



REPORT

COVID-19: GLOBAL SURVEY

THE IMPACT ON THE CONSTRUCTION SECTOR ACROSS THE WORLD

JULY 2020 - ISSUE 4

RLB

Rider
Levett
Bucknall

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INTRODUCTION

This is the fourth edition of our global rolling survey, providing a monthly snapshot of the developing impact of COVID-19 on the built environment and including viewpoints from colleagues around the world on how their markets are evolving and coping with the unfolding pandemic.

In this issue, colleagues from 51 offices in 26 countries provide their responses to a series of structured questions designed to produce answers which can be analysed individually and collectively, to provide local insights as well as national and regional overviews.

The data for this survey was collected on 2 July 2020. Questions in the survey focus on both the general views on market wide issues, and on the specifics of sectoral effects. As a snapshot in time, this survey clearly captures locations in different stages of their national response to the outbreak of the virus, reflecting on local events at the point of data collection. As a result, some analyses are out of synchronisation, but that is simply a fact of COVID-19 life. The regionalised sectoral analysis helps to break through the comparability problem and provides localised comparison that can be interpreted for each region.

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, 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.

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HIGHLIGHTS



Relaxation
of lockdown

69%

of cities are reporting
relaxation of social lockdown.

Productivity

Almost **60%**

of respondents claim
the fall of productivity is
less than **20%**



Tender enquiries

35 out
of **51**

of our respondents reported
less than **30%** drop-off
of enquiries.



Best
performing
sectors



Data centres



Healthcare



Infrastructure

Government
response

57%

of respondents considered
the actions of their respective
governments as excellent or
critical to the industry recovery.



Least

affected
cities by
sectorally by
continent



DENVER AND HONOLULU

SHANGHAI

LONDON

STELLENBOSCH

YANGON

AMERICAS
CHINA
EUROPE & UK
MIDDLE EAST & AFRICA
OCEANIA & SOUTH ASIA

TUCSON

BEIJING

MOSCOW

PRETORIA

MELBOURNE



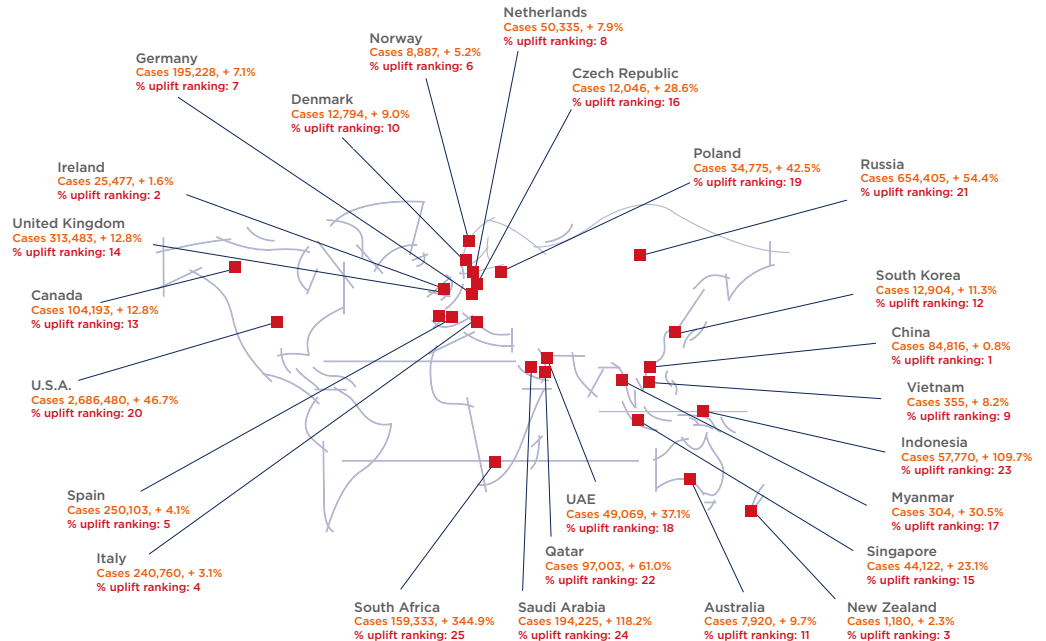
Most

affected
cities by
sectorally by
continent

GLOBAL SURVEY - ISSUE 4

The map of the world shown below indicates the countries across RLB offices that have contributed to Issue 4 of the survey. We have represented in orange the number of COVID-19 cases confirmed in each country as at 2 July 2020, and a percentage increase from the number of cases confirmed as at 3 June 2020.

Countries which have performed best, having the lowest proportion of new cases, show the lowest % uplift ranking figures. In this edition, China has uplift of only 0.8% new cases, so has a ranking of 1, but Australia and New Zealand have a higher uplift ranking than in June following flare-ups.



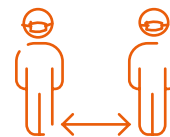
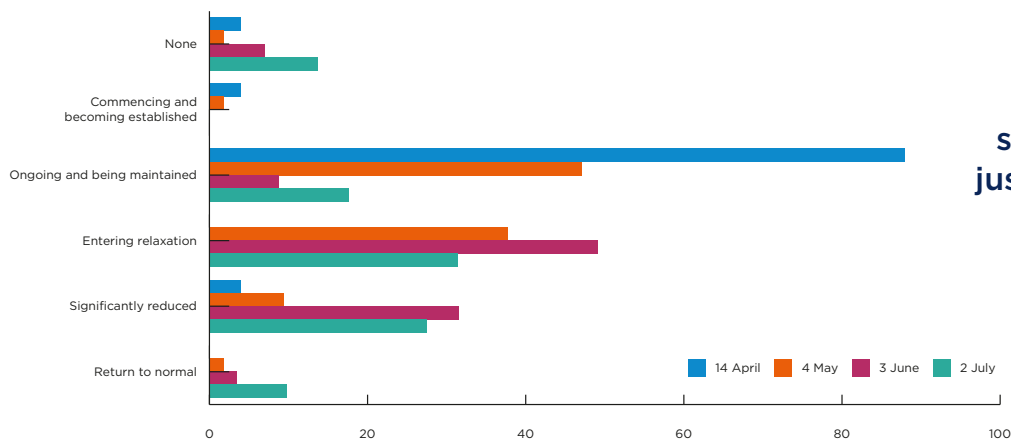
Source: RLB R&D, derived from: Hale, Thomas, Sam Webster, Anna Petherick, Toby Phillips, and Beatriz Kira (2020). Oxford COVID-19 Government Response Tracker, Blavatnik School of Government.

ANALYSIS

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

In our fourth survey the lockdown status reported across the world remains concentrated on the relaxation phase. Although it is evident that there is some way to go before all locations are free of all of lockdown measures with just less than 10% of colleagues reporting that conditions were back to 'normal'.

