FOURTH QUARTER 2020

INTERNATIONAL REPORT

CONSTRUCTION MARKET INTELLIGENCE

RLB Rider Levett Bucknall

INDEPENDENT CONSULTANTS, LOCAL KNOWLEDGE AND EXPERTISE, GLOBAL NETWORK

The strength of Rider Levett Bucknall (RLB), the largest independent and most geographically prevalent construction cost consultancy of its kind in the world, is that it has the foremost construction intelligence available to it.

RLB collects and collates current construction data and forecast trends on a global, regional, country, city and sector basis. The RLB International Report, published half-yearly, provides a snapshot of construction market intelligence provided by the RLB network of offices around the globe.

Each RLB office contributes to the global intelligence by providing current insights into the local conditions and trends that impact the construction industry within that region. Information that is gathered and disseminated by each local office includes:

- RLB Crane Index®
- Forecast Tender Price Index
- RLB Construction Market Activity Cycle
- Key building type cost ranges in local currencies

TENDER PRICE INDEX

RLB's Tender Price Index (TPI) showcases the historical and forecast movements in construction cost inflation/ escalation on an annual basis. The TPI annual rate represents an overall forecast of the movement of construction costs for the industry as a whole within the key cities of RLB's network.

BUILDING COST

RLB's Building Cost Ranges can be found within the RLB Intelligence App which is updated regularly and in each region's Cost Intelligence publications which can be found on www.rlb.com under the publications tab.

CONSTRUCTION MARKET INTELLIGENCE

A summary of Construction Market Intelligence is provided by each region highlighting the issues that are impacting the construction industry and providing key insights into current construction price movements.

RLB MARKET ACTIVITY CYCLE

The RLB Market Activity Cycle focuses on seven key sectors within the overall construction economy. Local RLB directors assess the current position of each sector within the market activity cycle for each respective city.

RELATIVITY INDEX

Using TPI data and cost modelling, RLB provides a general cost comparison for building costs between locations. The Relativity Index ranks each city in respect of other locations within the RLB network of offices. Currently forty-nine are included in the index.

RLB CRANE INDEX®

The RLB Crane Index® gives a simplified measure of the current state of the construction industry's workload in key locations around the world. RLB offices record fixed crane numbers across key cities by project sector, which provides an overview of how markets are changing over time.

Cover: MGM National Harbor, National Harbor, Maryland, North America

RLB publishes key industry intelligence publications throughout each year. For more detailed sector, city, country and regional information that is published by RLB, please review our regional or country specific publications which can be found within the publications section of **RLB.com**.

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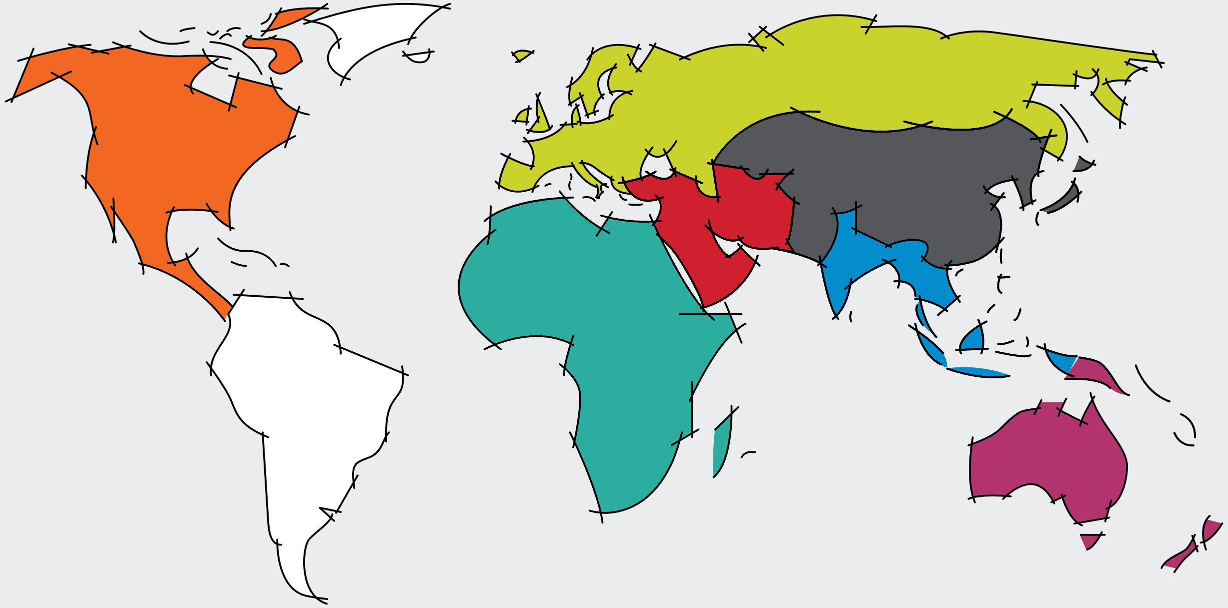


Each coloured region represents a section within the **Regional Intelligence** pages of this report.

EXECUTIVE SUMMARY

In the latter 6 months of 2020, the Covid journey has developed from emergent, through to extremely consequential and on to potentially resolvable.

By mid-year, numbers of global Covid-19 cases had stood at less than 11 million, whereas by year-end they had ballooned to almost 84 million. This was despite the fact that alleviation measures were well-advanced by the end of Q2 2020, and many countries had by then already gone through, or were in the process of implementing, economy lockdown measures to prevent the spread.

At the end of the year, the potential for vaccination became real and tangible, which has raised the possibility of a return to something resembling normality, whatever that concept now means.

The 6-month period to the end of the year saw economies everywhere struggling in their various ways to deal with virus transmission and to ensure that health services were not overwhelmed, while at the same time trying to maintain a viable economic position in the face of unprecedented adverse conditions.

Versions of countries' responses ranged from new or further lockdown, to stay-at-home-laws, to mask usage mandates, to essential only workplace presence, to enormous levels of government support for businesses and individuals, and to never-before-seen levels of governments' intrusion into free-market activity. Levels of public sector spending reached levels unthinkable a mere year ago. But all of that was only barely enough to contain the viral spread, which in its own right would, without alleviating measures, have wreaked further havoc across populations.

Then, toward the end of the year, came the hope of imminent vaccination, but that will take time. And in the meantime, the question remains as to how to return to a normality, and what that normality will look like.

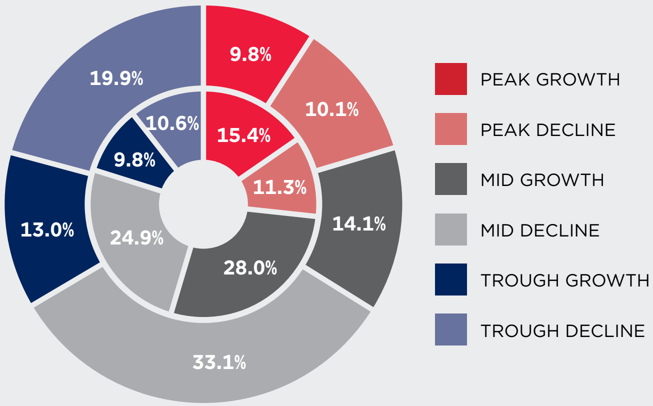
Rider Levett Bucknall's Covid-19 Global Survey has tracked the development of the pandemic and its effects on the construction industry in 7 iterations from April 2020. Our offices around the world have reported their views on local conditions and changes that have taken place, to provide a tapestry of local impacts to this global phenomenon. Globally, the effects are obvious from a health management perspective. However, regionally and locally, impacts and responses vary. Local construction economies' responses have been set against the backdrop of global circumstances, particularly in respect of key sectors of the overall market. Some, including retail, hotel and leisure and travel and sport have been widely and consistently badly affected, while others such as health, data centres and industrial and logistics, are actually experiencing significant sector-growth as activity patterns have been forced into rapid change.

Looking forward, a two speed recovery will shape how Contractors look to fill their pipelines of work. Competitive tender pricing will occur in those sectors where volumes are expected to maintain historical levels or even grow as contractors attempt to move from negatively impacted sectors to gain work.

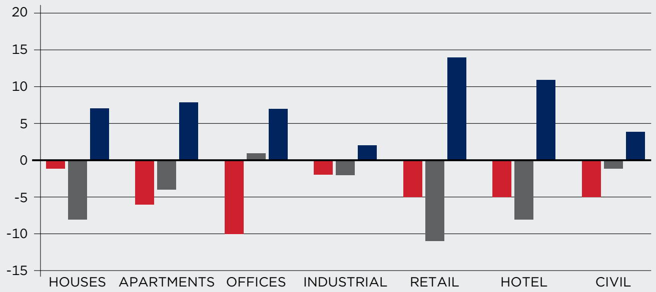
This edition of the RLB International Report considers what has happened, and what is projected to take place over the upcoming period, to set the scene for the advent of inoculation and an end-of-pandemic phase. Much is as yet uncertain, much depends on timing and efficacy of vaccination variants, but for construction, change will take place, likely specific-sector-led and likely significant for the future of construction around the world.

