

RICS Global Construction Monitor: Q4 2020 results - APAC and MEA

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RICS Global Construction Monitor

- Quarterly sentiment survey tracking **changes in conditions** in global construction markets. The data can be displayed at regional, national and sub-national levels. In Q4 of 2020 the survey garnered more than 1800 unique responses
- Construction global and regional data weighted using the World Bank's GDP PPP series
- The preferred method for measuring sentiment is 'net balance' which subtracts the percentage of contributors who respond negatively to a question away from those who responded positively
- Example:
 - What have prices done in your area in the last three months?
 - 30% of respondents said rise
 - 30% of respondents said no change
 - 40% of respondents said fall
 - This results in a net balance of -10%
- Q4 2020 responses were collected between 10 December 2020 and 17 January 2021

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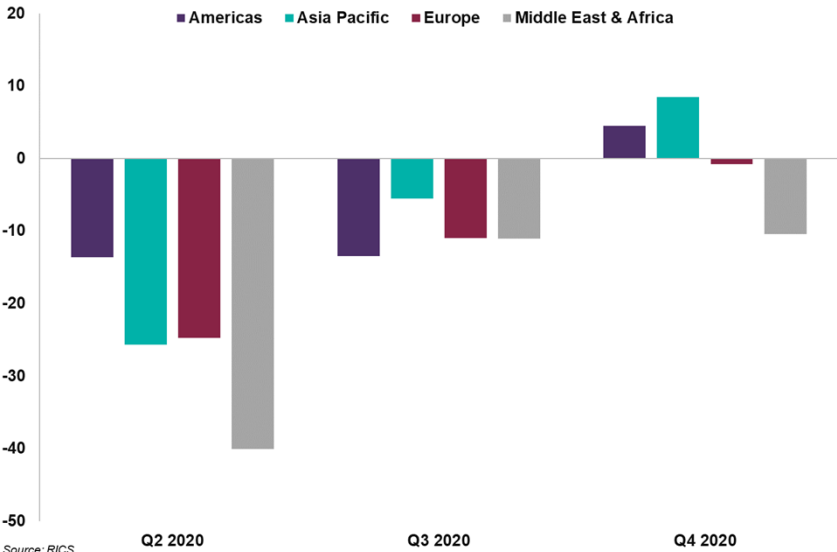
Summary of Q4 2020 results

- The impact of the pandemic has been highly uneven amongst sectors of the economy, and parts of the construction market appear to be in better shape than others
- The Construction Activity Index CAI rose from -24 in Q2 to -9 in Q3 to sit at +3 in Q4. In APAC the CAI rose from -6 in Q3 to +8 in Q4, while in MEA was fairly stable at -10 in Q4, but still well off the low of -40 in Q2
- While the "improvement" from Q2 to Q3 was largely driven by China, the dynamics from Q3 to Q4 indicate a more broad-based easing of pressure while other markets appear to have "caught up" with China
- Despite the improvement, respondents still highlighting lack of demand and finances as constraining activity, while supply chain bottlenecks also appear more prevalent
- However, expectations point to a robust pickup for both aggregate activity and headcounts in 2021
- Residential and infrastructure segments of the market appear to be most resilient; uncertainty continues to weigh on outlook for non-residential
- Higher construction costs, driven by cost of materials (rather than labour), continue to outpace tenders
- Policy, vaccine roll-out remain major x-factors that will affect the outlook, though there are other risks that continue to loom on the horizon