Almost 69% of our respondents are now of the view that they have at least entered the relaxation phase, as against over 84% in our third survey in June. Part of this change can be explained by the doubling of the percentage of locations reporting lockdown as being maintained.

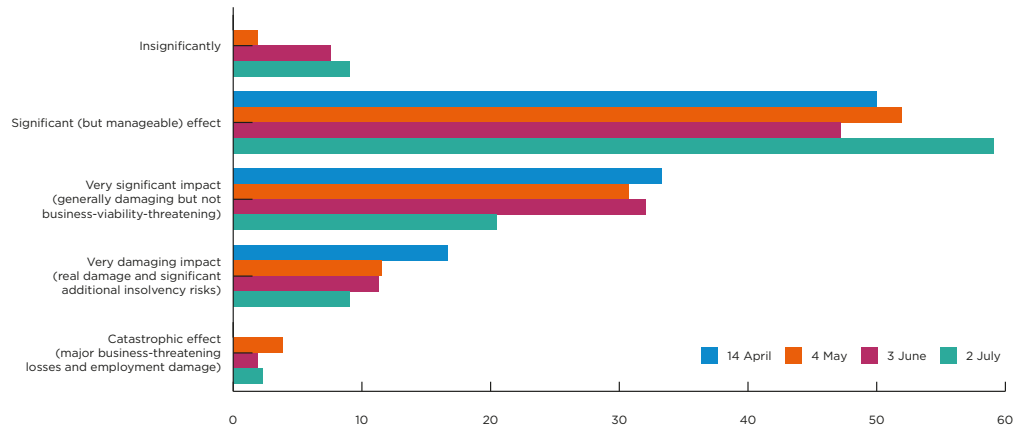


“The construction industry has not been subjected to lockdown, just required to maintain social distance of 2m and then 1m”

Copenhagen, Denmark

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

The latest edition of our global survey shows the effects of lockdown are becoming clearer now, with over 59% of respondents reporting significant but manageable impacts. However, almost a third of respondents recorded more damaging effects.



“We continue to see very damaging impacts of social lockdown, with numerous business closing or entering business rescue process”

Stellenbosch, South Africa

Percentage of responses

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

Comments we received in relation to the lockdown's effects across various countries at the start of July include the following:

Mainland Europe – Amsterdam, **The Netherlands**, stated that the first quarterly financial reports are showing some negative effects for contractors. In Copenhagen, **Denmark**, in common with many places, construction sites have remained open with measures in place however, work has been impacted by public offices and authorities being in lockdown, which has slowed the release of permits, etc. In Milan, as **Italy** returns to normal, the aftermath of the lockdown appears to be less drastic than in previous months. However, business is far from normal. Most activity is focused on backlog rather than future work and many investors are maintaining a wait-and-see attitude. Similarly, in Oslo, **Norway**, our respondents stated that projects underway will largely be finished this year but after that orders are in decline. In Moscow, **Russia**, it was reported that construction was not impacted as much as other sectors, such as tourism, however, the negative effect of both quarantine measures and the weak economy

remains. In Prague, **Czech Republic**, the view is that only those dependent on material deliveries from the most affected countries are facing difficulties.

Middle East – In Riyadh, **Kingdom of Saudi Arabia**, lockdown has been removed but the borders remain closed. This continues to cause issues for both the workforce and supply of materials. In Dubai (**UAE**) construction has continued throughout but day to day measures are slowing productivity.

South Africa – Colleagues in Stellenbosch continue to report the very damaging impact of social lockdown, with numerous businesses either closing down permanently or entering a business rescue process.

Asia – In Shanghai, People's Republic of **China**, the impact has been short lived and construction activities have resumed. In **Singapore**, although activity has been allowed to resume, it is reported that safety measures, coupled with the slow recovery of the disrupted supply chain, will result in protracted delays. In Jakarta, **Indonesia**, as with the last survey, construction activity is ongoing albeit at a slow pace, due to lack of materials and labour and in Yangon, **Myanmar** it was reported that as export is limited the slowdown has had no immediate real impact.

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

Oceania - In Melbourne, **Australia**, construction continues to be deemed an essential service and contractors have come to grips with implementing social distancing. However, pre-contract activity has slowed, with a drop in projects going out to tender, and design activity amongst consultants also slowing significantly. The Gold Coast also reported delay of significant projects from commencement and projects stagnating at planning stages.

UK - Our survey responses from Birmingham, London and Manchester reported ongoing activity with some productivity challenges. In London our respondent stated that it remains to be seen how deeply smaller supply chain members may be impacted and whether there could be a significant increase in business failures. In Birmingham it is expected that increased insolvency risk may be some months off, with COVID-19 impacted delays working their way through contracts and any new projects seeing increasing competition. In Manchester it was noted that future projects may suffer significant delays, with developers and funders pausing while they get a better view of economic outlook.

USA (including the Caribbean) - There is understandably a mixed picture across the region. In Washington DC, activities are reported to be back to normal following delays only during the first couple of months. In Las Vegas our respondents commented that most major union work has progressed. In Waikoloa, Hawaii, it was recorded that multiple projects were cancelled or postponed, while in Castries, St Lucia lack of regional travel is said to be impacting projects.

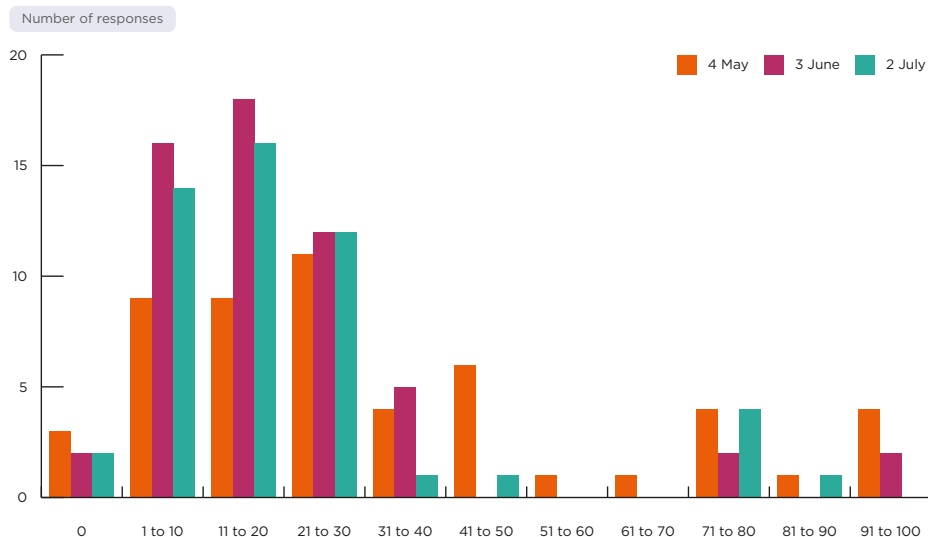
“We continue to see very damaging impacts of social lockdown, with numerous businesses closing or entering businesses rescue process”



Stellenbosch, South Africa

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

In this Survey, 44 of the 51 respondents recorded losses in site productivity of 30% or less, slightly fewer than the 93% who held that view in June.



