REPORT

COVID-19: IMPACT ON UK BASED ARCHITECTS

MAY 2020

RLB Rider Levett Bucknall

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BACKGROUND

As the UK entered week four of 'lockdown', we surveyed a number of major London based international architects to canvass their current opinions on the impact of the COVID-19 pandemic on their own practices and the built environment industry as a whole.

We asked those taking part to share their views on issues ranging from the number of projects currently on hold and the time required for the business to return to pre-pandemic levels through to the impact on fees and what they see as the long-term cumulative impact.

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Methodology

This report contains the findings from a survey undertaken by **28 senior UK based architects** from 14-20 April.

The respondents shared their views and opinions on how COVD-19 is impacting their markets, both in the UK and internationally.

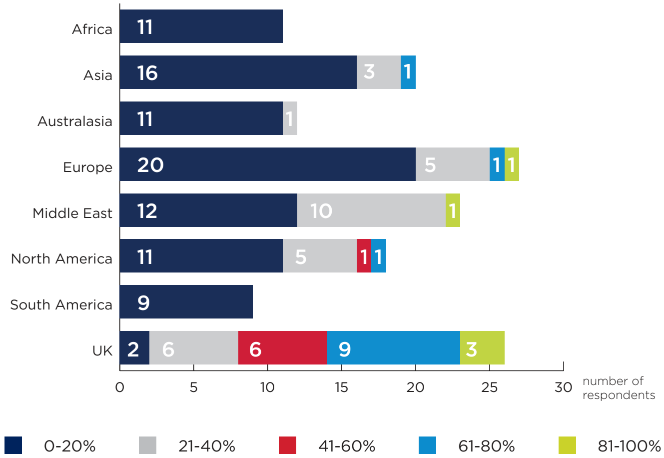
SPREAD OF PROJECTS

In terms of geographic spread of projects, 11 of our respondents indicated some work in Africa, 20 indicated work in Asia including one reporting 60-80% of its work came from that region. All worked across Europe with two practices stating this accounted for over 60% of their business. Most were active in the Middle East with one respondent indicating over 80% of their work was in that region.

North America was a popular region with 11 respondents indicating up to 20% of work originating from this region.

Naturally all respondents had some UK business with 80% reporting it represented between a proportion of 21-80% of total revenue.

Geographic spread of projects



IMPACT ON YOUR BUSINESS

64%

said that COVID-19 was having a significant but manageable impact on their business

11%

said that COVID-19 was having an insignificant impact on their business

7%

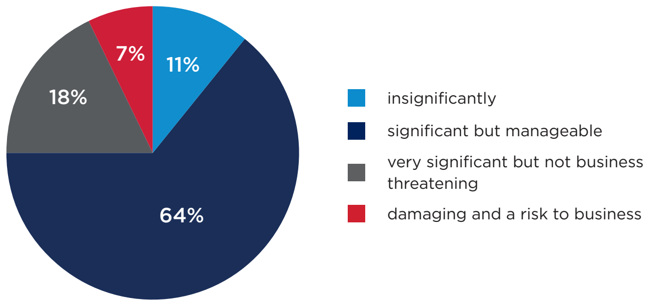
said that COVID-19 impact was damaging and a risk to their business

At the time of the survey, 64% of respondents thought that COVID-19 was having a significant but manageable impact on their business. At one end of the scale, 11% thought this impact was insignificant while at the other end 7% thought it was damaging and a risk to their business. This may be due to the different sector or geographical spreads, for example, work in Saudi Arabia does not appear to have slowed down.

Comments around the impact of the pandemic included fears about sites stopping work and new work not commencing as well as uncertainty about the future situation.

Several practices commented that their move to working from home (WFH) had been successful in supporting clients.

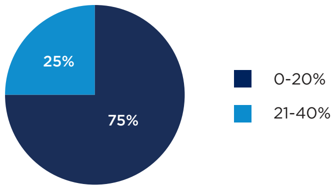
How significantly COVID-19 has affected normal business activity



IMPACT ON YOUR BUSINESS

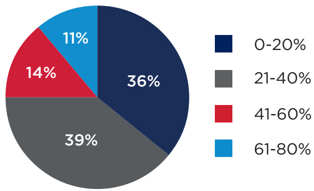
In terms of current projects that had been delayed, 75% quoted a figure of 0-20% while 25% thought it was between 21-40%. It will be interesting to see if these figures vary in the next few months.