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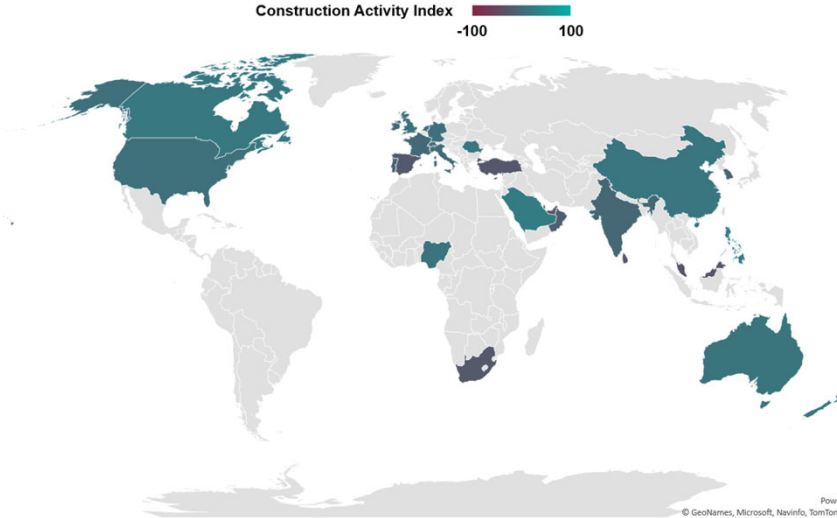
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Regional Construction Activity Index



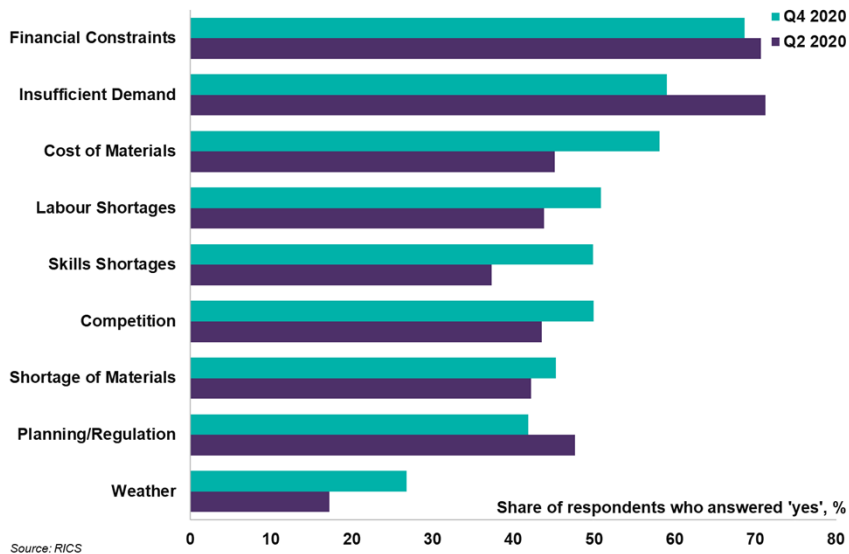
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Global Construction Activity Index



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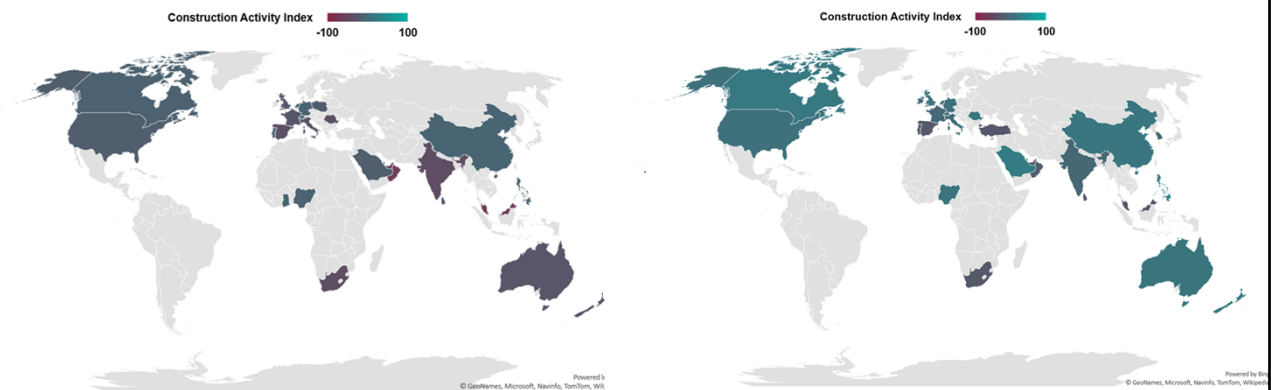
Change factors seen as holding back activity: Q2 to Q4 2020