“Construction sites are open but subject to lower levels of productivity as we estimate 70% construction productivity”

London, UK

As part of Issue 2, 3 and 4 of our surveys, we asked a question on productivity to gain a better understanding of how COVID-19 has affected on-site construction operations.

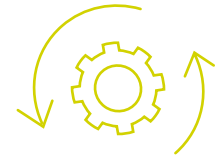
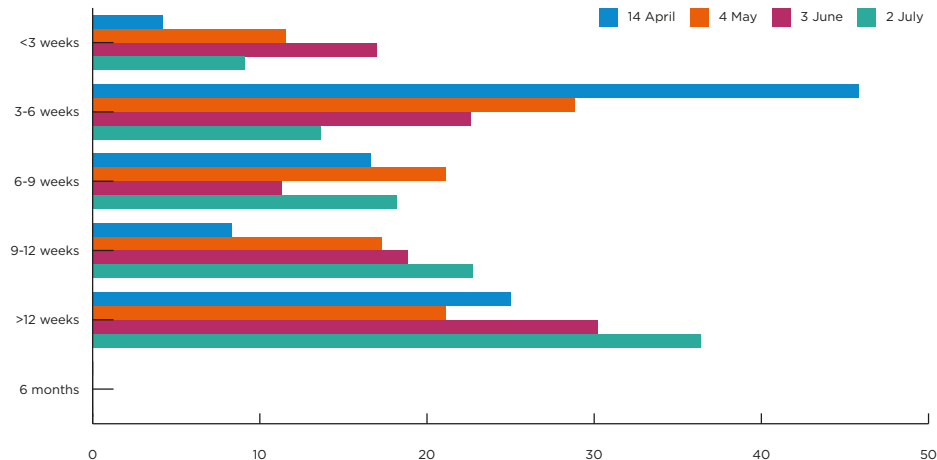
Expressed in groupings of 10%

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

The data from the July survey shows that 36% of respondents estimate the timeframe for total lockdown to be removed to be firming up on a period in excess of 12 weeks.

Given that our surveys are now a month apart that represents a considerable change in view. In our first survey in April,

almost 46% forecast that total lockdown would last between three to six weeks. As time has passed, respondents' forecast period until removal of social lockdown has lengthened. However, no one reported a projected lockdown of six months or above.



“Beijing is expected to completely remove lockdown restrictions in one or two months as no new cases have been reported recently”

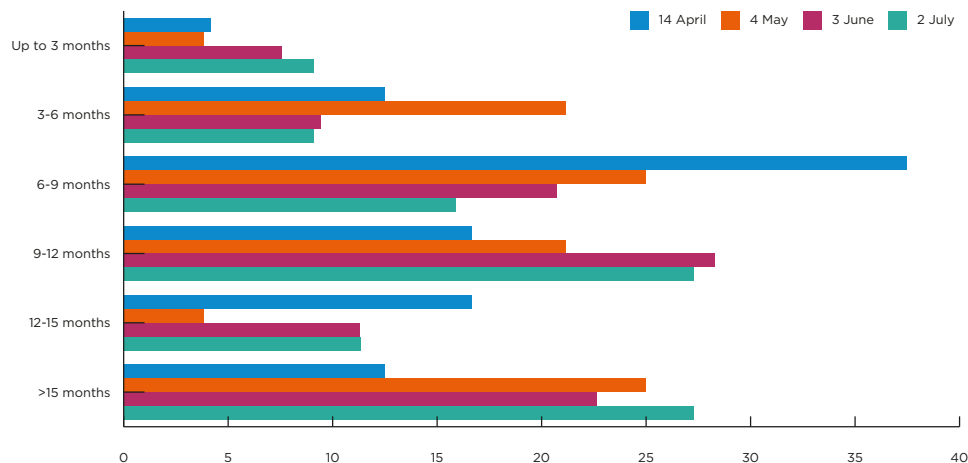
**Beijing, People's
Republic of China**

Percentage of responses

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

The recovery phase is still viewed as being lengthy, with over two thirds of respondents foreseeing a period of at least nine months required for things to return to normal in their local market.

However, as reported in our previous survey, the reasons behind the period for each location are a combination of inter-related circumstances and assumptions about the level and speed of suppression of the virus.



“Business is far from normal, with most activity concentrating on backlog and little activity looking into the future”



Milan, Italy

Percentage of responses

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

Specific comments which show the range of different factors affecting local markets included:

Asia - In Jakarta, **Indonesia**, our colleagues commented that many developers are still waiting to see how the economy responds in the next six months. In Beijing, People's Republic of **China**, our respondent reported that there are still fears of contagion and the local market will not rebound until the fourth quarter of this year.

Mainland Europe - In Copenhagen, **Denmark** the view is that public investment in housing, infrastructure and refurbishment has resulted in increased activity. Conversely, the impact on tourism means that hotel projects will take much longer to recover. Our respondent from Moscow, **Russia**, reported they foresaw recovery taking quite a long period of time.

Oceania - Comments from the Australia's Gold Coast stated that as the market is heavily reliant on tourism and hospitality, underpinned by international visitors and students, based on current forecasts it is likely to take 2-3 years to return to pre-covid levels. Similarly, in Melbourne, with lockdown in place and the possibility of international borders remaining closed in 2020, it was reported that recovery will not be swift.

South Africa - As reported in previous issues, our respondents from Stellenbosch stated that they were not only dealing with a pandemic, but also with a struggling industry and it will certainly take some months, if not years, to fully recover..

UK - The UK government has announced some significant spending plans, many targeted at construction, to drive the economy. Our survey respondents in Birmingham, London and Manchester also stated that a full recovery is expected to take a long period of time, with a comment from Manchester that with potential delays to new projects until the economic outlook improves, local market recovery could be many months away.

USA (including the Caribbean) - Our respondent in Washington DC reported that the market should recover quickly, and they were already seeing signs of recovery. However, as with our last survey, in Waikoloa, Hawaii, the impact on the hospitality and tourism sector is having a long-term effect. Clients' revenue streams have been severely impacted and therefore the level of investment into facilities has declined.