Percentage of projects put on hold pre-construction as a result of COVID-19

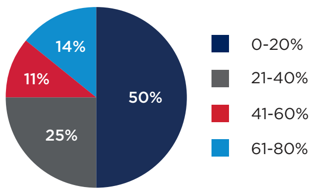


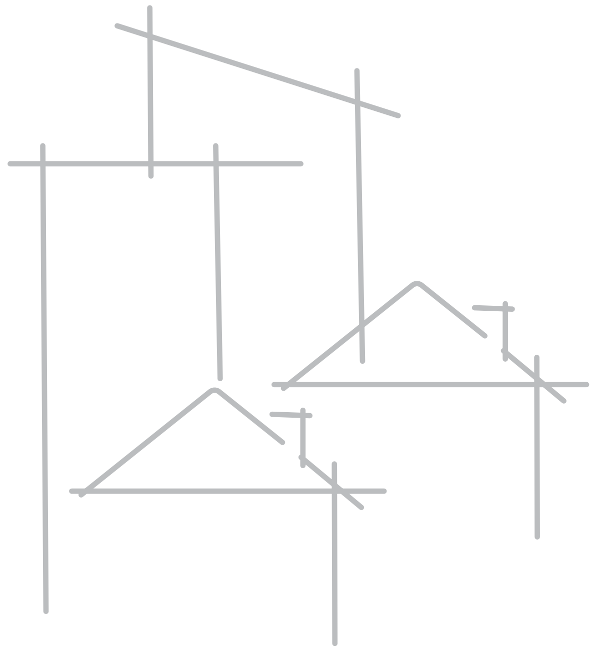
75% of the respondents estimated that the decline had been between 0-40% on competition tenders as opposed to 0-20% on direct enquiries.

Direct enquiries



Competition tenders





IMPACT ON THE SECTORS

Not surprisingly, the impact of the outbreak of COVID-19 on sectors within the built environment was varied. For some sectors such as data centres, it was felt that the enforced change in working habits with many working from home had a positive result on business but for many others, such as retail and commercial, the feeling was a resounding negative impact. This was echoed in the sports sector that had seen a massive decline following governance that has stopped all professional sports for the foreseeable future.

The green light for HS2 had obviously had a positive effect for those working on infrastructure and transportation projects and healthcare had also seen a slight uptick with the increase in demand for emergency healthcare provision.

Commercial

89% thought there had been a negative/very negative impact.

Civil

Over **50%** felt that there was no impact; while **33%** thought it was negative.

Data centres

61% felt that there was no impact and **39%** thought the impact was positive - a nod to more home working and need for reliable faster internet.

Education

52% felt the impact was negative/ very negative.

Energy

87% felt that there had been no impact.

Healthcare

Over **60%** felt the impact was positive, and within that 18% majorly so, perhaps reflecting on how the pandemic will affect our view of healthcare provisions.

IMPACT ON THE SECTORS

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Hotels, hospitality & leisure

Very negative response with **96%** either negative or major negative. Illustrates lack of travel for both business and tourism

Infrastructure

53% felt the impact was neutral with **37%** stating they thought it was positive. The answers to this question may have been influenced by HS2 being given the go ahead on 15 April.

Masterplanning

54% felt the impact was neutral, while **32%** were negative, reflecting uncertainty.

Mixed use

75% felt a negative impact with references to urban density being deterred in favour of more home working which would have negative consequences for apartments, city offices and hotels.

Residential

65% felt a negative impact due to house sales stopping completely.

Retail

61% rated a very negative impact and **39%** a negative one. The pandemic had undoubtedly exacerbated underlying issues already affecting this sector.

Sports

Over **80%** felt there would be a negative impact on sports projects as a result of all professional sport being halted with the resulting financial consequences.

Transport

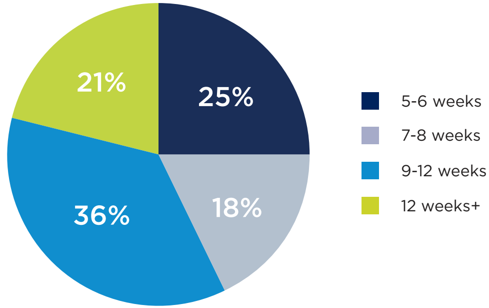
Although **39%** thought the impact had been negative, **24%** felt there was a positive impact while **38%** felt it was neutral. These divergent views perhaps were influenced by HS2.