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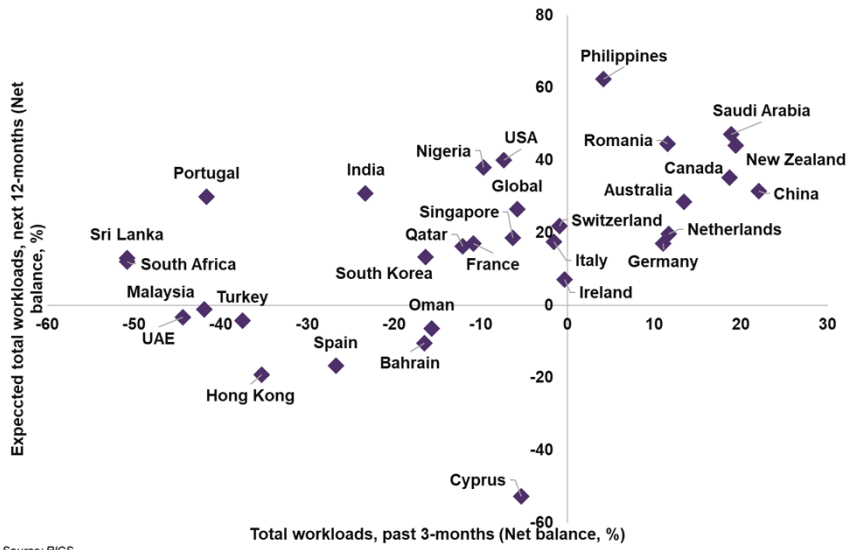
Construction Activity Index (Q2 2020) Construction Activity Index (Q4 2020)



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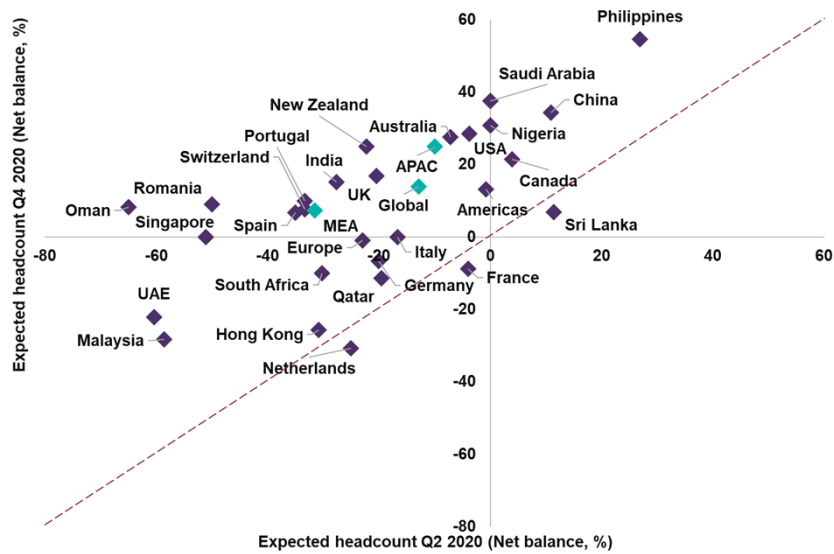
Current and expected workloads (Q4 2020)