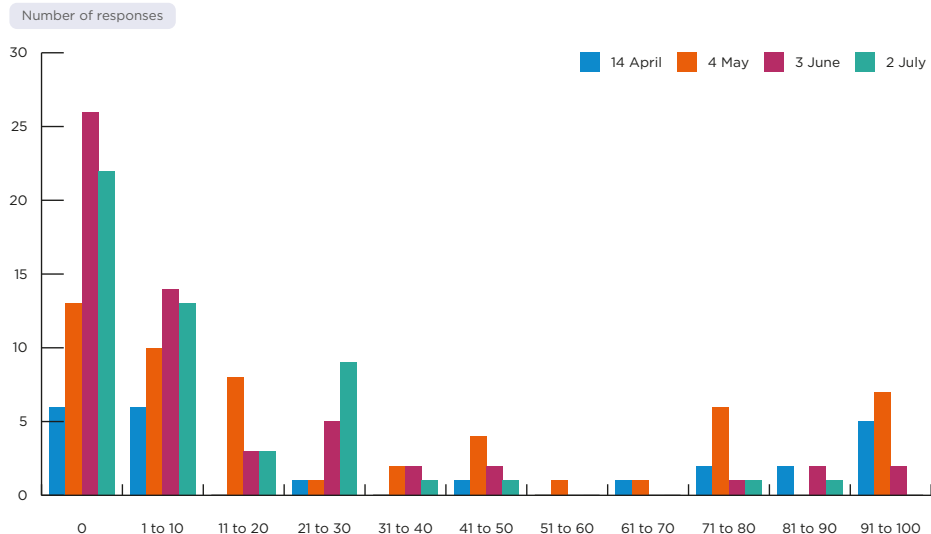
6. WHAT PERCENTAGE OF CONSTRUCTION SITES ARE CURRENTLY CLOSED?

In this survey, figures for the percentages of sites that are closed are a near match for our previous survey results reported in June.

Many sites are now open, and the majority of responses were at the lower end of the range groupings i.e. reporting less

than 10% of sites being closed. However, there are of course reported instances of sites opening or re-opening, only to be closed for a deep clean on the discovery of suspected or actual COVID-19 cases.

As a result, this measure is pretty fluid, and will be affected as well by any general re-entering of lockdowns following localised outbreaks in the wider population.



“Construction has continued throughout the lockdown but changes in the day to day work have had an impact”

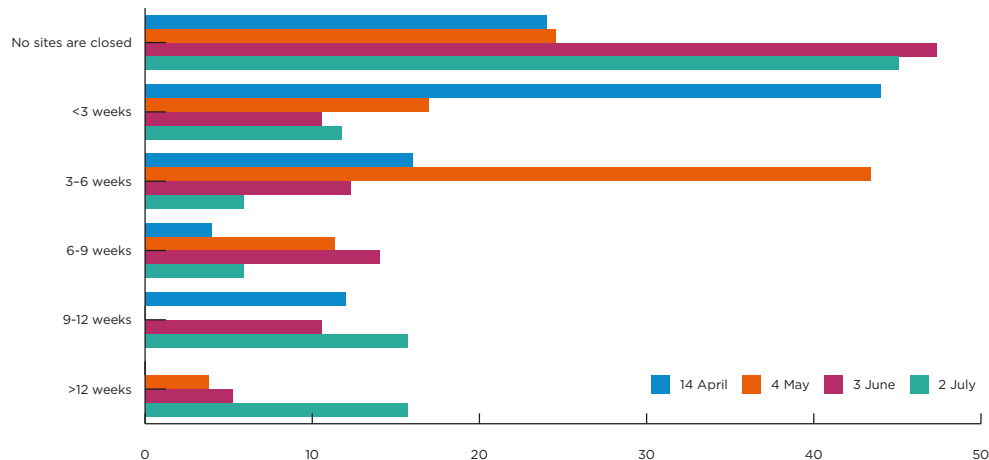
Dubai, UAE

Expressed in groupings of 10%

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

It is clear from the responses to this question in our latest survey that many sites are now open.

However, where sites have remained closed for a long period of time, almost one third of these sites have been dormant for in excess of nine weeks.



Percentage of responses

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

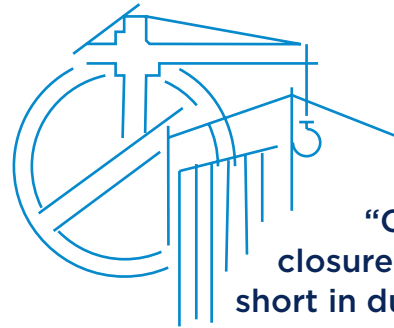
Commentary from across the regions included:

Asia – In Jakarta, **Indonesia** our respondent stated, in line with previous surveys, that the sites that have been closed are as a result of client instruction. In Chengdu, People's Republic of **China**, only a few sites were closed in the period from February to April due to labour shortage. Most of them have now reopened.

South Africa - In Pretoria, sites are open unless there is a positive case on site. Prior to 1 June all commercial construction sites were closed and the only sites that remained open were government infrastructure projects.

USA (including the Caribbean) - The comment from Washington DC around site closures referenced that once a crew is infected with COVID-19, they must quarantine for at least two weeks before being able to return to the job site.

UK - Colleagues in Birmingham, London and Manchester all reported that many site closures were relatively short in duration and re-opened prior to the more general widespread lockdown relaxation.



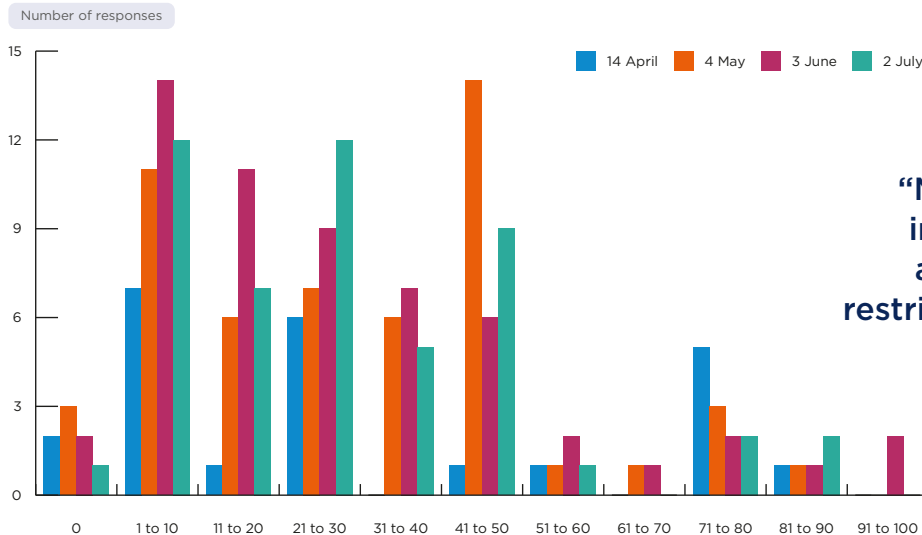
“Construction site closures were relatively short in duration and sites reopened prior to the lockdown relaxation”

Birmingham, UK

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

As would be expected, there is worldwide consensus that projects have been put on hold at pre-construction stage. Although the percentage of projects that have been put on

hold appears to be lessening on a month by month basis, the general overview is that clients, developers and funders are waiting to see the resulting impact of COVID-19 on the market and believe that they might see an increase in delays in the future.



