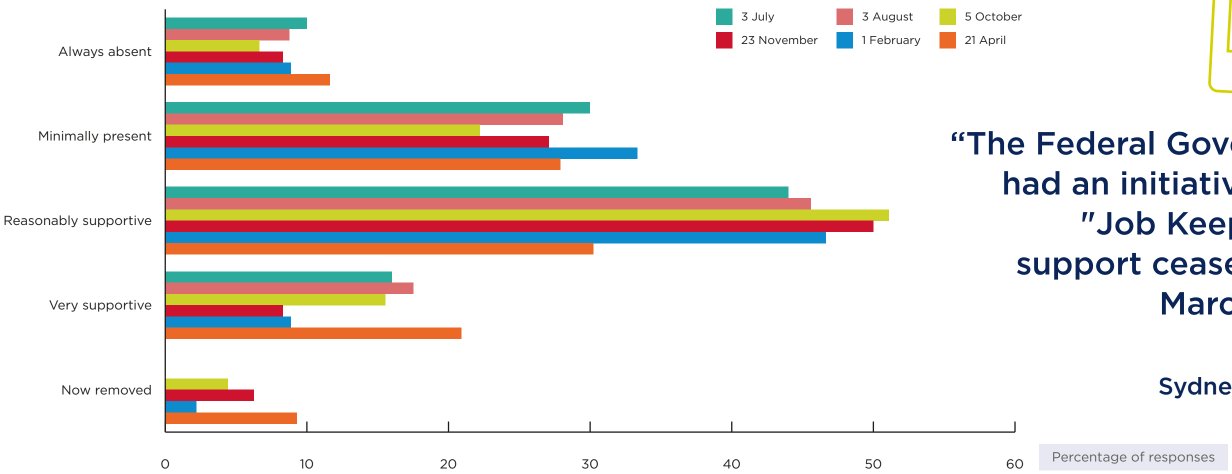
"This has been realised already and developers have maximised this getting major schemes through planning due to this relaxation."

London, UK

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

While almost 40% report minimal or absent support, over half view levels of support as at least reasonable in the circumstances. Naturally, this global analysis cuts across political shades, to the nature, extent and interpretation of support is coloured by local understanding of what is reasonable.

Surveys from July onwards include an update of responses to four questions regarding government support to different sizes of construction entities.



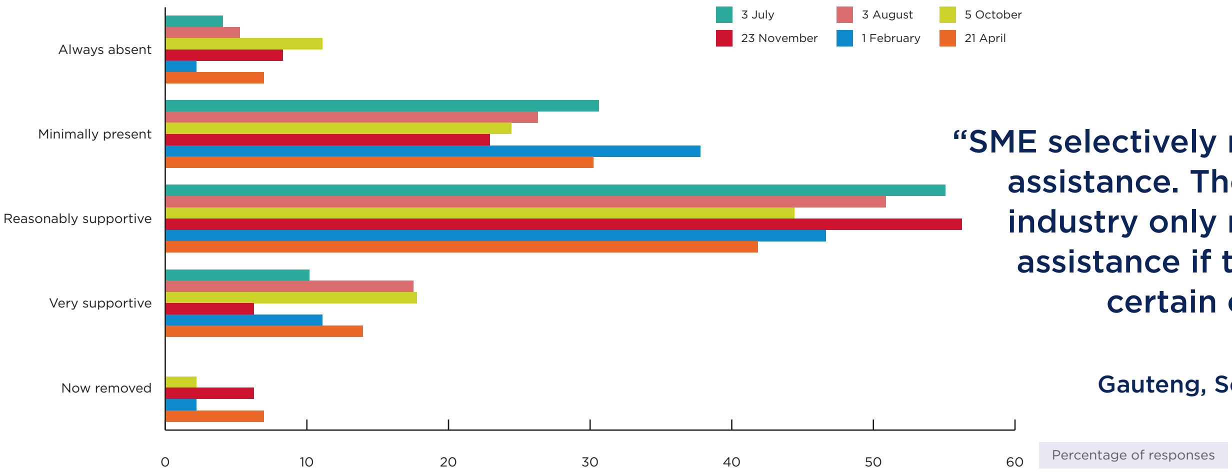
"The Federal Government had an initiative called "Job Keeper" this support ceased on 28 March 2021."

Sydney, Australia

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

In over one third of locations, there is still a belief that SMEs have received little or no support, even though over half hold the opposite view.