IMPACT OF THE LOCKDOWN

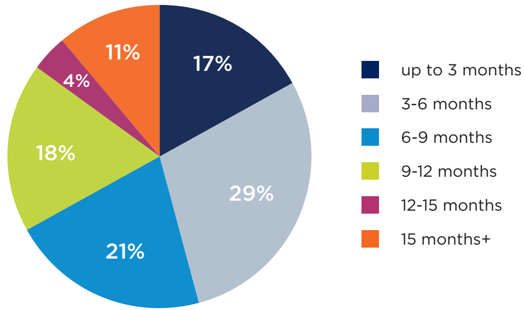
Across the group there were a range of opinions on how long it would take for the UK lockdown to end, with the most popular view being 9-12 weeks. Likewise there was a broad spread of thoughts on how long it would take for business to return to pre-pandemic levels from up to three months (17%) to 15 months+ (11%) with 3-6 months the most popular response (29%).

Commentary included the potential for the lockdown to be phased out from the end of May, but then possibly being re-imposed. There was general caution regarding a return to pre-COVID-19 levels which unsurprisingly varied by sector and location.

Time frame for UK lockdown to be lifted



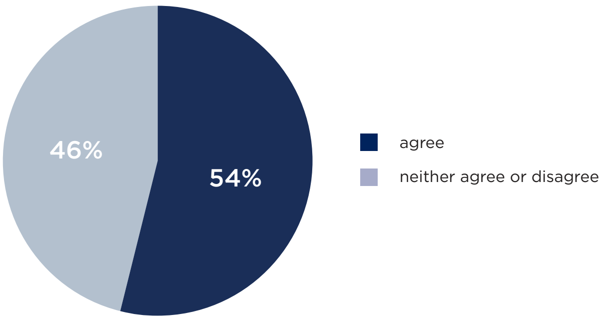
Estimated time required for business to return to normal after lockdown



IMPACT OF THE LOCKDOWN

Respondents' clients were non-committal on whether they agreed with architects about the length of time of lockdown with 'neither agree nor disagree' a popular answer probably due to the issue not being discussed.

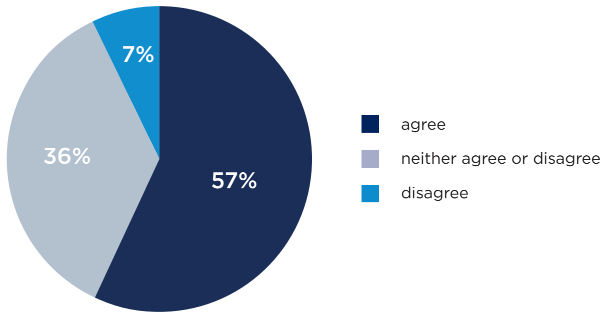
Architects' clients
Agreement on time frame required for business to return to normal after lockdown



Although views varied widely on length of time to reach pre-pandemic levels, architects felt over 50% of other construction consultants agreed with them regarding the length of lockdown, although there were comments on the general level of uncertainty and sector differences.

Several respondents mentioned that they thought other industry consultants within the built environment were more affected than they were and were waiting to see what happened with a mix of hope and concern.

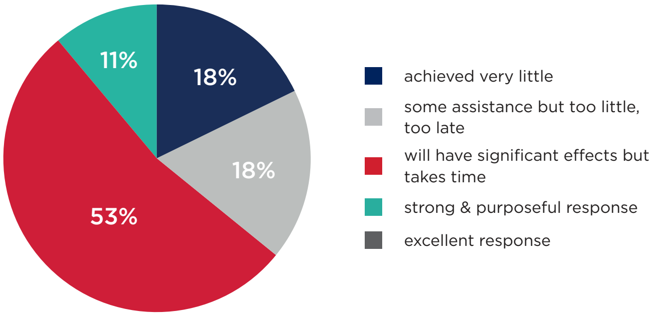
Other construction consultants within the built environment
Agreement on time frame required for business to return to normal after lockdown