“Most larger projects have an international design element and are tourism based. With restricted travel these have been slowed or suspended”

Castries, St Lucia

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

July's report demonstrates that there are wide disparities in global markets in respect of the holding-up of projects at pre-contract stage, although over 90% of responses indicate that not more than half of projects are being held.

Comments we received in relation to projects being put on hold at pre-construction stage included:

Asia – In Asia, slowdown of the construction sector seems to be taking place, with Jakarta, **Indonesia**, claiming that many are waiting to see how the market fares post the pandemic before commitment to projects and **Singapore** reporting that the percentage of those on hold at pre-construction includes definite and indefinite postponement. Yangon in **Myanmar** commented that although there are no specific instructions to hold projects due to pandemic, they are definitely experiencing a slowdown.

Oceania – As in last month's survey, the Australian respondents reported a lack of confidence that they believe will lead to further delays on projects, with Sydney predicting

an increase in the number of projects being halted next quarter. The Gold Coast supported this view, commenting that the economic uncertainty caused by COVID-19 has led to a cautious approach by developers in progressing with projects to market.

Mainland Europe & Ireland – In mainland Europe, projects being put on hold at pre-construction stage seem to vary by sector and project size. Copenhagen, in **Denmark**, seems optimistic, claiming that other projects have emerged to replace those on hold. In Dublin, **Ireland**, projects are being renegotiated pre-site, in some cases, due to reduced rental expectations.

South Africa – Whereas Cape Town reported little impact on business in June, Pretoria and Stellenbosch have both commented, in the July survey, that commercial projects are being put on hold with the majority of developers being extremely risk averse at the moment.

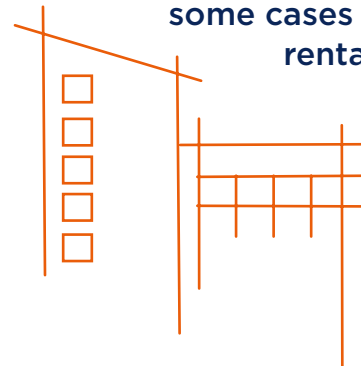
USA (including the Caribbean) –The USA seems to be divided in their opinions, often based on each city's dependency on tourism. Not surprisingly those that were tourist-based, such as Waikoloa and Honolulu in Hawaii, talked of clients not foreseeing capital investment into their properties for another

12-24 months. Likewise, in Castries, St Lucia, another tourist hotspot, the restricted travel and impact on tourism has meant that most larger projects have been slowed or suspended.

However, mainland USA cities such as New York and Washington DC seem to be less impacted with reports that many projects seem to be getting back on track.

UK – The UK continues to be less impacted with feedback that it is yet to see the real effect of project suspensions. Birmingham, like other cities in Europe commented that project hold-ups vary significantly by sector, with non-food retail and hospitality and leisure sectors still particularly adversely affected. Further north, in Manchester, the feeling is that a significant number of the region's projects have been put on hold, across multiple market sectors.

"Projects are being renegotiated pre-site in some cases due to reduced rental expectations"

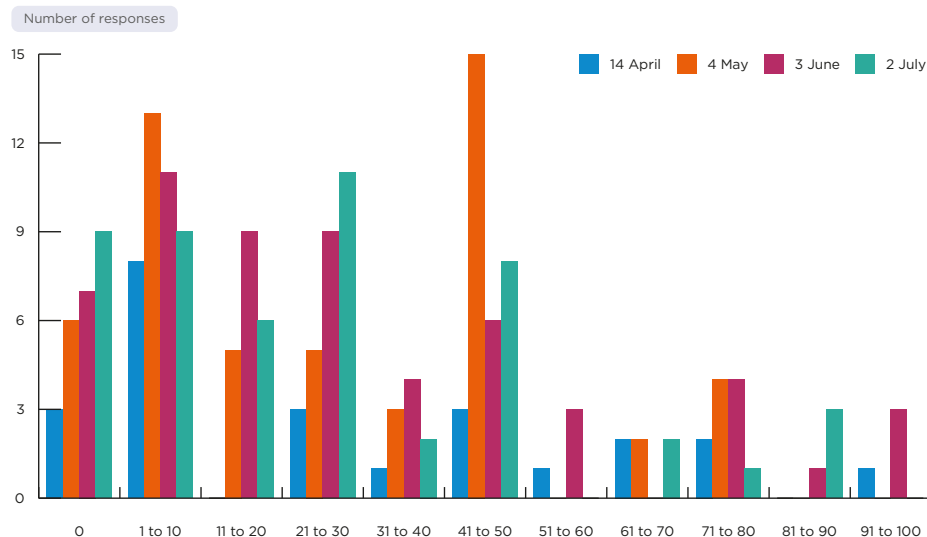


Dublin, Ireland

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

Drop-off of enquiries appears to have been further consolidated in July, with almost 69% reporting less than 30% drop-off.

The wide variability on display depicts varied conditions in respondents' markets, and emphasises the broad reach of the effects of the pandemic. However, it is worthy of mention that almost 18% of responses stated that there had been no drop-off at all.



"Projects seem to be getting back on track"

Washington DC, USA

Expressed in groupings of 10%

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

Commentary from RLB offices around drop-off in number of tender enquiries included:

Asia – Asia seems to be one of the few continents where the impact of the pandemic on tender enquiries isn't as great.

Singapore reported that its government is still rolling out enquiries for public projects.

Mainland Europe – In Amsterdam, **The Netherlands**, tender enquiries have been maintained at the same levels as would normally have been expected, despite the virus.

Middle East - Colleagues in Riyadh, **KSA**, commented that they are experiencing higher than usual levels of bidding activity, although closures and subsequent contracts are more sparse.

South Africa - In South Africa, where they had expressed a “damage control mode” in the last few surveys, the feeling was that enquiries had been impacted, with Pretoria saying that enquiries had dropped dramatically, particularly in the Gauteng region.

USA (including the Caribbean) – Both Castries in Saint Lucia and Honolulu in Hawaii remain positive in terms of tender enquiries, with both reporting an increase of enquiries in July compared to the last few months.

UK - In the UK, enquiries and tenders still seem to be progressing although Birmingham commented that in many instances projects are smaller and/or part of previous enquiries/instructions. Meanwhile, Manchester reported that a number of projects in both the public and private sectors have not come forward due to the pandemic.