GLOBAL MARKET SECTOR ACTIVITY

NUMBER OF GLOBAL SECTORS



OUTER RING – MARKET SECTORS AS AT Q4 2020
INNER RING – MARKET SECTORS AS AT Q2 2020

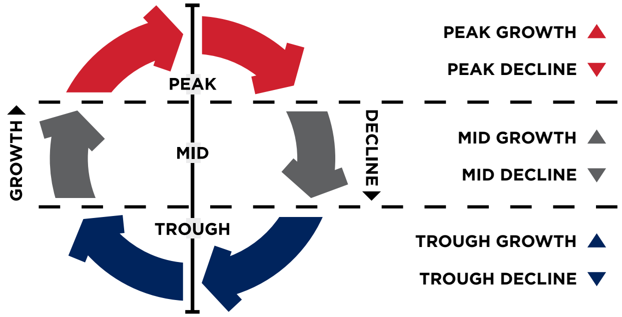


Since our last edition, no country has been spared from the continuing impacts caused by the COVID pandemic. This is reflected in the consolidated responses of 64 RLB and affiliate offices across the globe.

Currently 19.9% of all sectors have been determined to be in the peak zone, which is down from 26.7% six months ago. 47.2% of sectors are in the mid zone, down from 52.9% previously and the trough zone represents 32.9%, up from 20.4% previously. The trend globally is that the development cycle has moved downward within the cycle. Almost all sectors have been impacted by the uncertainty and prevailing country responses to the pandemic. Of the seven key sectors that each office reports on, the industrial and civil (infrastructure) sectors appear to the least affected. The apartment, offices, hotel and retail sectors have all seen significant movement from strong activity to a more bearish attitude.

With a third (32.9%) of all sectors within the trough zone, the medium and long-term challenges for the construction industry will be quite substantial and far-reaching. If working life patterns and consumer behaviours have been permanently changed by the pandemic, the historical fundamentals behind the development of offices, retail shops and even tourism assets will be investigated by both developers and financiers alike.

RLB MARKET SECTOR ACTIVITY CYCLE



Activity within the construction industry traditionally has been subject to volatile cyclical fluctuations. The RLB Market Activity Cycle (cycle) is a representation of the development activity cycle for the construction industry within the general economy.

Within the general construction industry, RLB considers seven sectors to be representative of the industry as a whole. These sectors are: houses, apartments, offices, industrial, retail, hotel and civil.

Each sector is assessed as to which of the three zones (peak, mid and trough) best represents the current status of the sector within the cycle, then further refined by identifying whether the current status is in a growth phase or a decline phase.

GLOBAL MARKET SECTOR ACTIVITY

Overview

The 'up' and 'down' arrows within the tables represent whether the sector is in a growth or decline phase with the colour of the arrow determining the zone within the cycle. The three colours identified in the cycle diagram (red, grey and blue) represent the peak, mid and trough zones of the cycle.

	HOUSES	APARTMENTS	OFFICES	INDUSTRIAL	RETAIL	HOTEL	CIVIL
AFRICA							
CAPE TOWN	▼ grey	▼ grey	▼ grey	▼ grey	▼ grey	▼ grey	▼ grey
DURBAN	▼ grey	▼ red	▼ grey	▼ red	▼ grey	▼ grey	▼ grey
GABORONE (BOTSWANA)	▼ grey	▼ grey	▼ grey	▼ grey	▼ grey	▼ blue	▼ grey
JOHANNESBURG	▼ grey	▼ grey	▼ red	▼ grey	▼ blue	▼ grey	▼ red
MAPUTO (MOZAMBIQUE)	▼ grey	▼ grey	▼ grey	▼ grey	▼ grey	▼ grey	▼ grey
PORT LOUIS (MAURITIUS)	▼ grey	▼ grey	▼ grey	▼ grey	▼ grey	▼ red	▼ blue
MIDDLE EAST							
ABU DHABI	▼ grey	▼ red	▼ blue	▼ grey	▼ red	▼ red	▲ grey
DOHA	▲ blue	▼ grey	▼ blue	▲ grey	▼ grey	▲ red	▲ red
DUBAI	▼ blue	▼ blue	▼ blue	▲ grey	▼ grey	▼ blue	▼ blue
RIYADH	▲ blue	▲ blue	▲ blue	▲ blue	▲ blue	▲ blue	▲ blue
NORTH ASIA							
BEIJING	▼ blue	▼ grey	▼ grey	▼ blue	▲ grey	▼ grey	▲ grey
CHENGDU	▼ red	▲ grey	▲ blue	▼ grey	▼ blue	▲ blue	▲ grey
GUANGZHOU	▼ blue	▲ grey	▼ red	▼ grey	▼ grey	▼ grey	▲ red
HONG KONG	▼ grey	▼ grey	▼ grey	▼ grey	▼ grey	▼ grey	▼ grey
MACAU	▼ grey	▼ grey	▼ grey	▼ grey	▼ grey	▼ grey	▼ grey
SEOUL	▼ blue	▼ blue	▼ grey	▼ red	▼ red	▼ grey	▲ grey
SHANGHAI	▼ red	▼ blue	▲ blue	▲ blue	▲ blue	▼ red	▲ blue
SHENZHEN	▼ grey	▲ grey	▼ red	▲ grey	▼ red	▼ grey	▼ red
SOUTHEAST ASIA							
HO CHI MINH CITY	▼ blue	▼ blue	▼ grey	▲ grey	▲ blue	▲ grey	▼ grey
JAKARTA	▼ grey	▼ grey	▼ grey	▲ grey	▼ grey	▼ grey	▼ grey
KUALA LUMPUR	▼ grey	▼ blue	▼ blue	▼ grey	▼ blue	▼ blue	▼ grey
SINGAPORE	▼ grey	▼ grey	▼ grey	▼ grey	▼ grey	▼ grey	▼ grey
AMERICA							
BOSTON	▼ blue	▼ grey	▼ red	▼ grey	▼ grey	▼ grey	▲ red
CHICAGO	▼ grey	▼ grey	▼ grey	▼ red	▼ blue	▼ blue	▲ grey
DENVER	▼ grey	▼ grey	▼ grey	▼ grey	▲ blue	▼ blue	▲ grey
HONOLULU	▲ grey	▲ red	▼ blue	▲ blue	▼ grey	▼ grey	▲ grey
LAS VEGAS	▲ blue	▼ red	▼ blue	▲ blue	▼ red	▼ red	▲ blue
LOS ANGELES	▼ grey	▼ grey	▼ grey	▲ grey	▼ blue	▼ grey	▼ red
NEW YORK	▼ grey	▼ red	▲ red	▼ grey	▼ red	▼ red	▲ red
PHOENIX	▲ red	▲ red	▼ grey	▼ grey	▼ grey	▼ grey	▼ red
PORTLAND	▼ red	▼ red	▲ blue	▲ blue	▼ blue	▼ grey	▲ grey
SAN FRANCISCO	▲ red	▲ red	▲ grey	▼ red	▼ grey	▼ grey	▲ red
SEATTLE	▼ grey	▼ grey	▼ grey	▼ grey	▼ grey	▼ grey	▲ grey
WASHINGTON, D.C.	▲ blue	▼ grey	▼ grey	▼ red	▼ grey	▼ grey	▲ red

	HOUSES	APARTMENTS	OFFICES	INDUSTRIAL	RETAIL	HOTEL	CIVIL
AUSTRALIA							
ADELAIDE	▼ grey	▼ red	▲ grey	▼ grey	▼ blue	▲ grey	▼ red
BRISBANE	▼ grey	▼ grey	▲ blue	▼ grey	▼ grey	▲ red	▲ grey
CANBERRA	▼ grey	▼ red	▼ grey	▲ grey	▼ blue	▲ blue	▼ blue
DARWIN	▲ grey	▼ blue	▲ grey	▲ grey	▼ blue	▲ grey	▲ red
GOLD COAST	▲ blue	▼ blue	▼ blue	▲ blue	▼ blue	▲ grey	▼ blue
MELBOURNE	▼ red	▼ grey	▼ grey	▼ red	▼ grey	▼ blue	▲ red
PERTH	▼ grey	▼ red	▼ grey	▲ blue	▼ grey	▼ red	▲ grey
SYDNEY	▼ grey	▼ grey	▼ red	▼ red	▼ red	▼ red	▲ red
TOWNSVILLE	▼ blue	▼ blue	▼ blue	▼ blue	▼ blue		▲ blue
NEW ZEALAND							
AUCKLAND	▲ red	▼ grey	▼ red	▲ red	▼ red	▼ red	▲ red
CHRISTCHURCH	▲ blue	▼ blue	▼ blue	▲ blue	▼ blue	▼ blue	▲ grey
WELLINGTON	▲ red	▲ grey	▲ grey	▲ grey	▼ grey	▼ grey	▲ red
UNITED KINGDOM							
BIRMINGHAM	▲ blue	▲ grey	▲ grey	▲ red	▼ blue	▼ blue	▲ red
BRISTOL	▲ grey	▲ grey	▲ grey	▲ red	▼ blue	▼ grey	▲ grey
LONDON	▲ blue	▲ blue	▲ grey	▲ red	▼ blue	▲ blue	▲ grey
MANCHESTER	▲ red	▲ red	▲ grey	▲ red	▼ blue	▼ blue	▲ grey
IRELAND & MAINLAND EUROPE							
AMSTERDAM	▲ blue	▲ blue	▲ blue	▲ red	▼ grey	▼ grey	▲ red
ATHENS	▼ blue	▼ blue	▼ blue	▼ blue	▼ blue	▼ blue	▼ blue
BERLIN	▼ blue	▼ blue	▲ grey	▲ red	▲ grey	▲ blue	▲ blue
BUDAPEST	▼ blue	▲ grey	▲ blue	▲ red	▲ blue	▲ blue	▲ red
COPENHAGEN	▲ red	▼ blue	▲ grey	▲ grey	▼ blue	▼ grey	▲ grey
DUBLIN	▲ red	▲ red	▼ grey	▲ grey	▼ blue	▼ blue	▼ grey
ISTANBUL	▼ blue	▼ blue	▼ blue	▲ red	▼ blue	▼ blue	▼ grey
MADRID	▲ blue	▲ blue	▼ blue	▲ blue	▼ blue	▼ blue	▼ grey
MILAN	▲ grey	▲ grey	▲ blue	▲ grey	▼ grey	▲ blue	▲ grey
MOSCOW	▲ red	▲ red	▼ blue	▲ blue	▼ blue	▲ grey	▼ grey
OSLO	▲ grey	▲ grey	▼ grey	▲ grey	▼ blue	▼ blue	▲ red
PARIS	▼ blue	▲ blue	▼ blue	▲ blue	▼ blue	▼ blue	▲ grey
PRAGUE	▲ red	▲ red	▲ grey	▲ blue	▼ blue	▼ blue	▲ blue
WARSAW	▲ blue	▲ blue	▲ blue	▲ red	▼ blue	▲ blue	▲ blue

UCHealth Longs Peak Hospital, Longmont, Colorado, North America

RLB TENDER PRICE INDEX

RLB's Tender Price Index (TPI) annual percentage change showcases the calendar year annual movement in general construction cost inflation/ escalation for the cities within the table. The TPI annual % change for 2020 represents our office's forecast of the movement of tendered construction costs for the industry as a whole, within the key cities of RLB's global network.