Source: RICS

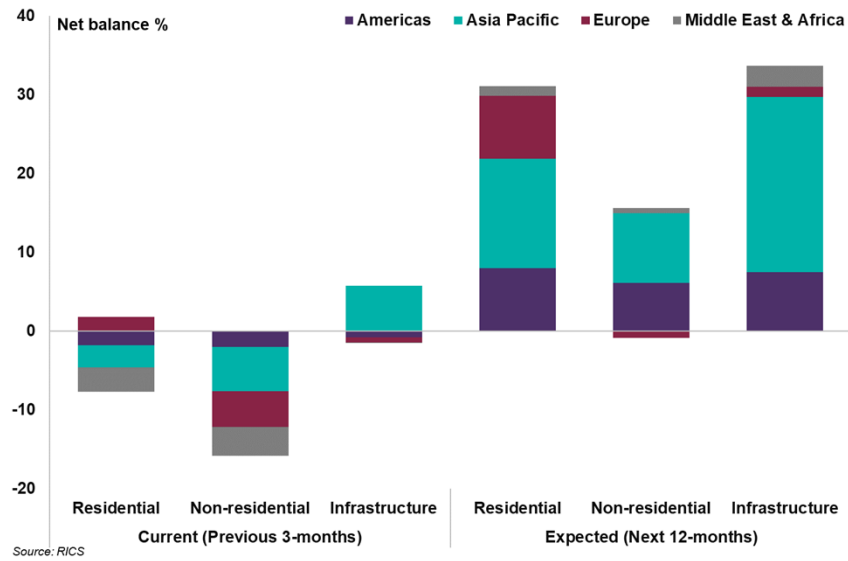
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Change in 12-month headcount expectations: Q2 to Q4 2020



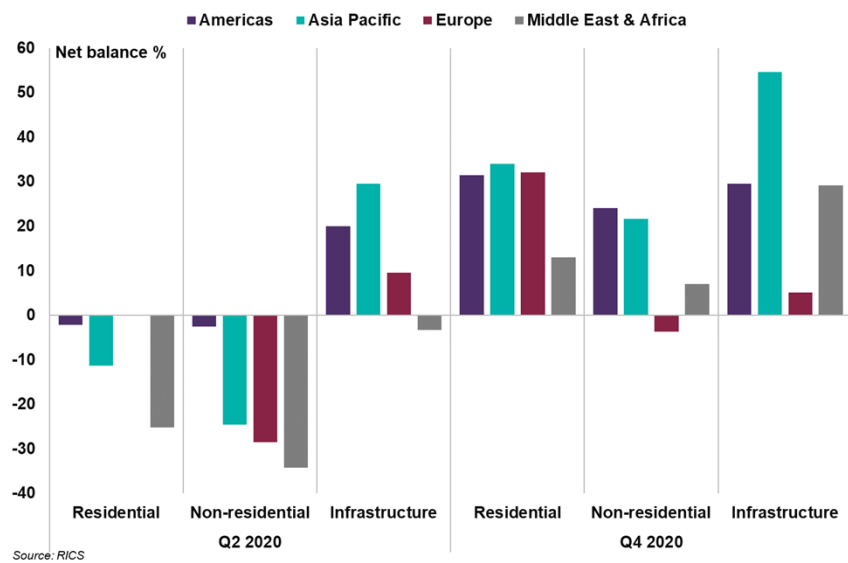
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Breakdown in current, expected workloads (Q4 2020)



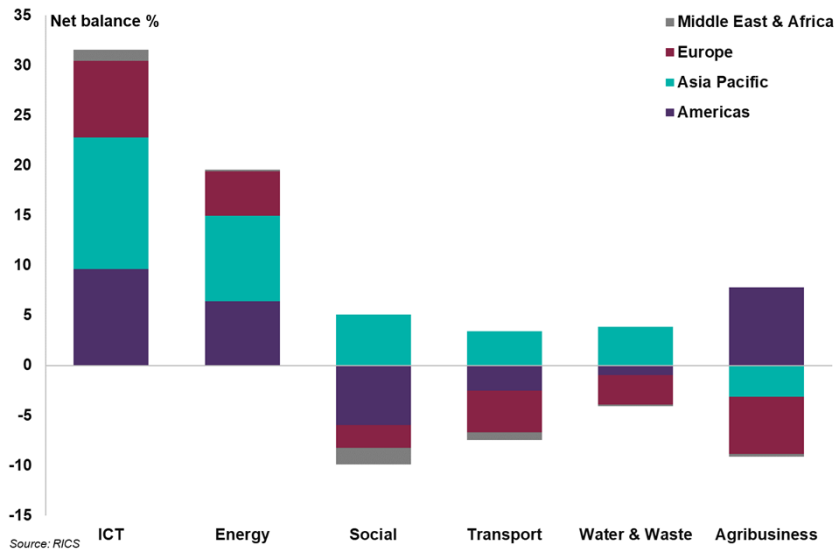
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Change in next 12-month expected workloads Q2 to Q4 2020