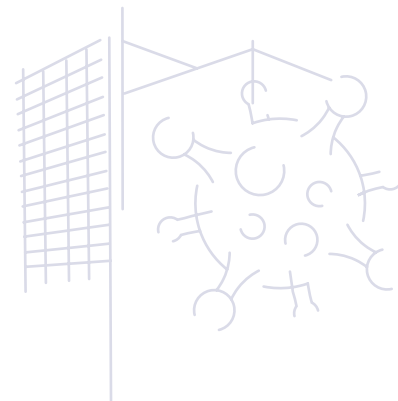
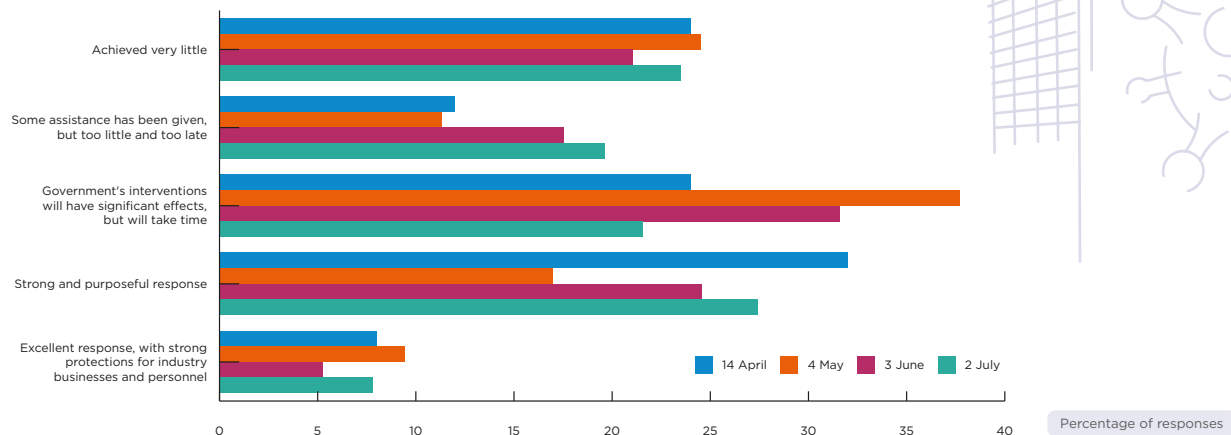
"We are still receiving enquiries during this period"

Yangon, Myanmar

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

Views on the effectiveness of governments' interventions appear to have polarised somewhat. Nearly 40% of those responding reported that they felt their government support had achieved little or was 'too little, too late' and at the other end of the spectrum 35% claiming a 'strong' or 'excellent'

response from their government. This may be an effect of growing awareness of the real impacts and efficacy of measures, and is a change from last month, where there was more of a feeling that government intervention would have an impact but would take time.



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

Comments we received regarding sentiment about governmental invention in relation to COVID-19 included:

Mainland Europe - In Amsterdam, **The Netherlands**, they reported a strong financial position, although felt that the next phase might be more painful, as financial support will shrink and they will see more effects on the economy.

Oceania - In June, **New Zealand**, had announced subsidies to promote construction although in July Auckland commented that these and deferred loan payments would soon come to an end. Over in Melbourne, **Australia**, they also reported the introduction of stimulus packages as well as fast tracking of 'shovel ready' projects but these will partly offset the many large projects finishing by the end of September and the fear is that without more commencements, business will suffer and unemployment will rise.

USA - Hawaii reported that stimulus funds were granted to help shore up small and large businesses, which was a departure from June's commentary where they reported that government activity was lacking.

South Africa - In Cape Town there were reports of aid being promised, for example in infrastructure investment, but it was noted that to date this support has not come to fruition.

UK - In the UK, there was a definite feeling of recovery planning from the government, with Birmingham expressing an expectation that certain sectors would be supported through government funding. This was echoed in Manchester's commentary that the UK Government's Job Retention scheme has significantly helped and that the UK government had recently announced it intends to aid recovery with its Build, Build, Build strategy.

"The Dutch financial position is strong. However, the next phase might be more painful as financial support will shrink and we will see a greater impact on the economy"



Amsterdam, The Netherlands

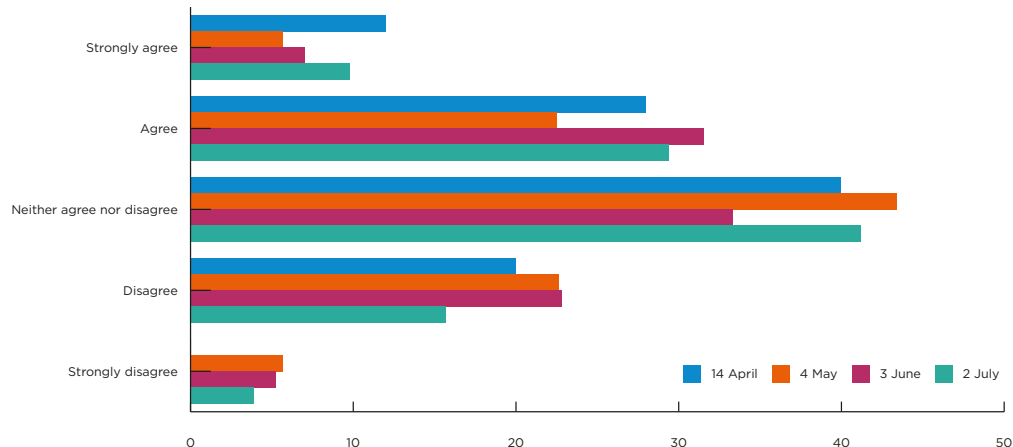
11. WILL THE AFTERMATH OF THE PANDEMIC INCLUDE RELAXED PLANNING CONSTRAINTS AS A STIMULUS TO SPEEDY RESUMPTION OF ACTIVE DEVELOPMENT?

While there is over 39% support for the notion of planning relaxation – a similar figure to that of June’s survey – there are also growing levels of awareness of the difficulties of the implementation of such measures, as is exemplified in cities’ comments.



“Planning approval of some large-scale public works, such as housing projects, is accelerating the economy”

Macau, People’s Republic of China



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

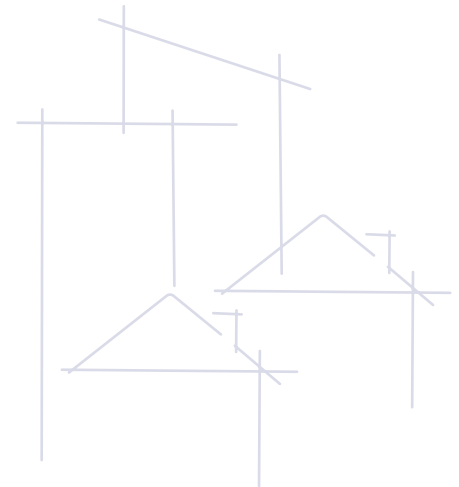
Comments we received regarding whether relaxed planning constraints would be implemented to stimulate recovery included:

Asia – In Indonesia, **Jakarta**, the comments were similar to June's survey and there are still no plans to change the current planning regulations. In Shanghai, People's Republic of **China**, our respondents expect that the planning approval process will probably be accelerated.