The RLB Tender Price Index is an indexed based representation of each key's city's general construction escalation calculated on a monthly basis. Both historical and forecast escalation data is available for most key cities in our network from January 2000 through to December 2025 and is available via our mobile app or at www.rlbintelligence.com.

The current forecasts within the table have been calculated with local intelligence concerning the many significant impacts of the Covid-19 pandemic that have impacted all regions across the globe. Obviously each country's response to the outbreak has been and is different causing differing impacts to construction escalation or de-escalation.

Forecasts are being updated regularly within our network with the most current forecasts available at www.rlbintelligence.com or via our mobile app, available to download at no cost, in both Apple and Google stores worldwide.

	2020 (F)	2021 (F)	2022 (F)	2023 (F)	2024 (F)	2025 (F)
AFRICA						
CAPE TOWN	5.7	6.0	NP	NP	NP	NP
DURBAN	5.6	5.8	5.9	6.0	NP	NP
GABORONE	3.3	NP	NP	NP	NP	NP
JOHANNESBURG	5.5	5.7	NP	NP	NP	NP
MAPUTO	1.1	NP	NP	NP	NP	NP
PORT LOUIS	3.0	NP	NP	NP	NP	NP
MIDDLE EAST						
ABU DHABI	1.6	1.9	2.0	2.0	2.0	NP
DOHA	2.2	2.1	2.0	2.0	2.0	NP
DUBAI	1.6	1.9	2.0	2.0	2.0	NP
RIYADH	2.0	3.0	3.5	4.0	4.2	4.8
NORTH ASIA						
BEIJING	1.5	3.0	2.0	2.0	2.0	2.0
CHENGDU	2.0	3.0	3.0	3.0	3.0	3.0
GUANGZHOU	(5.0)	4.0	3.0	3.0	3.0	3.0
HONG KONG	(6.0)	(2.0)	2.0	2.0	2.0	2.0
MACAU	(6.0)	(2.0)	2.0	2.0	2.0	2.0
SEOUL	2.6	2.3	1.1	2.0	1.9	1.8
SHANGHAI	2.5	3.0	3.0	3.0	3.0	3.0
SHENZHEN	0.0	3.0	3.0	3.0	3.0	3.0
SOUTHEAST ASIA						
HO CHI MINH CITY	1.6	3.0	3.0	3.0	1.6	1.6
JAKARTA	3.0	0.0	NP	NP	NP	NP
KUALA LUMPUR	0.0	0.0	NP	NP	NP	NP
SINGAPORE	7.2	4.0	3.0	3.0	3.0	3.0
AMERICA						
BOSTON	3.2	3.0	3.5	4.0	NP	NP
CHICAGO	(1.3)	2.0	2.5	3.0	NP	NP
DENVER	1.3	2.5	3.0	3.5	NP	NP
HONOLULU	1.2	3.0	3.5	4.0	NP	NP
LAS VEGAS	1.5	3.0	3.5	4.0	NP	NP
LOS ANGELES	3.2	3.0	3.5	4.0	NP	NP
NEW YORK	3.2	3.5	4.0	4.5	NP	NP
PHOENIX	1.3	3.0	3.5	4.0	NP	NP
PORTLAND	1.1	2.5	3.0	3.5	NP	NP
SAN FRANCISCO	2.9	3.0	3.5	4.0	NP	NP
SEATTLE	1.7	2.5	3.0	3.5	NP	NP
WASHINGTON D.C.	2.6	3.5	4.0	4.5	NP	NP
CANADA						
CALGARY	4.6	3.0	3.5	4.0	NP	NP
TORONTO	6.1	5.0	4.5	4.0	NP	NP

	2020 (F)	2021 (F)	2022 (F)	2023 (F)	2024 (F)	2025 (F)
AUSTRALIA						
ADELAIDE	0.2	1.5	2.0	3.0	3.5	4.0
BRISBANE	(4.1)	2.0	3.0	3.0	3.0	3.0
CANBERRA	3.0	2.8	2.8	3.0	3.0	3.0
DARWIN	0.8	0.8	1.0	1.3	2.4	3.0
GOLD COAST	(3.5)	2.0	3.0	3.0	3.0	3.5
MELBOURNE	1.0	1.5	2.5	3.0	3.0	3.0
PERTH	1.5	2.7	3.0	3.0	3.0	3.0
SYDNEY	0.0	1.2	2.0	3.0	3.5	3.5
TOWNSVILLE	0.5	3.0	3.0	3.0	3.0	3.0
NEW ZEALAND						
AUCKLAND	(2.5)	4.0	3.0	2.5	3.0	3.0
CHRISTCHURCH	1.0	2.0	2.0	3.0	3.0	3.0
WELLINGTON	3.0	4.0	3.0	3.0	3.0	2.0
UNITED KINGDOM						
BIRMINGHAM	0.0	0.5	3.0	4.0	4.0	4.0
BRISTOL	0.5	1.5	4.5	5.0	4.5	4.5
LEEDS	2.8	3.2	3.8	3.8	3.8	3.8
LONDON	0.0	(1.0)	1.5	2.5	2.5	2.5
MANCHESTER	2.5	3.5	3.5	3.5	3.5	3.5
SHEFFIELD	2.6	3.0	3.6	3.6	3.6	3.6
THAMES VALLEY	0.0	(1.0)	1.5	2.5	2.5	2.5
IRELAND & MAINLAND EUROPE						
BERLIN	0.0	(1.0)	0.0	0.0	0.0	0.0
BUDAPEST	8.0	4.0	NP	NP	NP	NP
COPENHAGEN	3.0	2.0	1.5	1.5	1.5	1.5
DUBLIN	1.6	2.5	3.5	3.5	3.5	3.5
MADRID	0.1	NP	NP	NP	NP	NP
MOSCOW	2.0	9.8	NP	NP	NP	NP
PARIS	1.5	1.5	NP	NP	NP	NP
PRAGUE	2.5	3.0	NP	NP	NP	NP
WARSAW	3.2	3.5	3.4	3.7	NP	NP

RLB CRANE INDEX®

Overview

In September 2012, the Rider Levett Bucknall Oceania Research & Development and communication teams created the RLB Crane Index® as a simple insight into the construction sector's health within Australia. It was based on the theory that cranes in the sky supported the construction industry which is a significant contributor to Australia's economic growth.

The RLB Crane Index® has now grown and is published biannually in Australia, New Zealand & North America, Hong Kong and England and annually in the Middle East. The index currently tracks the numbers of cranes in 58 key cities within the RLB network of offices across the globe. It is anticipated that during the coming year further RLB and affiliate offices will be contributing crane numbers to extend the coverage across the globe.

The RLB Crane Index® gives a simplified measure of the current state of the construction industry's workload in each of these locations. Each RLB office physically counts all fixed cranes on each city's skyline based on a defined area which provides the base information for the index.