The tale of the last three surveys is the progressive strengthening of the view that support has been more rather than less supportive. That transfer of allegiance may be due to real events or may be due merely to acceptance that what support there has been is temporary.



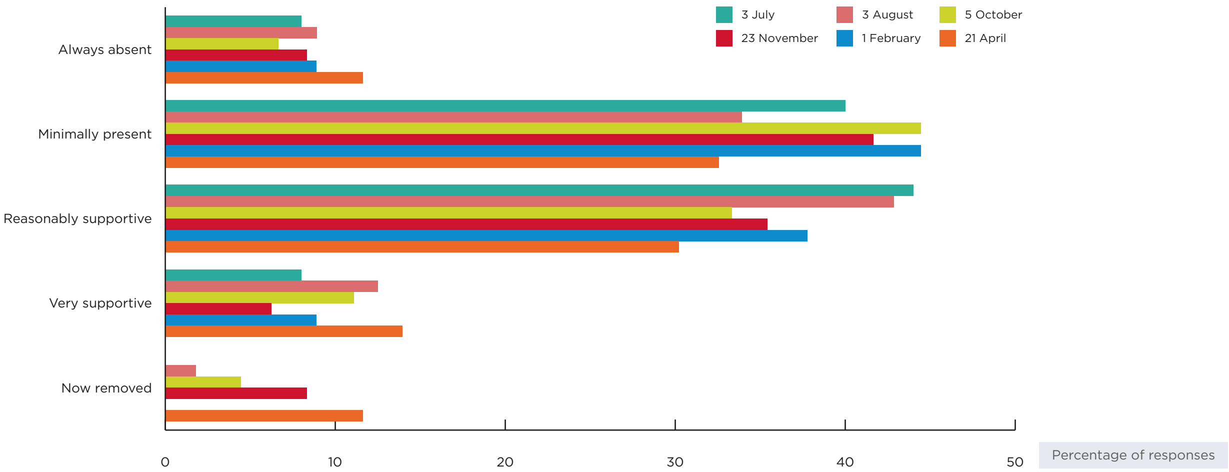
"SME selectively received assistance. The leisure industry only received assistance if they met certain criteria."

Gauteng, South Africa

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

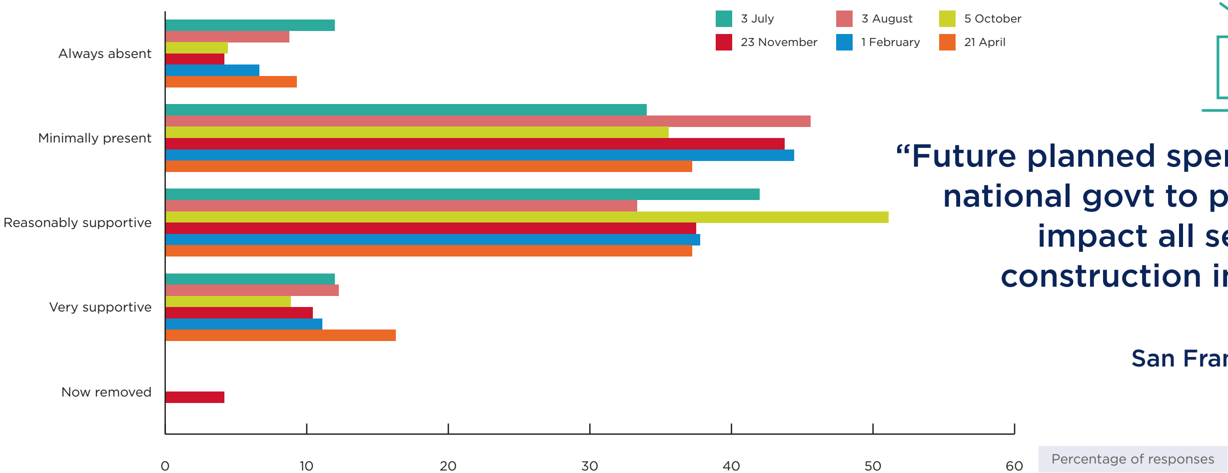
Views as to supportive activities in respect of the self-employed show a changing distribution largely in line with the views as to SMEs. That is to be expected, as there is a significant overlap between the two.

However, there is now a sharp realisation that any support is now or will be soon removed, which may yet cause further concerns in the case of any further outbreaks of the virus.