Oceania -In Auckland, **New Zealand**, planning relaxation is already in place but across the Tasman in Melbourne, **Australia**, there is no indication from the state government that there are any changes in the pipeline although the feeling is that there might be some improvements in the process and the time taken to gain planning in the near future. This is echoed in Sydney, **Australia**, where they believe that relaxation of the planning process would assist recovery though government action isn't forthcoming yet.

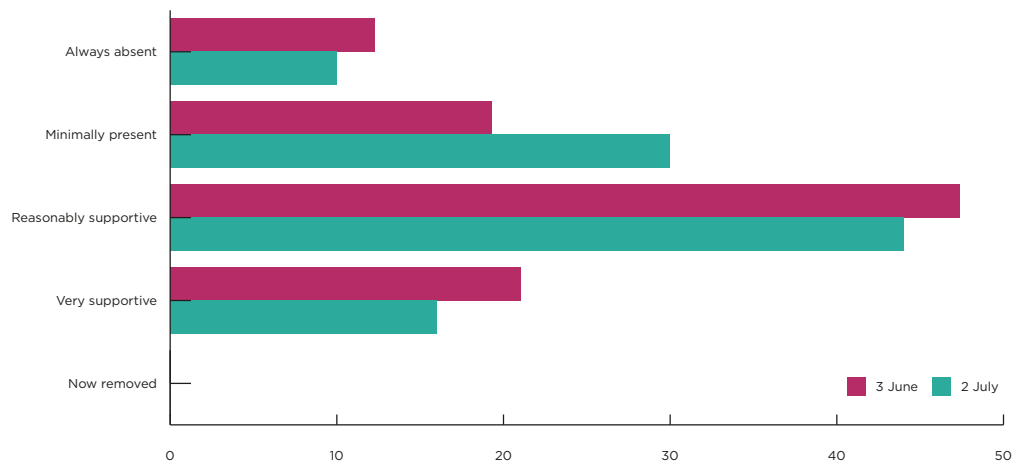
South Africa – There is little change in the situation in South Africa with Cape Town, Pretoria and Stellenbosch all commenting that relaxations of planning constraints would assist the construction sector, but reporting that there is no talk to date of any changes to the planning process.

UK – In the UK, some immediate and longer-term initiatives have been announced for planning, but the consensus is that those that are significant will take a while to implement and would require an overhaul of the bureaucratic planning process.



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

In terms of larger organisations, respondents are now reporting a slightly more positive sense of governmental support, although there seems to be a greater weight of evidence that the support has been fairly nominal, with 30% of respondents quoting minimal financial support.



July's survey included an update of responses to four questions regarding government support to different sizes of construction entities.



“The government is still rolling out enquiries for public projects”

Republic of Singapore

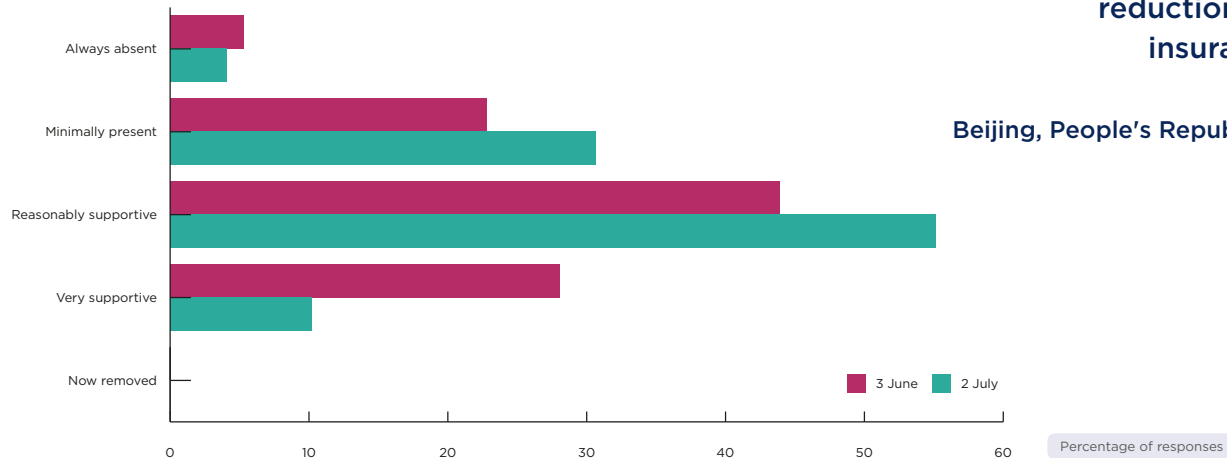
13. WHAT HAS BEEN THE EXTENT OF GOVERNMENT SUPPORT TO SMALL AND MEDIUM-SIZED ENTERPRISES (SMEs)?

Opinions on support for SMEs appear to have improved, with almost 86% now reporting minimal or reasonable support as compared to 72% in June's survey.



"Beijing has provided a three-month tax break to small and mid-size enterprises. The city also announced rent cuts, business subsidies and reduction of social insurance fees"

Beijing, People's Republic of China



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

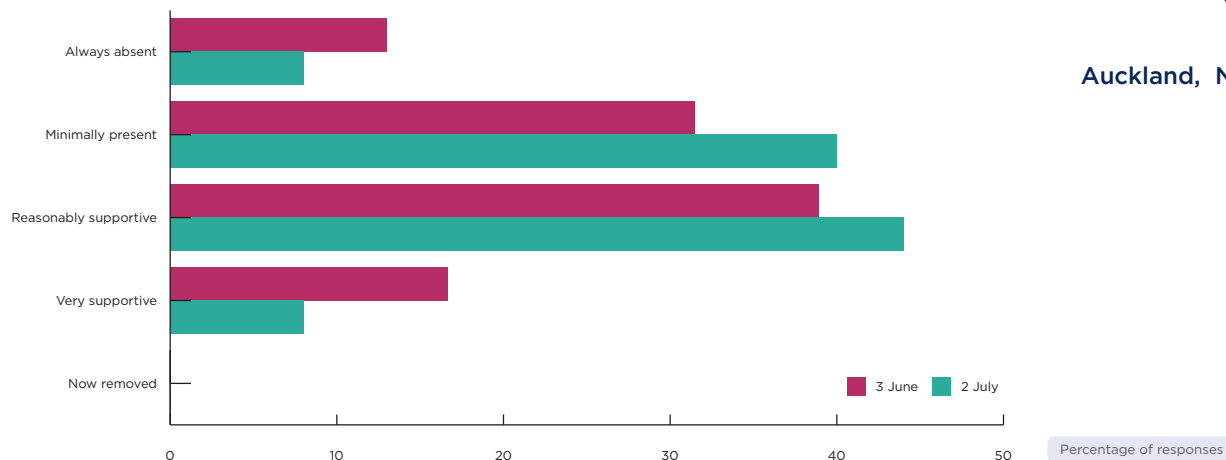
For the self-employed, there is a winding back of the belief that governmental support has been 'very supportive'.