AUSTRALIA CITIES	Q3 2019	Q1 2020	Q3 2020	MOVEMENT % CHANGE
ADELAIDE	19	15	10	-33.3%
BRISBANE	57	58	50	-13.8%
CANBERRA	25	27	27	0.0%
CENTRAL COAST	14	9	5	-44.4%
DARWIN	1	1	0	-
GOLDCOAST	29	33	34	3.0%
HOBART	5	4	0	-
MELBOURNE	213	196	179	-8.7%
NEWCASTLE	12	17	13	-23.5%
PERTH	34	37	36	-2.7%
SUNSHINE COAST	11	11	15	36.4%
SYDNEY	319	299	297	-0.7%
WOOLONGONG	18	15	11	-26.7%
AUSTRALIAN CITIES	**757**	**722**	**677**	**-6.2%**

NEW ZEALAND CITIES	Q3 2019	Q1 2020	Q3 2020	MOVEMENT % CHANGE
AUCKLAND	95	88	77	-12.5%
CHRISTCHURCH	9	12	14	16.7%
DUNEDIN	1	1	0	-
HAMILTON	4	3	3	0.0%
QUEENSTOWN	10	12	11	-8.3%
TAURANGA	6	5	3	-40.0%
WELLINGTON	6	7	15	114.3%
NEW ZEALAND CITIES	**131**	**128**	**123**	**-3.9%**

AMERICA CITIES	Q3 2019	Q1 2020	Q3 2020	MOVEMENT % CHANGE
BOSTON	14	13	12	-7.7%
CHICAGO	34	37	34	-8.1%
DENVER	18	25	18	-28.0%
HONOLULU	4	9	8	-11.1%
LAS VEGAS	25	17	4	-76.5%
LOS ANGELES	49	47	41	-12.8%
NEW YORK	27	26	12	-53.8%
PHOENIX	3	9	16	77.8%
PORTLAND	30	28	27	-3.6%
SAN FRANCISCO	23	33	24	-27.3%
SEATTLE	49	36	49	36.1%
WASHINGTON D.C.	28	25	38	52.0%
UNITED STATES CITIES	**304**	**305**	**283**	**-7.2%**

CANADA CITIES	Q3 2019	Q1 2020	Q3 2020	MOVEMENT % CHANGE
CALGARY	34	37	34	-8.1%
TORONTO	120	121	124	2.5%
CANADIAN CITIES	**154**	**158**	**158**	**0.0%**

MIDDLE EAST CITIES	Q4 2017	Q4 2018	Q4 2019	MOVEMENT % CHANGE
DUBAI	1,182	1,193	1,345	12.7%
ABU DHABI	253	338	257	-24.0%
DOHA	469	468	401	-14.3%
MIDDLE EASTERN CITIES	**1,904**	**1,999**	**2,003**	**0.2%**

AFRICAN CITIES	Q1 2020	MOVEMENT % CHANGE
DURBAN	8	–
CAPE TOWN	29	–
STELLENBOSCH	6	–
JOHANNESBURG	36	–
PRETORIA	15	–
SOUTH AFRICAN CITIES	**94**	**–**

HONG KONG	Q1 2020	MOVEMENT % CHANGE
HONG KONG ISLAND	27	–
KOWLOON	45	–
NEW TERRITORIES	45	–
HONG KONG CITIES	**117**	**–**

SOUTH EAST ASIA	Q1 2020	Q3 2020	MOVEMENT % CHANGE
SINGAPORE	378	445	–
JAKARTA	–	99	–
HO CHI MINH CITY	–	115	–
KUALA LUMPUR	–	410	–
YANGON	–	72	–
SOUTH EAST ASIA CITIES	**–**	**1,141**	**–**

UNITED KINGDOM CITIES	Q1 2020	Q3 2020	MOVEMENT % CHANGE
BIRMINGHAM	20	18	-10.0%
BRISTOL	15	16	6.7%
LEEDS	23	21	-8.7%
LIVERPOOL	7	6	-14.3%
LONDON	216	184	-14.8%
MANCHESTER	34	16	-52.9%
SHEFFIELD	7	10	42.9%
UNITED KINGDOM CITIES	**322**	**271**	**-15.8%**

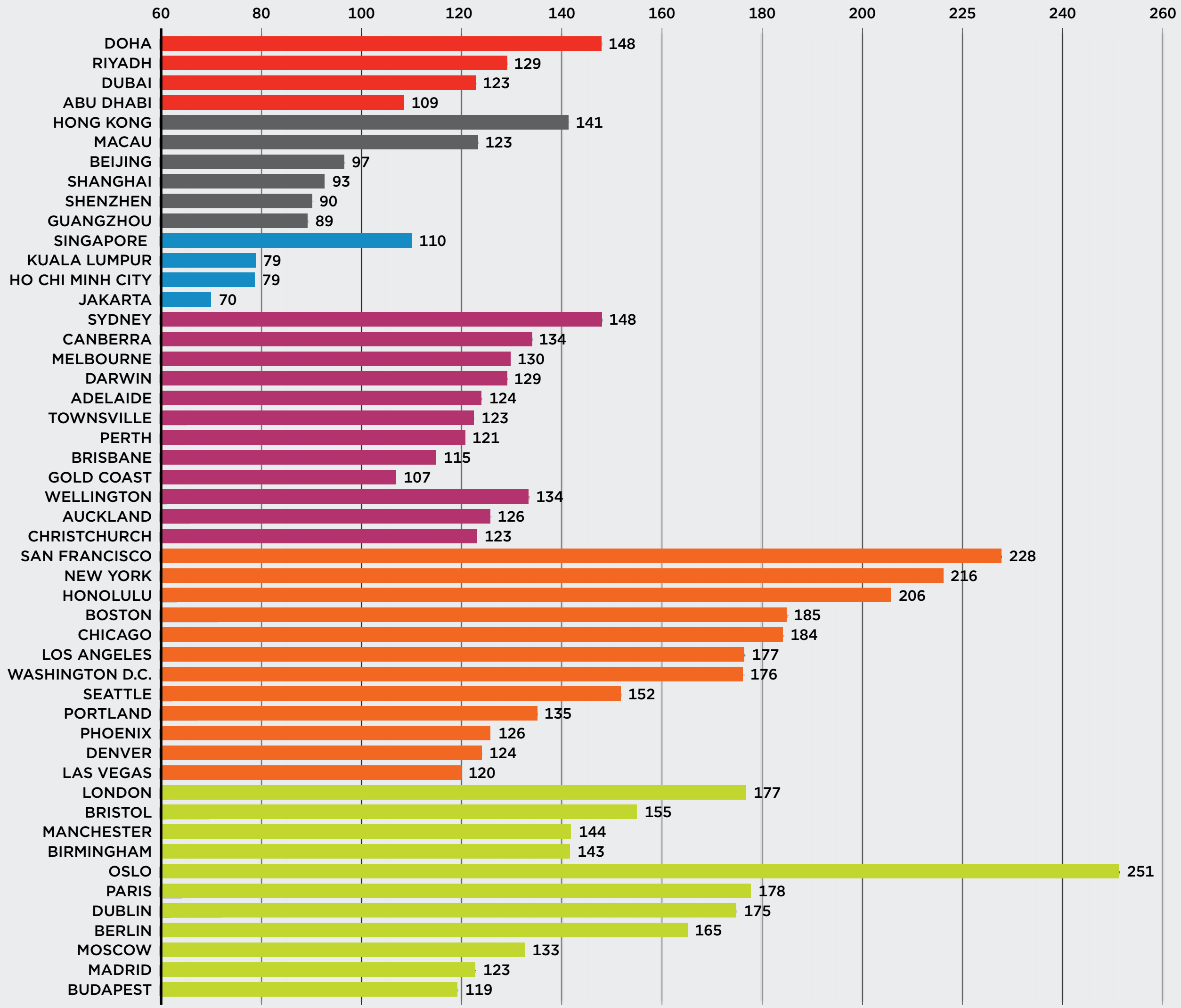
EUROPE CITIES	Q3 2019	Q1 2020	Q3 2020	MOVEMENT % CHANGE
PARIS	107	82	80	-10.0%
EUROPE CITIES	**107**	**82**	**80**	**-10.0%**

GLOBAL CONSTRUCTION COST RELATIVITY INDEX

RLB's Construction Cost Relativity Index identifies the relative cost of constructing similar buildings across the globe. The index is based on the local costing of standard building models/basket of goods. These are costed globally, and within regions, using the same quantities and similar specifications. They are costed in local currencies and relativities calculated using a combination of statistical methods including:

- Conversion into one currency method by converting local currency model costs using USD and IMF's published Purchasing Power Parity (PPP)
- RLB developed EKS multilateral index
- RLB Relativity Factor, a weighted sum of 'one currency' results

The resultant index highlights the relativity in construction costs between key global cities at Q4 2020



REGION	RELATIVITY INDEX	CITY	MOVEMENT	POSITION
MIDDLE EAST	16	DOHA	▶	0
	25	RIYADH	▲	2
	33	DUBAI	▲	2
	41	ABU DHABI	▶	0
NORTH ASIA	19	HONG KONG	▼	2
	31	MACAU	▼	3
	43	BEIJING	▶	0
	44	SHANGHAI	▶	0
	45	SHENZHEN	▶	0
	46	GUANGZHOU	▶	0
S.E. ASIA	40	SINGAPORE	▲	2
	47	KUALA LUMPUR	▶	0
	48	HO CHI MINH CITY	▶	0
	49	JAKARTA	▶	0
AUSTRALIA	15	SYDNEY	▶	0
	21	CANBERRA	▲	1
	24	MELBOURNE	▼	1
	26	DARWIN	▼	1
	29	ADELAIDE	▲	2
	35	TOWNSVILLE	▼	1
	36	PERTH	▲	1
	39	BRISBANE	▶	0
	42	GOLD COAST	▼	2
NEW ZEALAND	22	WELLINGTON	▼	1
	27	AUCKLAND	▼	3
	32	CHRISTCHURCH	▶	0
AMERICA	2	SAN FRANCISCO	▶	0
	3	NEW YORK	▶	0
	4	HONOLULU	▶	0
	5	BOSTON	▲	2
	6	CHICAGO	▼	1
	9	LOS ANGELES	▲	1
	10	WASHINGTON D.C.	▼	2
	14	SEATTLE	▶	0
	20	PORTLAND	▶	0
	28	PHOENIX	▲	2
	30	DENVER	▲	3
	37	LAS VEGAS	▼	1
UNITED KINGDOM	8	LONDON	▲	1
	13	BRISTOL	▶	0
	17	MANCHESTER	▲	1
	18	BIRMINGHAM	▲	1
EUROPE	1	OSLO	▶	0
	7	PARIS	▼	1
	11	DUBLIN	▲	1
	12	BERLIN	▼	1
	23	MOSCOW	▲	3
	34	MADRID	▼	5
	38	BUDAPEST	▶	0

1000 Trees by Heatherwick Studio, Shanghai, China

CURRENT MARKET CONDITIONS

In trying to limit the spread of COVID-19, policymakers globally have the difficult task of balancing the positive health effects of lockdowns against their economic costs, particularly the burdens lockdowns impose on low-income and food-insecure households. In the case of South Africa, the lockdown policies are relatively stringent, and the economic impacts large.