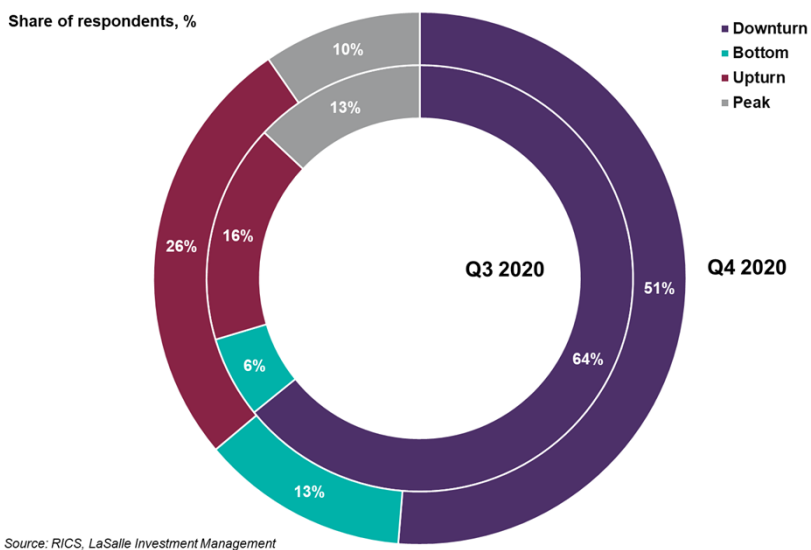
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Type of infrastructure workload by region



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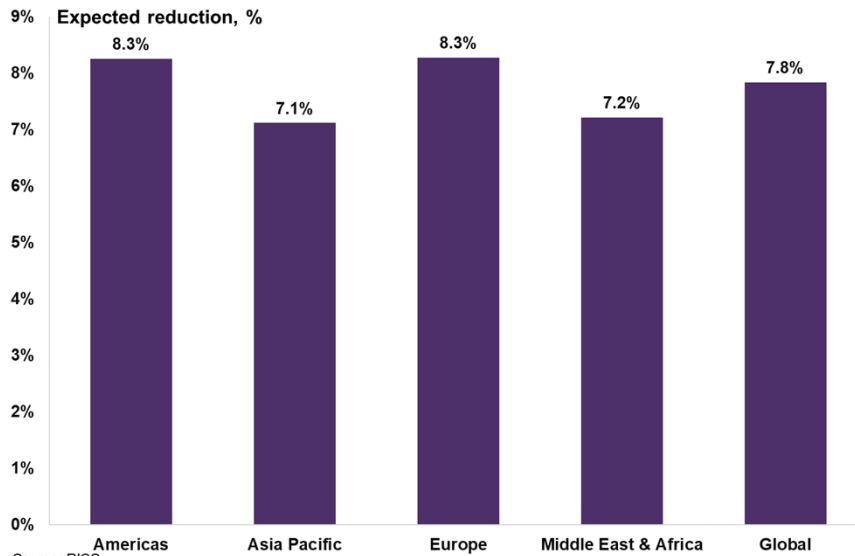
Respondents' perceptions on phase of the commercial property cycle



Source: RICS, LaSalle Investment Management

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Will businesses scale back office footprint over next 2 years?