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

Direct government support to the construction industry has a broad range of meanings, but the consistency of results from survey to survey suggests that respondents understand that support, where it has been made available, had worked well, whereas where it has not been available, it has not been applied for good reason. The overview is that of a reasonable acceptance of the mechanisms operating reasonably, though not necessarily perfectly.



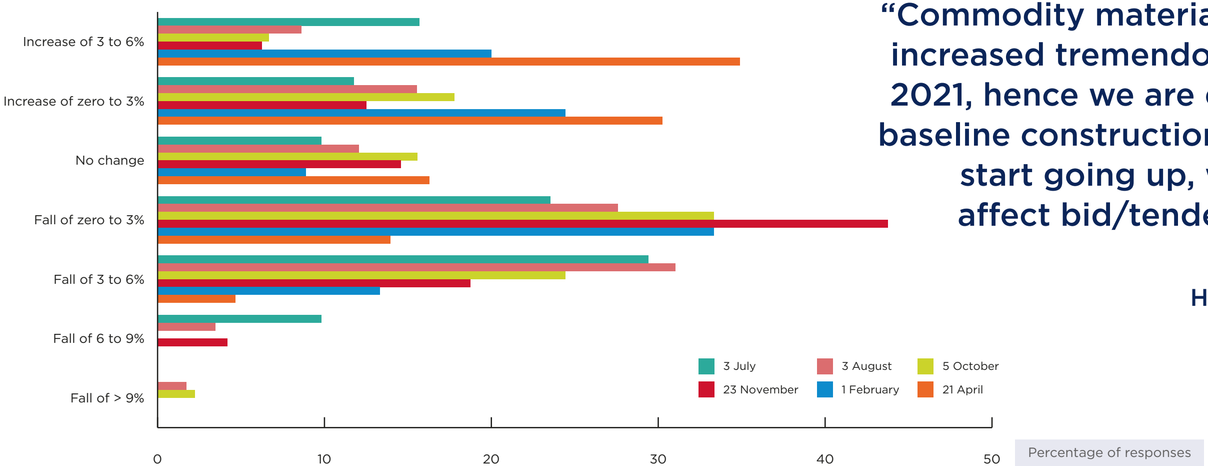
"Future planned spending by national govt to positively impact all sectors of construction industry."

San Francisco, USA

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

For this Survey, the question on tender price movements was changed slightly, to identify change that respondents believe can be attributed directly to Covid-19 effects. Even though there is a slight change of emphasis this time around, it is clear that responses suggest a positive, upward impact on tender prices, with almost two thirds reporting positive effects, as against less than 19% reporting negative impacts.

As the survey has matured, we have seen the initial belief in negative tender price outcomes gradually replaced by the realisation that in some sectors, given the stimulatory inputs from government policy, there are in fact positive sectoral and wider-industry outcomes. These outcomes derive not only from government support to employers, but also to more general market-support and stimulation of hitherto less active market sectors, to overcome negative effects of lockdown requirements.



"Commodity materials pricing increased tremendously in Q1 2021, hence we are expecting baseline construction cost will start going up, which will affect bid/tender prices."

Honolulu, USA

SECTOR ANALYSIS

MORE CHANGE ON THE WAY

As was indicated in Issue 8 of the survey, back in February, sectoral performance continues to display obvious consistency of Covid-related effects on hotel, hospitality and leisure, as well as general retail, being particularly badly hit.

While that picture has not significantly changed in the current issue, the question that is becoming clearer now is that of how the various cities and countries exit their respective lockdowns and other safety-related measures to resume a more “normal” existence.

The answer however is muddied by the differing stages of progress of the pandemic, with China, Australia and New Zealand faring well, while other countries continue to progress through their own virus-suppression stages, even while carrying out mass inoculation.

Respondents’ previously reported concerns for the most affected sectors remain, and the focus will eventually have to be reframed on the changes that will become longstanding or even permanent on the other side of the pandemic, as the world creates and learns to live with the new form of normal.