The lockdown has two components. First, people have restricted their movement outside their homes and engaged in physical distancing. The result has been a dramatic decline in demand for services. These range across establishments like restaurants, theatres, sporting events and hotels.

Second, government has shuttered operations of non-essential industries to prevent spread of the disease at the workplace. Some industries closed voluntarily to stop the spread of the disease in their factories. In addition, the economic uncertainty associated with the lockdowns globally has led to declines in investment and international trade that are causing further economic contraction.

It is difficult to quantify or predict the long term effect that Covid-19 will have on the South African building industry. The current situation is that the building industry is again in lockdown until March 2021, with some exceptions.

Now that the construction industry is adapting to its new normal, with its increased cost-base and productivity and scheduling challenges, many parties are looking to address the impacts of COVID-19 upfront in their contracts to the extent possible.

CONSTRUCTION COST IMPACT

More recently, the pandemic has led to job losses and fewer construction projects going ahead because of the hard lockdown.

South Africa's economy rebounded in the third quarter of 2020 (July–September), coinciding with the easing of COVID-19 lockdown restrictions. According to the South African Reserve Bank, construction activity (Gross Value Added) increased 31% in Q3 2020 from the low in Q2 2020. The result is still 10% below the same quarter 12 months ago.

The industry in general has been relatively static over time due to a number of factors including reduced government infrastructure spending, a depressed economy, reduction in foreign investment and rising costs of materials.

More recently, the pandemic has led to job losses and fewer construction projects going ahead because of the hard lockdown.

It is equally difficult to speculate on what will happen with the TPI movement after lifting of the ban on construction activity. Before the lockdown the inflation rate was already low, with some QS firms reporting equal or even lower tender rates than those received during 2019.

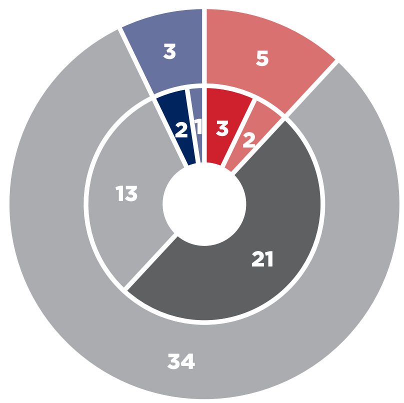
If there is going to be a quick uptake of new work across all sectors (public as well as private), contractors will most likely try to make up losses in earnings of previous years, with the resultant spike in tender prices. That is, however, unlikely because of the lack of capital for new projects.

Although the government promised a cash injection for the industry, this will most likely be for infrastructure where the civil engineering industry may profit from. Knowing the slow bureaucratic nature of implementing such projects, it is unlikely that this will happen in the very near future.

RLB TPI ANNUAL % MOVEMENT

	2020		2021	
	Q4 19	Q4 20	Q4 19	Q4 20
CAPE TOWN	*5.7%*	5.7%	*6.0%*	6.0%
DURBAN	*5.6%*	5.6%	*5.8%*	5.8%
GABORONE	*3.3%*	3.3%	*NP*	NP
JOHANNESBURG	*5.5%*	5.5%	*5.7%*	5.7%
MAPUTO	*1.1%*	1.1%	*NP*	NP
PORT LOUIS	*3.0%*	3.0%	*NP*	NP

MARKET SECTOR ACTIVITY



PEAK GROWTH
PEAK DECLINE
MID GROWTH
MID DECLINE
TROUGH GROWTH
TROUGH DECLINE

OUTER RING – MARKET SECTORS AS AT Q4 2020
INNER RING – MARKET SECTORS AS AT Q2 2020

CURRENT MARKET CONDITIONS

KSA went through a period in 2020 where borders were closed. This has now eased for materials and supplies, however labour is currently unable to access KSA directly from a list of 22 countries, without a 14 day isolation period in a "safe" location.

There is currently a curfew, which is not affecting construction operations directly, beyond restricting vehicle movements during this time.

We have seen an increase in Covid cases and consider that there maybe further issues related to lockdowns that the authorities may be considering.

Qatar is a small yet wealthy country. It has provided a robust and coordinated response to the COVID pandemic which has seen community cases remaining relatively low and the ratio of COVID related deaths being some of the lowest in the world. The construction sector saw initial turmoil but has weathered the affects well and has seen only marginal impact overall.

The United Arab Emirates has provided a robust and coordinated response to the COVID pandemic which has seen community the ratio of COVID related deaths being some of the lowest in the world and achieving one of the highest vaccination rates so far. The Governments consistent maintenance of mandatory mask wearing and social distancing has enabled a measured approach to reopening economic activity and tourism while remaining vigilant in the protection of public safety. The construction sector has weathered some of the worst effects following the Government's decision to designate it an essential economic sector which has enabled projects under construction to continue building under clear safety guidelines. Property and development will however continue to feel the increased pressure of the local and global macro economic impacts of the pandemic.

CONSTRUCTION COST IMPACT

Under the 2030 Vision which is the Kingdom's plan to modernise, the Government has established under its Private Investment Fund (P.I.F) numerous projects across Kingdom.

Within KSA we expect a continued growth in activity throughout the Kingdom and foresee issues on supplies on materials impacting on projects tender prices and ability to maintain programme. There is likely to be a demand on materials from those nations in close proximity to KSA.

Salaries appear to be increasing with many P.I.F entities recruiting from the existing in kingdom consultant base alongside a steady inflow of staff from other regional locations.

Within both the UAE and Qatar, we have seen no significant cost impact from COVID. Slight reductions in escalation as pressure to reduce rates and tender prices has been widely applied.

Increased competition will see escalation stabilizing or likely reducing over the next twelve months, however there may be a marginal upward trend in some projects as impacts on imported materials availability continue. Review of material supply (COVID driven) regionally and internationally should be monitored as this may affect prices over the next twelve months.

KSA work within many sectors including residential, leisure, hotels, retail and commercial, alongside engagement on several of the P.I.F projects.

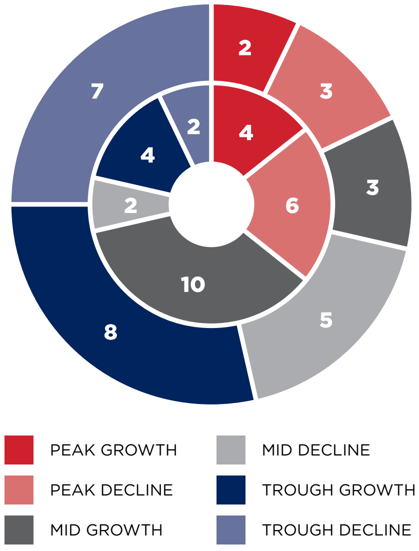
It is evident that the sectors most impacted in the short term will be leisure, hotels, retail and commercial.

We are however seeing clients looking to accelerate their pre contract activities. Time will tell if this develops into tangible commissions and further onto site for delivery.

RLB TPI ANNUAL % MOVEMENT

	2020		2021	
	Q4 19	Q4 20	Q4 19	Q4 20
ABU DHABI	*3.0%*	1.6%	*3.5%*	1.9%
DOHA	*NP*	2.2%	*NP*	2.1%
DUBAI	*3.0%*	1.6%	*3.5%*	1.9%
RIYADH	*2.4%*	2.0%	*3.0%*	3.0%

MARKET SECTOR ACTIVITY



OUTER RING – MARKET SECTORS AS AT Q4 2020
INNER RING – MARKET SECTORS AS AT Q2 2020

Museum of Art Pudong by Ateliers Jean Nouvel, Shanghai, China

NORTH ASIA

CURRENT MARKET CONDITIONS

China's major infrastructure companies achieved double-digit growth in new contract values despite the coronavirus pandemic, which interrupted the movement of people and goods during 2020.

This better-than-expected outcome was mainly due to the government's infrastructure construction stimulus to stabilise and grow the domestic industry. For example, China Railway Group saw new contracts increase by 20% on a year on year basis.

China recently launched the “New Infrastructure” campaign to offset the economic impact of the COVID-19 pandemic and boost sustainable growth. “New Infrastructure” projects will focus on the construction of seven areas: 5G networks, industrial internet, inter-city transportation and inner-city rail systems, data centers, artificial intelligence, ultra-high voltage, and new energy vehicle charging stations.

Hong Kong's economy contracted by 3.5% year-on-year in real terms in the third quarter of 2020, compared with the 9.0% decrease in the second quarter of 2020. On a seasonally adjusted quarter-to-quarter comparison basis, real GDP increased by 2.8% in the third quarter of 2020 over the previous quarter.

According to the Composite Consumer Price Index, overall consumer prices dropped by 0.2% in October 2020 over the same month a year earlier, following a y-o-y decrease of 2.2% in September 2020.

The seasonally adjusted unemployment rate decreased slightly from 6.4% in August-October 2020 to 6.3% in September-November 2020. The underemployment rate also decreased from 3.8% in August-October 2020 to 3.4% in September-November 2020.