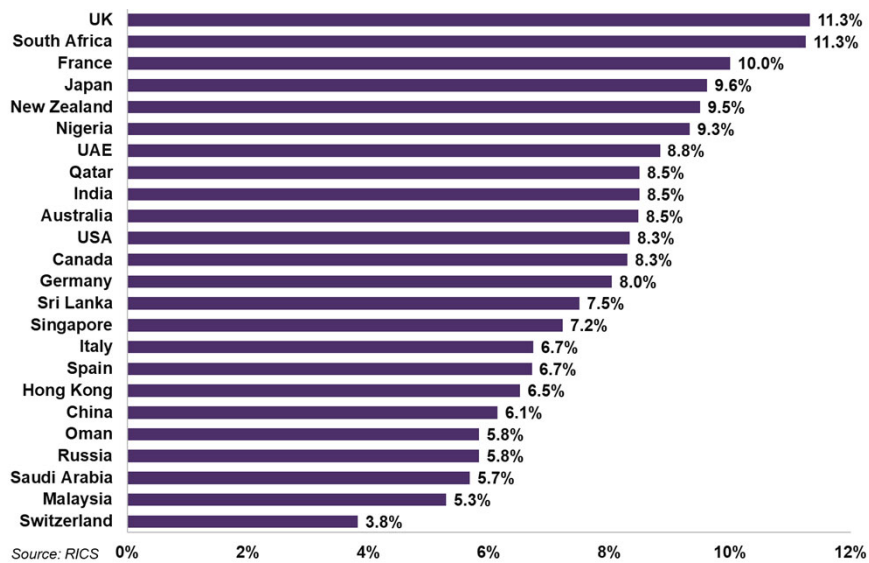


Source: RICS

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Will businesses scale back office footprint over next 2 years?

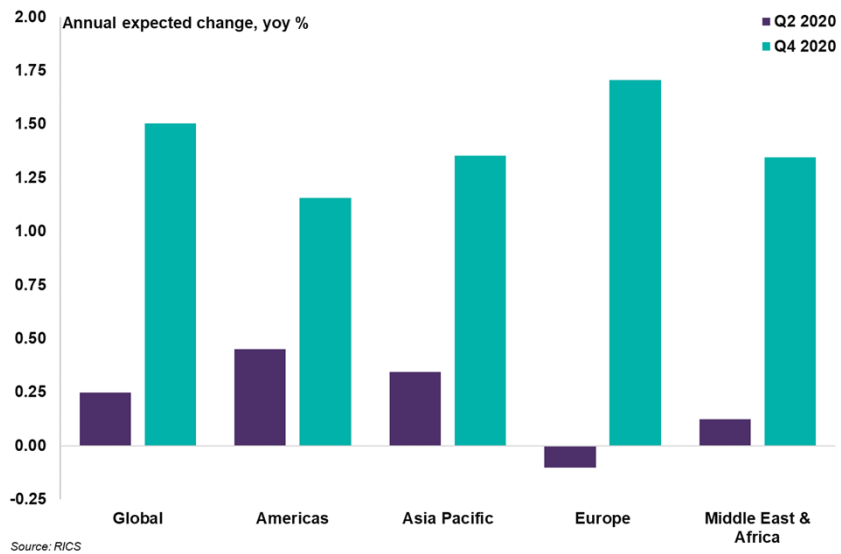


Source: RICS

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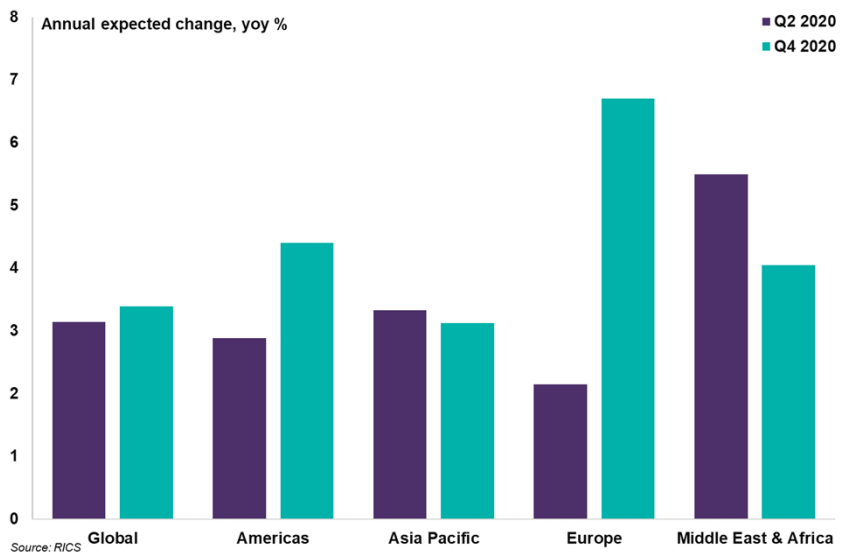
12-month expectations: tender prices