GOVERNMENT RESPONSE TO THE PANDEMIC

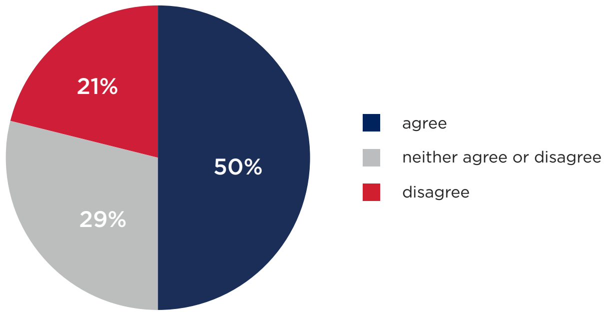
Just over half of respondents (53%) felt that government action will have a significant effect on the pandemic but it will take time. One commented that infrastructure will probably be the mainstay of the government's on-going response.

How the UK government's response to COVID-19 has affected the construction industry



50% of those who responded thought that relaxed planning constraints following the pandemic would act as a stimulus to the speedy resumption of active development in the UK, while 21% disagreed. Some doubted whether the relaxations would be wide ranging enough, while others saw some pent-up demand tinged with commercial pessimism. Sector variations were flagged up as a factor plus the approach of local planning authorities as to whether activity would resume quickly or not.

Relaxed planning constraints will assist recovery from COVID-19



WILL ANY GOOD COME OUT OF THIS?

90% of respondents felt that there would be a negative impact on fees as a result of COVID-19 ranging from somewhat negative (39%) through to negative (43%) to very negative (7%). Only 11% suggested that there will be no change at all and no one felt that the pandemic will have a positive impact on fees.

43%

said that COVID-19 will have a negative impact on fees

39%

said that COVID-19 will have a somewhat negative impact on fees

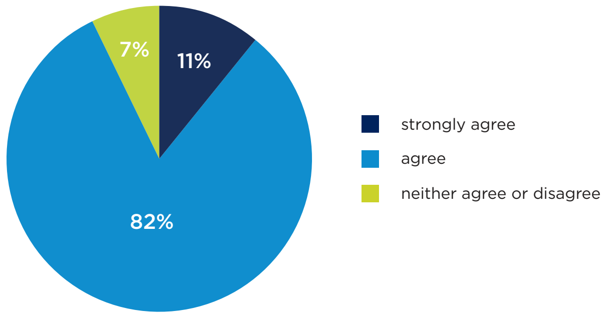
7%

said that COVID-19 will have a very negative impact on fees

Commentary included speculation around whether clients would expect competitive tender results in the current environment driven by fierce competition and also that regeneration as opposed to mega projects might become more of a focus (geographical market dependent).

Interestingly, the majority of those who undertook the survey, 93%, thought there would be major changes to the way their practice would work following the pandemic. More remote and flexible working, less foreign and domestic travel and reviews of workplace strategy were all common themes to how they felt their future working world will be affected.

Major permanent changes will affect practice works as a result of the pandemic

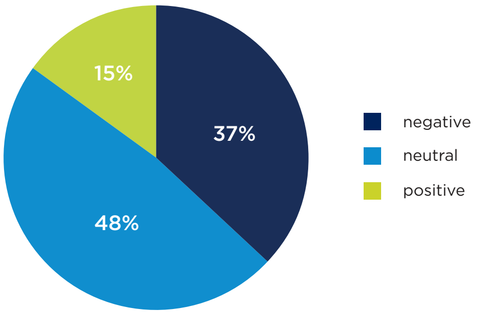


WILL ANY GOOD COME OUT OF THIS?

Finally, looking at their businesses as a whole, there was perhaps a more positive response about the long-term cumulative effect of the pandemic than one might have expected.

While 37% felt it would be negative, 48% believed it would be neutral and 15% thought it might be positive. There was an acknowledgement of the instability and potential economic pain but also hope that broad bases, flexibility, stronger collaborative culture and a redefined approach to working would lead to positive outcomes.

COVID-19 long-term effect on the business



CONCLUSION

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Our survey reveals that the outbreak of the pandemic has dented the confidence of architects, particularly in certain geographies and sectors.

Those organisations that can be agile in aligning their priorities to the sectors and regions where projects are still being planned, and that can meet the challenges that this new norm has created, will be the ones that continue to thrive in these unprecedented times.

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