In the third quarter of 2020, local economic activities still suffered from the repeated epidemic waves of COVID-19. With the pessimistic business sentiment, construction investment in commercial and tourism sector continued to contract, as evidenced by a series of land bids for commercial or hotel sites failing to meet the auction reserve prices set by the government. In the Chief Executive's Policy Address 2020, the government has planned a series of economic recovery measures. In

CONSTRUCTION COST IMPACT

China's economy has posted its strongest growth in two years after completing a rapid recovery from the slump caused by the Covid-19 pandemic at the start of 2020.

Although the 2.3% annual increase in activity for the world's second biggest economy was its slowest since 1976, by the final three months of last year China was expanding at a faster rate than before the crisis.

To suit the housing demand in the next decade, the government has identified 330 hectares of land for supplying about 316,000 public housing flats from reclamation in Tung Chung, the agricultural land and brownfield sites in New Development Areas, etc. Moreover, the government would continue to spend over $100 billion on average on the development of infrastructure annually.

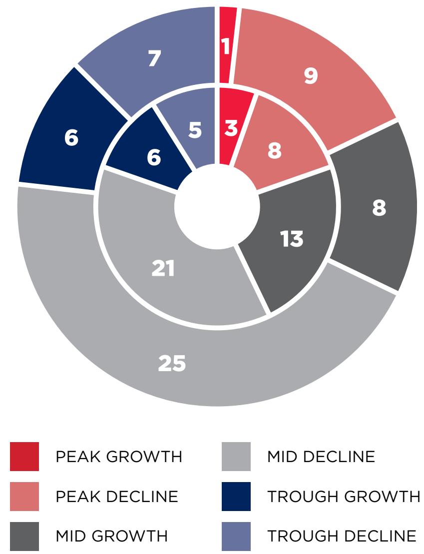
Nevertheless, before the full implementation of these infrastructure and public works, the reduction in construction investment in the short term was foreseeable. In order to maintain the order books, contractors are keen to submit very competitive bids.

It is expected that the downward trend of tender prices will continue in the next few quarters.

RLB TPI ANNUAL % MOVEMENT

	2020		2021	
	Q4 19	Q4 20	Q4 19	Q4 20
BEIJING	*3.0%*	1.5%	*3.0%*	3.0%
CHENGDU	*3.0%*	2.0%	*3.0%*	3.0%
GUANGZHOU	*1.0%*	-5.0%	*2.0%*	4.0%
HONG KONG	*-2.0%*	-6.0%	*2.0%*	-2.0%
MACAU	*-2.0%*	-6.0%	*2.0%*	-2.0%
SEOUL	*1.7%*	2.6%	*1.5%*	2.3%
SHANGHAI	*2.0%*	2.5%	*2.0%*	3.0%
SHENZHEN	*3.0%*	0.0%	*3.0%*	3.0%

MARKET SECTOR ACTIVITY



OUTER RING – MARKET SECTORS AS AT Q4 2020
INNER RING – MARKET SECTORS AS AT Q2 2020

Woodlands Health Campus, Singapore

SOUTH ASIA

CURRENT MARKET CONDITIONS

At the conclusion of 2020, the construction industries of the South East Asia region continue to face major challenges, with global lockdowns slowing the flow of imported materials and equipment, international border closures restricting the movement of foreign workers, to the closure of construction sites.

This pandemic has facilitated a long overdue shake-up of the standard operating procedures and working norms in today's technology-driven times, to mitigate the risks of similar major disruptions within the sector as "new normal" is realised.

Within Singapore demand for projects by the private sector is unlikely to return to pre-Covid-19 levels, as investors are likely to remain cautious. Hence, demand in 2021 is expected to be between $8 billion to $10 billion - similar to the figure of $8.1 billion in 2020, a drop from $14.5 billion in 2019.

As a result, the projected construction demand for this year has been revised to between $18 billion and $23 billion following a mid-year review, the Building and Construction Authority (BCA) said yesterday. This is sharply down from BCA's January forecast of $28 billion to $33 billion for the year.

CONSTRUCTION COST IMPACT

As construction sites resume work activities, mandatory conformance with newly introduced safe physical distancing measures on sites within the region could mean a reduction in reliance on manual labour, an increase in investment on technologies to increase efficiency and productivity.

Given the diversity of the regional construction markets, the projected tender price escalation across the Southeast Asian countries is a reflection of the state of local construction market environment. Risks taken on by contractors tendering for jobs have multiplied this year, exacerbated by economic recessionary trends, and a poor understanding on how the COVID-19 situation could evolve globally. Procurement strategies adopted and the allocation of risks in the present situation, will also play an important part in determining the state of the construction tendering markets in the respective Southeast Asian economies.

Against the backdrop of the pandemic and the resultant global economic demise, and current cost and price trends, Singapore construction tender prices are projected to see an increase in the order of 2% to 5% for 2021.

Within Malaysia, based on a scarcity of projects in the market and fierce competition among contractors struggling to stay afloat, any cost escalation due to labour shortage is likely to be largely mitigated, with construction tender prices for Kuala Lumpur anticipated to fall. Furthermore, uncertainties in employment and business stability will cause demand for properties to drop drastically which will invariably affect developers' confidence to initiate new developments.

Based on the scarcity of new projects within Indonesia, tendering competitiveness as contractors struggle to stay afloat, high labour unemployment rates, increased local and imported material costs due to unfavourable exchange rates and market conditions, any cost escalation is likely to be cancelled out. The estimated construction tender price escalation for Jakarta, based on present situation, is anticipated to be zero for 2021.

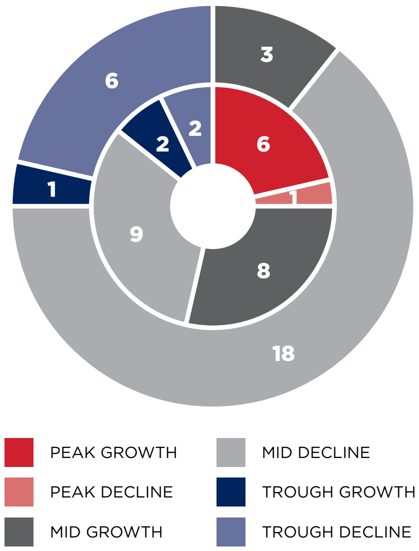
Across the region despite the fall in demand, costs have risen for firms in the past year. Increasing material costs, uncertainty in the market and technology adoption will continue to remain as cost drivers in the industry.

Labour market volatility will continue until the labour crunch can ease. As for technology adoption, there are always capital costs that come along with picking up new processes, and given that there's still a lot of changes, there is a lot of work to be done before we will see the results.

RLB TPI ANNUAL % MOVEMENT

	2020		2021	
	Q4 19	Q4 20	Q4 19	Q4 20
HO CHI MINH CITY	*1.6%*	1.6%	*3.0%*	3.0%
JAKARTA	*3.0%*	3.0%	*NP*	0.0%
KUALA LUMPUR	*0.0%*	0.0%	*NP*	0.0%
SINGAPORE	*3.5%*	7.2%	*6.5%*	4.0%

MARKET SECTOR ACTIVITY



OUTER RING – MARKET SECTORS AS AT Q4 2020
INNER RING – MARKET SECTORS AS AT Q2 2020


Providence Park Stadium, Portland, Oregon, North America

CURRENT MARKET CONDITIONS

Just as the eradication of the coronavirus won't take place overnight, the economic damage incurred over the past nine months will take time to heal, as well. The overall economy is unlikely to accelerate in the first half of the coming year, as the US—under new political leadership—continues to face some formidable challenges, particularly in the jobmarket.

The coronavirus pandemic impacted severely on the US economy throughout 2020. The residential construction market has outperformed the wider economy and bounced back from the initial shock of the COVID-19 outbreak, which has left millions of people out of work. Demand for new homes remains extremely high. The lack of existing homes for sale, plus renewed interest in suburban living amid the pandemic, is pushing buyers further out from major cities and toward newly-constructed developments. But price pressures could begin to affect builders and buyers alike in the coming months. However, uncertainty remains about how long the expansion in the housing market can continue. According to Oxford Economics, new construction starts fell by 18.3% in 2020, the largest annual decline since the series began in 2005. Restrictions during the first wave of the pandemic included the closure of construction sites in some cities and states. Currently, uncertainty and unbudgeted covid related relief efforts are leading to cuts to capital expenditure and tight state budgets impacting engineering construction spend.

Canadian construction starts fell 22.3% in 2020, following on from a 12.3% decline in the previous year. New Canadian construction is now at its lowest level since 2016. Although there were restrictions on construction activity in Quebec and Ontario, large projects earlier in the year limited the extent of the annual decline. More worryingly, the decline in Canadian starts accelerated through the course of the year, reaching a 43.4% year-on-year contraction in Q4.

New residential construction experienced the biggest drop (-28%), and like in the US, this was the result of a steep decline in the multi-family segment. The pandemic has shifted demand away from cities, where construction of apartments and condos dominates.

There is growing sentiment that what was once viewed as temporary unemployment is becoming a more permanent condition, especially among small businesses and cities and regions that rely on the travel and hospitality industries to generate revenue. In the fourth quarter, unemployment claims jumped, casting a darker shadow over the economy. When coupled with a slowdown in job creation, confidence in the economy is likely to be shaky at best for some time.

CONSTRUCTION COST IMPACT

While material and labor costs rose in 2020, weak demand led to more aggressive bidding from contractors in order to secure a pipeline of work. As a result, total construction costs remained roughly flat. The expectation is that contractors will begin to increase margins once the market recovers. The cost of movement of freight from both Europe and Asia to the U.S. has seen significant increases during the year due to shortages in container availability and port congestion that continues to delay ships and container movement, causing higher freight cost for imported construction materials. Lumber prices have risen steadily through the year adding pressure on costs in general. A shortage of construction labor, which was a problem before COVID-19, continued last year as contractors reported challenges finding enough workers to take on new projects.