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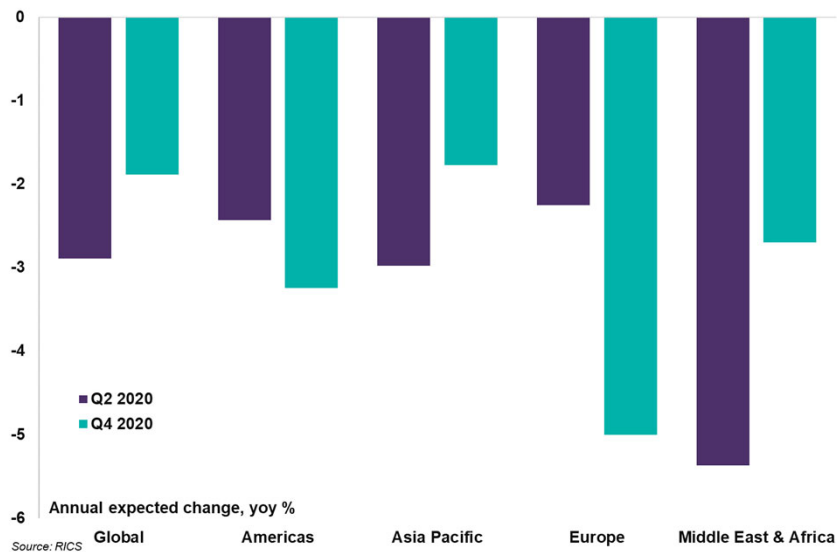
12-month expectations: construction costs



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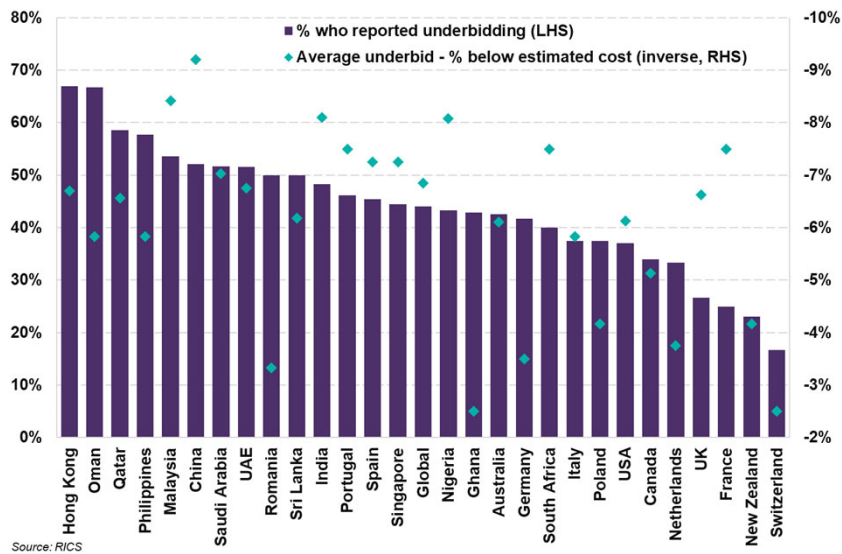
12-month expectations: difference between tenders & construction costs



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Share of respondents who reported underbidding (Q2 2020)



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