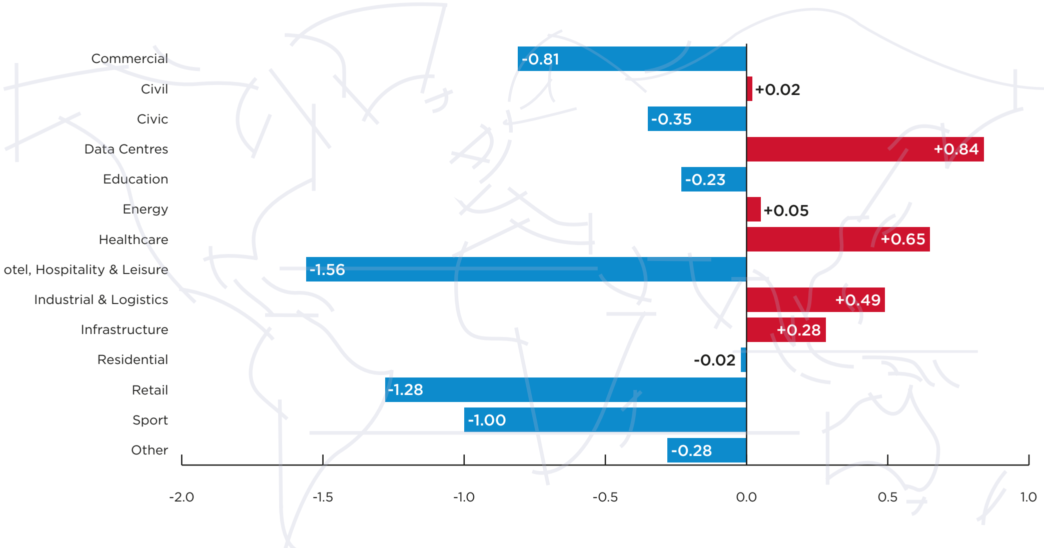
Methodology: The narrower single width entries reflect a respondent’s view that a particular sector has been positively or negatively affected (value + 1 or -1).

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).

GLOBAL ANALYSIS BY SECTOR

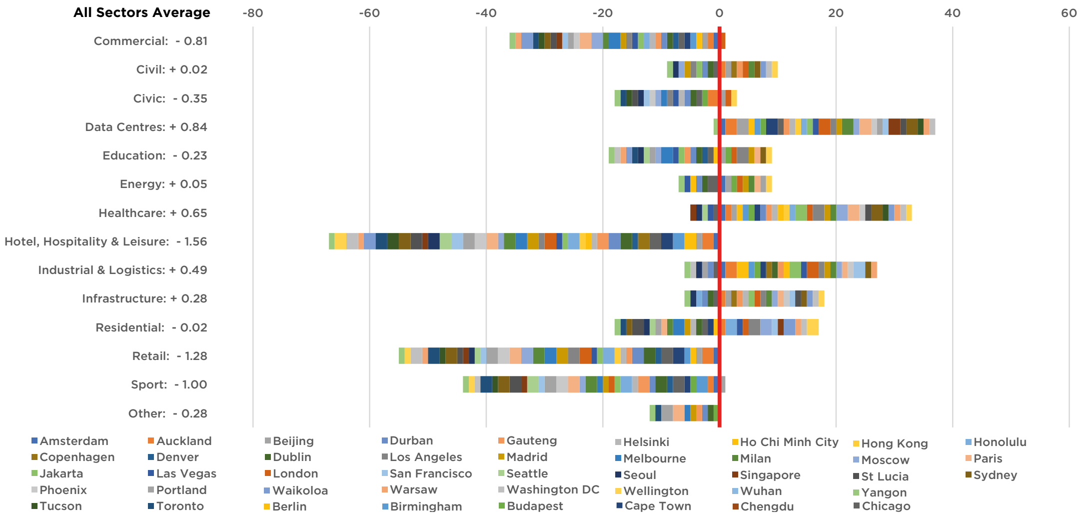
The one remarkable thing about the overall sectoral analysis in the current survey is its similarity with that of the previous survey. The two are almost identical, with only minor changes to the overall figures. This suggests that respondents are now more comfortable with the consistency of their sectoral views, and so are reporting more consistently than was the case in earlier surveys.



CITY ANALYSIS BY SECTOR

Detailed sectoral breakdown shows the build-up of sectors' effects. Once again, it is interesting to note that in the case of the worst-affected sectors overall, many of the locations continue to report very adverse effects, the colour-bands on the chart showing as double-width.

However, where sectors are showing positive outcomes, the respondents' views have now depicted a more balanced outlook of some sectors showing very positive conditions. Although the overall situation still appears weighted toward the negative, it is important that not all sectors are equal - and the current model assumes all sectors are equally weighted.