Our research suggests that between July 1, 2020 and October 1, 2020 that the national average increase in construction costs was approximately 0.25%.

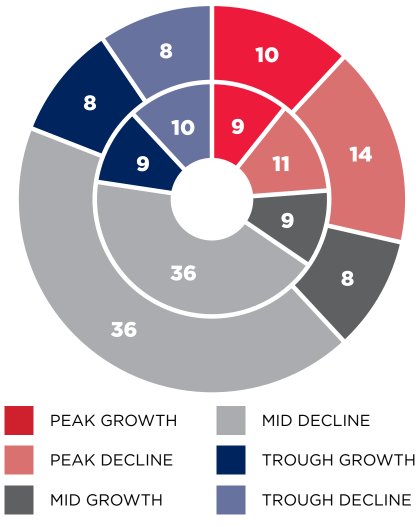
Boston, Chicago, New York, Portland, and San Francisco all experienced increases greater than 0.25% in the quarter.

Denver, Seattle, and Washington, D.C. experienced increases less than the national average. Other locations, including Honolulu, Los Angeles, and Phoenix saw a slight decrease in construction costs this quarter.

RLB TPI ANNUAL % MOVEMENT

	2020		2021	
	Q4 19	Q4 20	Q4 19	Q4 20
BOSTON	4.0%	3.2%	4.0%	3.0%
CHICAGO	4.0%	-1.3%	3.0%	2.0%
DENVER	3.5%	1.3%	3.0%	2.5%
HONOLULU	3.0%	1.2%	3.0%	3.0%
LAS VEGAS	4.0%	1.5%	3.0%	3.0%
LOS ANGELES	3.5%	3.2%	3.0%	3.0%
NEW YORK	4.0%	3.2%	4.0%	3.5%
PHOENIX	4.0%	1.3%	3.0%	3.0%
PORTLAND	4.0%	1.1%	3.0%	2.5%
SAN FRANCISCO	5.0%	2.9%	4.5%	3.0%
SEATTLE	4.0%	1.7%	3.0%	2.5%
WASHINGTON D.C.	4.0%	2.6%	3.0%	3.5%
CANADA				
CALGARY	4.0%	4.6%	3.0%	3.0%
TORONTO	2.3%	6.1%	2.3%	5.0%

MARKET SECTOR ACTIVITY



OUTER RING – MARKET SECTORS AS AT Q4 2020
INNER RING – MARKET SECTORS AS AT Q2 2020


Barrack Place, Sydney, Australia

AUSTRALIA

CURRENT MARKET CONDITIONS

COVID-19 has impacted on future construction activity volume. However, the exact impact of COVID-19 is difficult to quantify because activity in 2021, and beyond, was already expected to decline. In particular, sectors classified as high performers in recent years—high density residential, office, hotel and retail—have taken the brunt of the current downturn, and are all predicted to decline over the coming years. This is not surprising, given that these sectors are historically driven by strong net migration, influxes of international students, strong employment growth in the financial and service industries, and positive tourism activity—all of which have diminished since the outbreak of the COVID-19 pandemic in March 2020.

While the general economy was at a standstill, or going backwards, for the better part of the past 9 months, construction activity across most sectors performed relatively well against the previous year as supply chain issues were avoided and COVID restrictions imposed on site were managed.

Across the country, building work done (Residential and Non-Res only) in the September quarter (Q3 2020) was similar in volume terms to the June quarter (Q2 20), at around $29.6b and $1.3b higher than Q1 2020. Expectations that building activity through 2020 was going to fall due to the record levels of hi-rise apartment developments commencing during 2018 and 2019.

CONSTRUCTION COST IMPACT

Across the country the pressure on pricing has eased through 2020 and into the beginning of 2021 with all states seeing a substantial reduction in escalation uplifts that were forecast 12 months ago compared to those forecasted now.

With the commencement of inoculations against COVID-19, and the current 'lessons learnt' approach of state governments, we appear to be entering a phase of stability. This will give rise to a period where wild fluctuations in costs are not seen in tender pricing except where contractors fight to build their future work pipeline.

Stable pricing is forecast for 2021 in most cities, with modest increases in escalation expected. This could change quickly if demand heats up or significant disruptions to supply chains (insolvencies, surge in material prices due to global trade conflicts and lack of skilled trade personnel) occur. Current indicators however suggest a more tepid path.

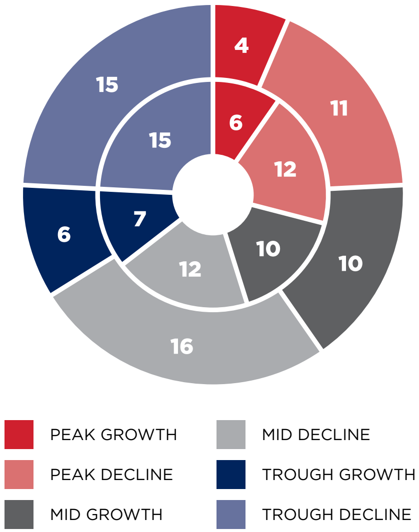
Looking ahead into 2021, we see strong demand in the infrastructure, health and industrial sectors, while weaker activity will be seen in the hi-rise residential, hotel and offices sectors. Repurposing and/or the refurbishment of retail and office space may also emerge as a strong performer with building owners and landlords looking for new opportunities.

COVID-19 specific inputs into construction costs are generating several opposing factors. Reduced construction volumes have increased competition and reduced margins in tender pricing. However, volatile exchange rates, supply chain reliability, changing work practices (due to social distancing and other COVID-19 restrictions) and obligatory wage increases are effecting productivity and driving costs upwards.

RLB TPI ANNUAL % MOVEMENT

	2020		2021	
	Q4 19	Q4 20	Q4 19	Q4 20
ADELAIDE	4.0%	0.2%	4.5%	1.5%
BRISBANE	3.0%	-4.1%	4.1%	2.0%
CANBERRA	3.0%	3.0%	3.0%	2.8%
DARWIN	1.2%	0.8%	1.8%	0.8%
GOLD COAST	2.5%	-3.5%	3.0%	2.0%
MELBOURNE	3.3%	1.0%	3.3%	1.5%
PERTH	2.8%	1.5%	3.0%	2.7%
SYDNEY	3.5%	0.0%	3.8%	1.2%
TOWNSVILLE	3.0%	0.5%	3.0%	3.0%

MARKET SECTOR ACTIVITY



OUTER RING – MARKET SECTORS AS AT Q4 2020
INNER RING – MARKET SECTORS AS AT Q2 2020

Dark Sky Project, Lake Tekapo, New Zealand

NEW ZEALAND

CURRENT MARKET CONDITIONS

COVID-19 continues to be a major influence on the New Zealand and international economies. Net migration, which had previously been a key driver of population growth and hence residential accommodation demand, has virtually stopped. In the six months to September, net migration of all citizenships was 2,500, compared with an average of over 20,000 in the same period in recent years.

There has been a wave of redundancies across most economic sectors despite the government injecting a $12b wage subsidy scheme to encourage employers to retain staff at a minimum 80% wage. This subsidy expires at the end of June and combined with deteriorating economic conditions a wave of redundancy and unemployment is expected.

The latest NZIER Quarterly Survey of Business Opinion shows the construction sector has turned from the most pessimistic to the most optimistic sector surveyed. Construction sector firms have been buoyed by the improving pipeline of construction, particularly for government work as the government increases spending on infrastructure.

CONSTRUCTION COST IMPACT

We expect that continued uncertainty over how the COVID-19 outbreak will play out will keep businesses cautious when it comes to new investment. This should continue to weigh on non-residential construction demand. We expect government construction work will continue to lead the growth in construction demand over the coming years, as the government increases its spending on infrastructure to support the recovery ahead.

The government in July outlined how $3 billion of the COVID Response and Recovery Fund allocated for the regions will be spent, including $464 million on housing and urban development and $180 million on large-scale construction projects. The increased pipeline of construction activity should support employment demand and see a re-emergence in capacity pressures in the construction sector from late 2021, particularly if continued border restrictions limit the ability for migrants to be brought in to assist with resources for projects.

Non-residential construction cost escalation eased sharply in the June 2020 quarter, as a sharp decline in construction activity saw capacity pressures dissipate. With the pipeline of construction starting to rebuild, construction sector firms are starting to report a re-emergence in labour shortages.

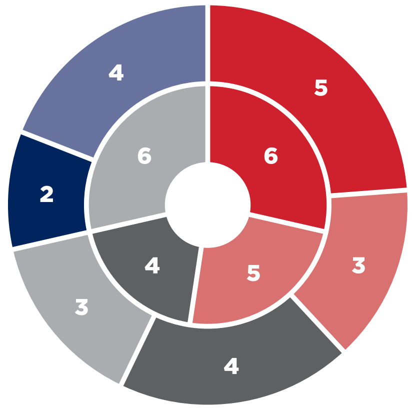
The inability to source workers given border restrictions from overseas may exacerbate these labour shortages. Nonetheless, we expect that increased capacity in the sector will largely weigh on construction cost escalation over the coming year.

From late 2021, we expect a pick-up in construction cost escalation as the acceleration in construction activity sees capacity pressures build up modestly in the sector. Recognising the higher than usual degree of uncertainty over forecasting in these times, we expect annual construction cost escalation to pick up gradually from a trough of 1.4 percent in March 2021 to around 3.2 percent by mid-2024.