SECTOR ANALYSIS BY CITY

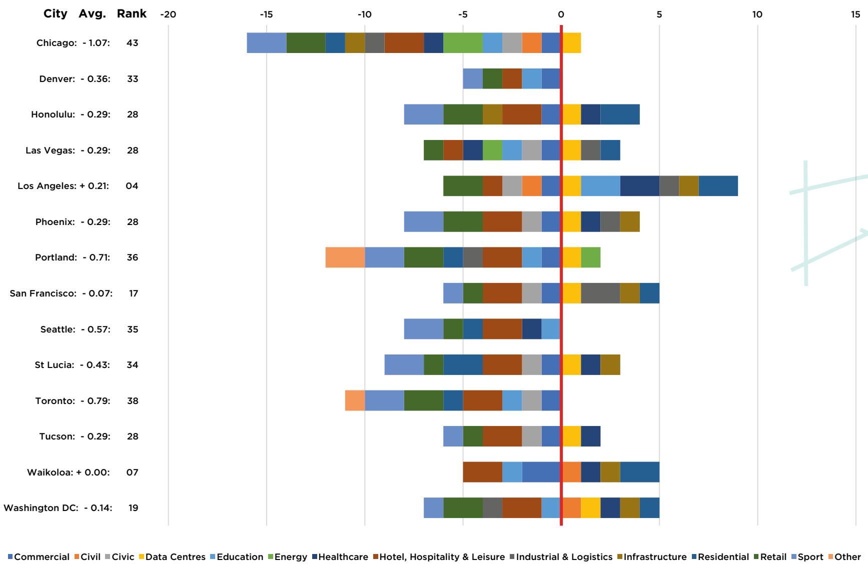
The regional city-centric analysis of sectors, overleaf, shows the totality of sectors' positions in their respective city locations and within their regions. The overall average shown for each city is their total sector average, and is the best comparator measure as between cities. Readers will also note that the cities' rankings are on a global basis (the 43 responses), so show how a region sits in the overall framework of global sector activity.

As has been stated in previous Covid-19 surveys, 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.

"Our surveys have repeatedly recorded high levels of activity in Data Centres and Retail Distribution Logistics that may depict permanent changes to the ways in which we operate. Most significantly, these changes are common around the world."

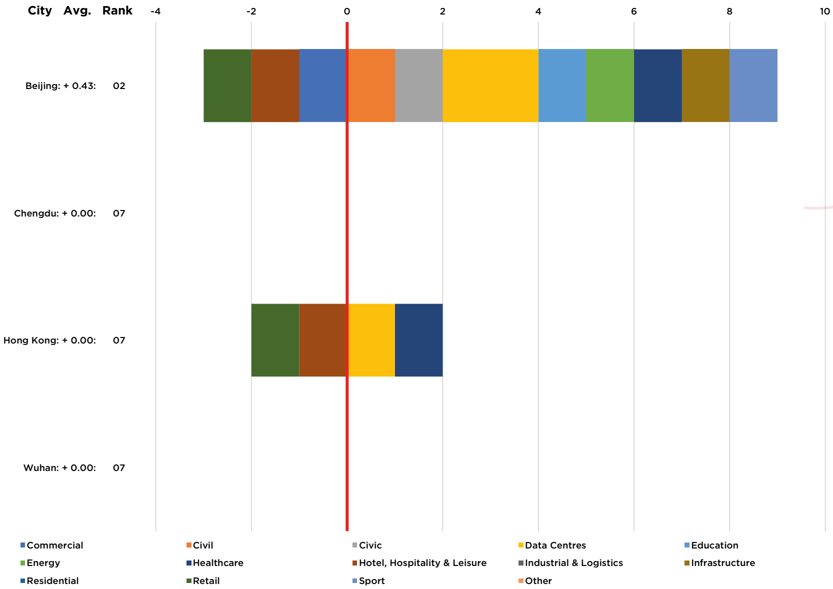
SECTOR ANALYSIS BY CITY (AMERICAS)

For the Americas, overall sectoral performance varies right across the range, from Las Vegas with a positive outcome and ranked 4 globally, through to Chicago showing significantly negative impacts on twelve sectors and ranking 43rd and last, with only Data Centres returning a positive result. On visual examination, the balance of sector performance appears negative, which is reflected also by over 70% of the cities featuring in the lower half of the global rankings table.



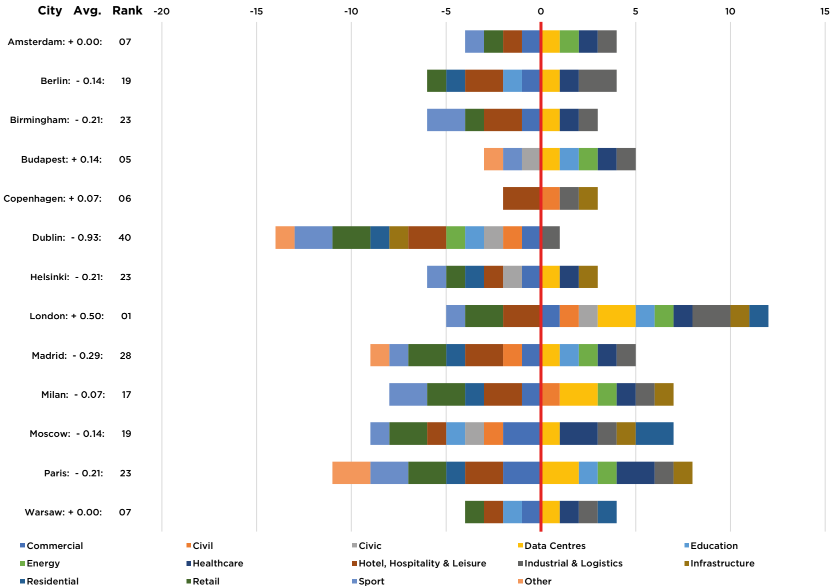
SECTOR ANALYSIS BY CITY (CHINA)

China's cities of Chengdu and Wuhan show all sectors are neutrally affected across all sectors by the Covid pandemic, while Beijing shows multiple positive sectors, balanced by three negative. The overview is that Beijing features in second place in the global rankings, and Hong Kong ties at seventh with Chengdu and Wuhan, all having no effect overall.



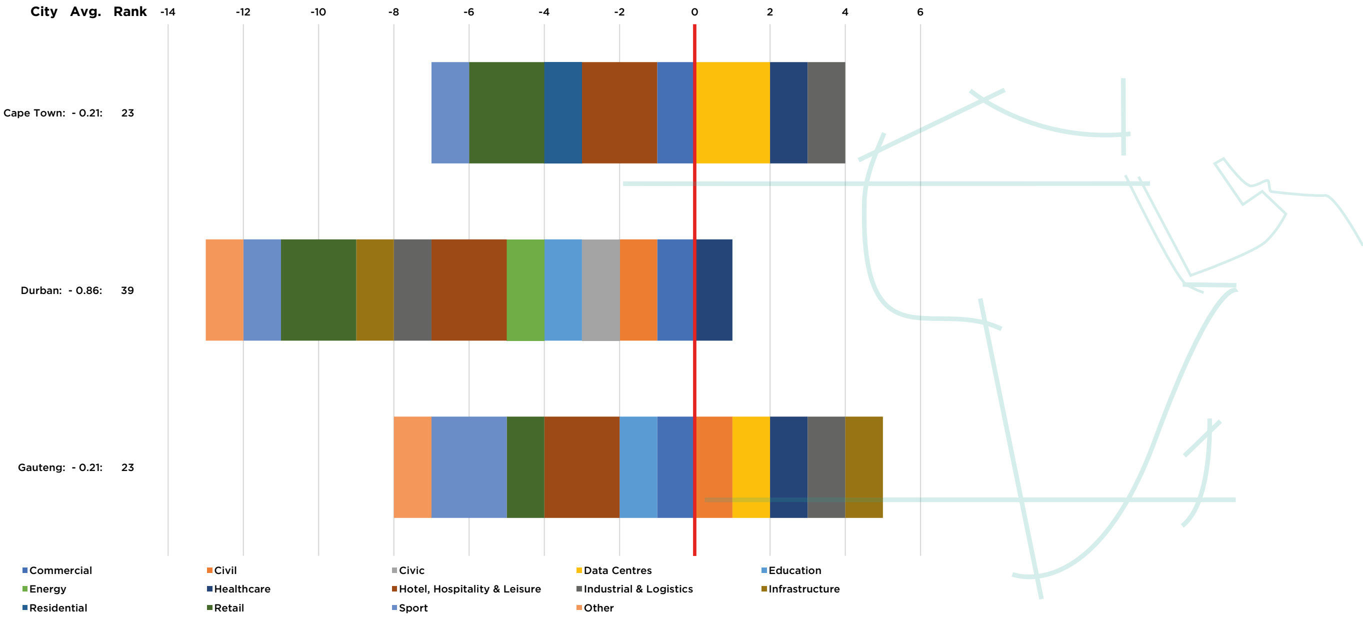
SECTOR ANALYSIS BY CITY (EUROPE AND UK)