RLB TPI ANNUAL % MOVEMENT

	2020		2021	
	Q4 19	Q4 20	Q4 19	Q4 20
AUCKLAND	*3.0%*	-2.5%	*3.0%*	4.0%
CHRISTCHURCH	*2.0%*	1.0%	*2.0%*	2.0%
WELLINGTON	*3.0%*	3.0%	*3.0%*	4.0%

MARKET SECTOR ACTIVITY



PEAK GROWTH
PEAK DECLINE
MID GROWTH
MID DECLINE
TROUGH GROWTH
TROUGH DECLINE

OUTER RING – MARKET SECTORS AS AT Q4 2020
INNER RING – MARKET SECTORS AS AT Q2 2020

The Peoples Project, Everton Football Club, Liverpool UK

UNITED KINGDOM

CURRENT MARKET CONDITIONS

At the tail-end of 2020, the world has drastically changed from that which we understood at the end of 2019.

The beginning of the year saw the focus squarely on Brexit, with only glimmerings of something called Covid-19. However, very rapidly, that was all changed and the UK economy was plunged into a fight against an unseen adversary circulating both in-country and beyond, with no knowing where the next outbreak would occur. The first full lockdown in England from the end of March, for 7 weeks, was followed by lockdown 2 in November.

Through all of this, construction has carried-on, at least after having taken stock and implemented health and safety measures to mitigate the risks of spreading the virus. While additional measures have been put in place on sites and seem to be operating reasonably efficiently, there is no escaping the fact that there is a cost implication of amending the ways in which work is performed and the provision of accommodation and facilities on site.

Although much has been done in governmental terms in respect of suppressing the virus, much remains to be done, even though the prospect of mass vaccination has by now become real. The task of producing and distributing vaccine doses, as well as identifying and organising groups in order of need, and providing personnel to inject everyone, is simply vast, and all the while the virus continues to spread.

CONSTRUCTION COST IMPACT

Across the country, the combined effect of the economy having been effectively shut down for two periods of time, and the construction industry having to implement defensive measures against virus transmission, have resulted in a fading-away of any real scope for tender price increases. In many locations, there is still ample workload, but the timescales of that work have been lengthened somewhat, with a corresponding effect on the cost of preliminaries, alongside the actual additional costs of health and safety measures.

Input costs have continued to increase, which will place a sharp focus on the obtaining of replacement work, and therefore in the pricing level for that work, when tendering opportunities come around.

The status of construction as an essential industry has helped to ease the path for contractors and sub-contractors, but where project slates have concluded or are rapidly heading that way, the necessity for replacement workload will squeeze margins even further, in the face of still rising input costs.

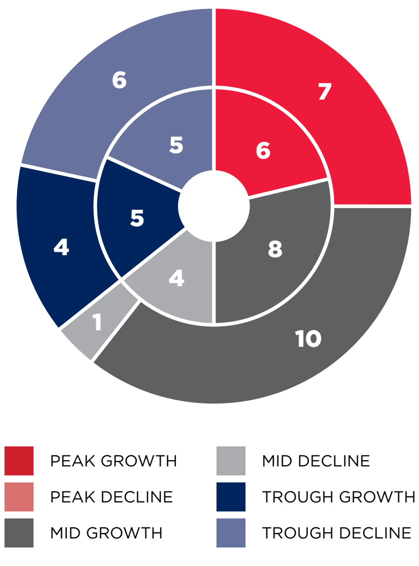
Of course, barely mentioned in this analysis, lies the advent of Brexit, effects of which have been to reduce availability of European labour and increase cost of European imported materials.

The overview is that despite upcoming mass inoculation, the UK construction industry still stands in need of an injection of certainty to ease the risk-burden on estimators and companies' directors. Over the coming period, workload availability will be vital, but the challenge will be to achieve viability within the overall competitive framework.

RLB TPI ANNUAL % MOVEMENT

	2020		2021	
	Q4 19	Q4 20	Q4 19	Q4 20
BIRMINGHAM	*3.3%*	0.0%	*4.0%*	0.5%
BRISTOL	*2.6%*	0.5%	*3.2%*	1.5%
LEEDS	*2.8%*	2.8%	*3.2%*	3.2%
LONDON	*1.5%*	0.0%	*2.0%*	-1.0%
MANCHESTER	*2.5%*	2.5%	*3.5%*	3.5%
SHEFFIELD	*2.6%*	2.6%	*3.0%*	3.0%
THAMES VALLEY	*1.5%*	0.0%	*2.3%*	-1.0%

MARKET SECTOR ACTIVITY



OUTER RING – MARKET SECTORS AS AT Q4 2020
INNER RING – MARKET SECTORS AS AT Q2 2020

MAINLAND EUROPE

CURRENT MARKET CONDITIONS

Almost a year into the Covid-19 odyssey, the pain initially felt in Italy and which spread rapidly across the whole of Europe, has affected all sectors of economies, and all aspects of construction economics.

While many general market-sectors have been effectively shutdown at various points, according to the IMF, over 54 million jobs in Europe have been retained by government support. National banks engaged in dramatic monetary easing and, at the EU level, further support was provided in the form of loosening of regulations around fiscal deficits. All of this was aimed at preservation of business and individuals' economic integrity in the belief that an answer would soon be found in the form of mass vaccination. These approaches were of course common around the world, and in fact have now borne fruit in the softening of the downside and the prospect of multiple imminent vaccination solutions.

In common with other Regions around the world, most European countries have tried to maintain open construction sites, and have succeeded to a greater or lesser extent, despite wider economy-wide stringencies.

To add yet more complexity to the mix, the final coming into effect of Brexit, the UK leaving the European Union, takes place at the end of December, with a trade-only non-tariff agreement coming into being. Although the dreaded no-deal Brexit has been avoided, there remain questions as to non-tariff barriers to trade, in the form of customs and excise forms, docks and harbours delays and general cross-border arrangements, both inside the UK to an extent, and between the UK and the EU. Imported and exported materials from and to both regimes may now face considerable issues, even though WTO terms have been avoided, and the question of movement and residency rights of skilled and unskilled labour brings with it significant difficulties in managing a sustainable construction industry workforce, whether in the UK or the EU.

CONSTRUCTION COST IMPACT

While in general terms, adversely affected sectors in Europe have been in line with those sectors which have been particularly impacted elsewhere, namely hotels, hospitality and tourism, commercial, retail and sport, local effects depend upon national government measures. Indeed, where markets have been stimulated, there are reported signs of overheating, while in other locations, investor nervousness is holding back decisions. In yet other environments, there are moves to ease planning constraints, whereas in many places, that is resisted due to foreseen adverse effects "down the road".

The overall effect is a significantly impacted construction industry across all of the countries that comprise the region, but despite the supposed consistency of approach represented by European Union, there are many and varied local responses to maintaining a vibrant construction economy. That is, of course, a logical outcome of differing real-lived experiences of attempting to suppress the R-number, but it will eventually have to be rationalised after the pandemic, as contractors and the larger, more mobile sub-contractors trade in a largely borderless market, where there are few barriers to cross-border working.

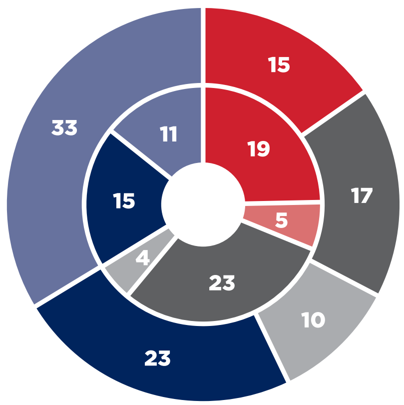
In construction, effects have been widely and seriously felt. At first, the outlook was considered stark and threatening, but contractors and sub-contractors quickly took to the task of accommodating the virus and its attendant social and work-pattern constraints. As a result, the forecast dramatic productivity and construction "dis-economy" effects largely failed to materialise, despite on-site behaviours being forced to change considerably.

However, at a macro level, in most European countries, contractors are operating in the shadow of poor trading conditions for their clients, building owners or developers, who experience the reality of changes to their on-the-ground markets, and thus pass-through any investment-reluctance. Many countries' governments have sought to alleviate any paucity of private sector work, by fast-tracking public sector projects, but the outcome of this is dependent on speed to market and degree of real need for replacement workload. Contractors and their sub-contractors continent-wide are all living with unforeseen disruptions of common market conditions, and as such the initially forecast reductions in tender pricing can easily be overtaken by rapidly developing spikes due to excess of workload in a particular sector or locality.

Q4 2020 TPI% RANGE

	2020		2021	
	Q4 19	Q4 20	Q4 19	Q4 20
BERLIN	*1.8%*	0.0%	*1.5%*	-1.0%
BUDAPEST	*8.0%*	8.0%	*10.0%*	4.0%
COPENHAGEN	*2.5%*	3.0%	*NP*	2.0%
DUBLIN	*8.8%*	1.6%	*NP*	2.5%
MADRID	*0.1%*	0.1%	*NP*	NP
MOSCOW	*2.0%*	2.0%	*NP*	9.8%
PARIS	*1.5%*	1.5%	*NP*	1.5%
PRAGUE	*4.0%*	2.5%	*3.0%*	3.0%
WARSAW	*NP*	3.2%	*NP*	3.5%

MARKET SECTOR ACTIVITY



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OUTER RING – MARKET SECTORS AS AT Q4 2020
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AFRICA | AMERICAS | ASIA | EUROPE | MIDDLE EAST | OCEANIA

Rider Levett Bucknall