The diverse range of economies in the UK and Europe span the spectrum from the global high performer of London, through to Dublin at 40th, near the end of the global range. Dublin shows 11 negative sectors, offset by only one positive, whereas London shows 10 positive set against only 3 negative. Elsewhere in Europe, sectoral performance is more centrally balanced, with most cities having multiple positive sectors offsetting their negative aspects.



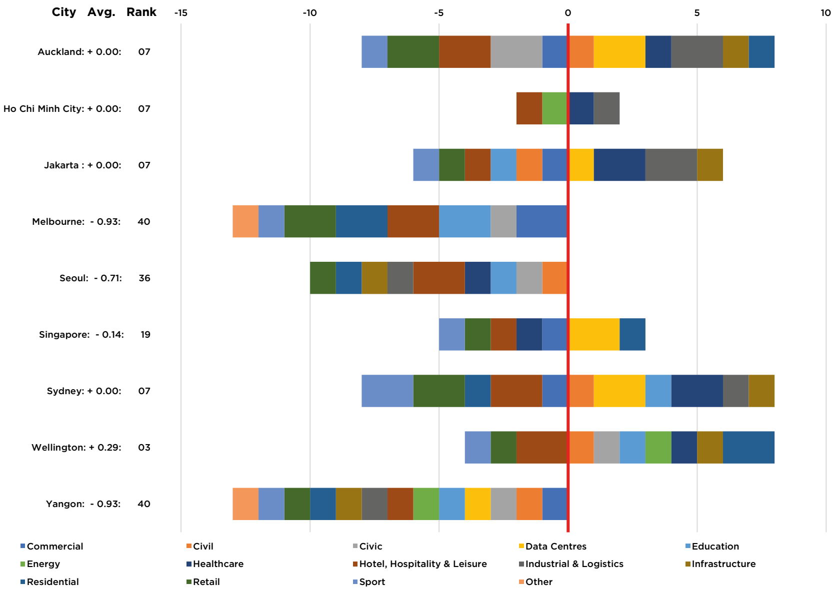
SECTOR ANALYSIS BY CITY (SOUTH AFRICA)

In South Africa, the Durban market is particularly badly hit, reporting 11 negative sectors against only one positive. This results in Durban trailing near the end of the global range, while Cape Town and Gauteng sit near the centre, with their more balanced sectoral outcomes.



SECTOR ANALYSIS BY CITY (OCEANIA AND SOUTH ASIA)

Oceania and South East Asia looks on visual inspection to be weighted slightly negative, but in fact that impression derives mostly from Melbourne, Seoul and Yangon, all of which show no positive sectors. Otherwise, cities in this region appear reasonably distributed, with almost matching negative and positive sectors, although the real effect depends on the market-import of particular sectors in particular cities.



CONCLUSION

RLB's 9th Covid-19 Survey has demonstrated how the construction industry has matured in its response to the Covid-19 crisis.

From the early Survey editions' reports of large numbers of site closures and very significant adverse industry effects, we have moved through to a more balanced and measured response to the pandemic, with work carrying on in difficult but not impossible circumstances.

Of course, in few places has a return to normality been made. So, for the majority of our respondents, even now their responses stand alongside their governments' continuing vigilance on infection numbers and "new waves" of virus, as well as the emergence of new viral strains.

Although a year ago, respondents believed that we would be reaching the end of the tunnel by now, and while it is true that great strides have been made, the fact that large parts of global populations still have no inoculation and long timeframes before receiving, means that we are not done yet.

The "end of the tunnel", even when it is reached, may well open onto a very different world, particularly in respect of international travel, tourism, retail and commercial activity generally.

Our surveys have repeatedly recorded high levels of activity in Data Centres and Retail Distribution Logistics that may depict permanent changes to the ways in which we operate. Most significantly, these changes are common around the world.

Economies will of course continue to function, and industry and commerce will find a way, but investment and investors' options and preferences may be permanently influenced by the passing of this pandemic risk into the register of reality.

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