However, the more central positions in this analysis have grown. This suggests that, while there is support, there are areas of deficiency that are recognised by the respondents.



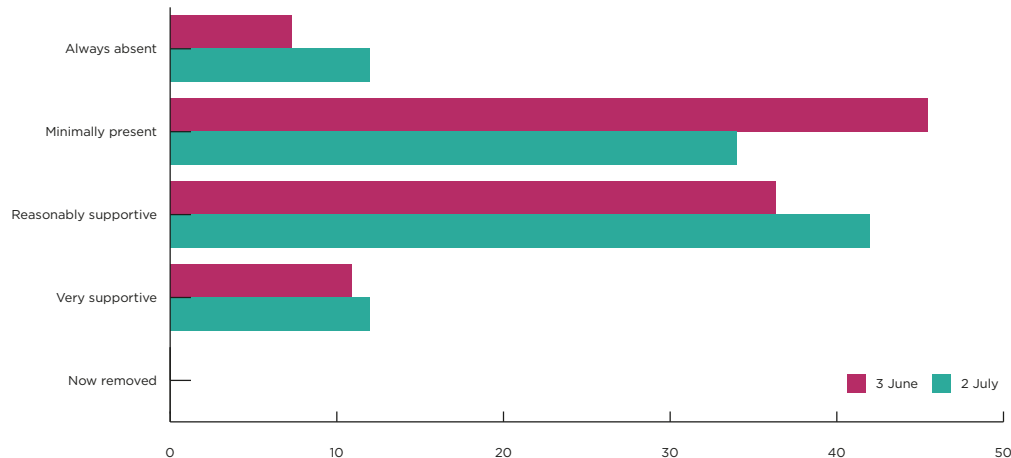
"Wage subsidies and deferred loan payments have helped but these will come to an end soon"

Auckland, New Zealand



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

In relation to direct support to industry sectors, the respondents' views appear to be moving toward the position of there being reasonably supportive responses from government, with over half now stating that in their view the response has been at least reasonably supportive.



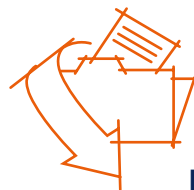
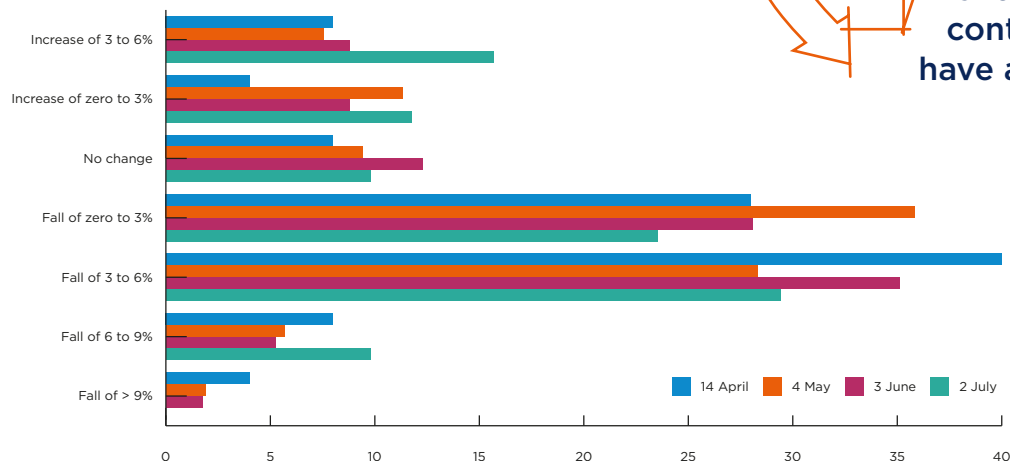
"Policy is expected to shift towards individual sectors as the government looks at recovery planning"

Birmingham, UK

16. HOW WILL TENDER PRICES BE AFFECTED FOR THE OVERALL YEAR 2020?

There is a broad spectrum of opinion as to the effect of the pandemic on tender prices, as would be expected with the diverse circumstances of the various locations. Over 27% now foresee tender prices increasing, as against almost 63% who hold the view that there will be a fall. In June's report, only

17.5% of respondents expected to see an increase in tender prices, so the current survey represents a significant firming-up of that view. At the other end of the scale, lesser falls now have a reduced following, but the percentage of respondents foreseeing a fall of 6-9% has almost doubled.



“There may be a shortfall in workload for contractors, which could have a negative impact on tender prices”

Manchester, UK

16. HOW WILL TENDER PRICES BE AFFECTED FOR THE OVERALL YEAR 2020?

Commentary in relation to how tender prices will be affected in 2020 included:

Asia – Singapore, one of the first countries to be hit by COVID-19, felt that their tender price index may flatten slightly if the government assists in bearing the costs of mandated health obligations imposed on sites, instead of these costs being passed on to contractors and developers.

Oceania - In **Australia**, Melbourne has amended its tender price forecast to show a further 2% increase over its previous forecast, mainly due to labour and wage increases which are estimated at 3-5%. However, they commented that for certain projects where the client is financially stable, tenders will be very competitive and may see little increase in escalation as some contractors will be keen to secure a pipeline of work into 2021.

Mainland Europe - Moscow, **Russia**, noted that on the one hand the increased competition should dictate a decrease in prices, but that this was countered by a number of other objective factors that would lead to an increase in prices.

South Africa - Where currency fluctuation was mentioned in Cape Town in June's report, this feeling is echoed in July with Pretoria commenting that the GDP outlook for the balance of the year is expected to shrink by another 3-4% with a slowing of the economy. Cape Town reported "desperation offset by higher import costs" and Stellenbosch commented that the tendering market was highly competitive, which could result in contractors "buying projects" just to break even.

USA - In mainland USA, the general feeling is that there will be less productivity on site, with New York reporting downtime for backlog and safety precautions which will increase costs. However, in Washington DC the feeling is that less demand will see pricing coming down. Over in Hawaii, Waikoloa reports a saturated market with labour arriving from outer islands for larger developments.

UK - Birmingham and Manchester in the UK commented that the shortfall in workload and increased competition, even with planned government spending, could result in a negative impact on tender prices. This could be compounded at a regional level with concerns about the pipeline of projects.

SECTOR ANALYSIS

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

As reported in Issue 3, individual sectors differ widely in different countries, dependent on whether lockdown restrictions have been eased or are still being stringently applied.

Our overall sectoral analysis shows health, hospitality & leisure still leading the field of sectors worst impacted by the effects of the pandemic across the world, which is consistent with previous editions of our surveys.

Similarly, commercial and retail do not fare well overall. Although residential does show negative effects, the fact that many governments will look to promote new residential projects as a relatively speedy way to force activity into the economy may bode well.

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).



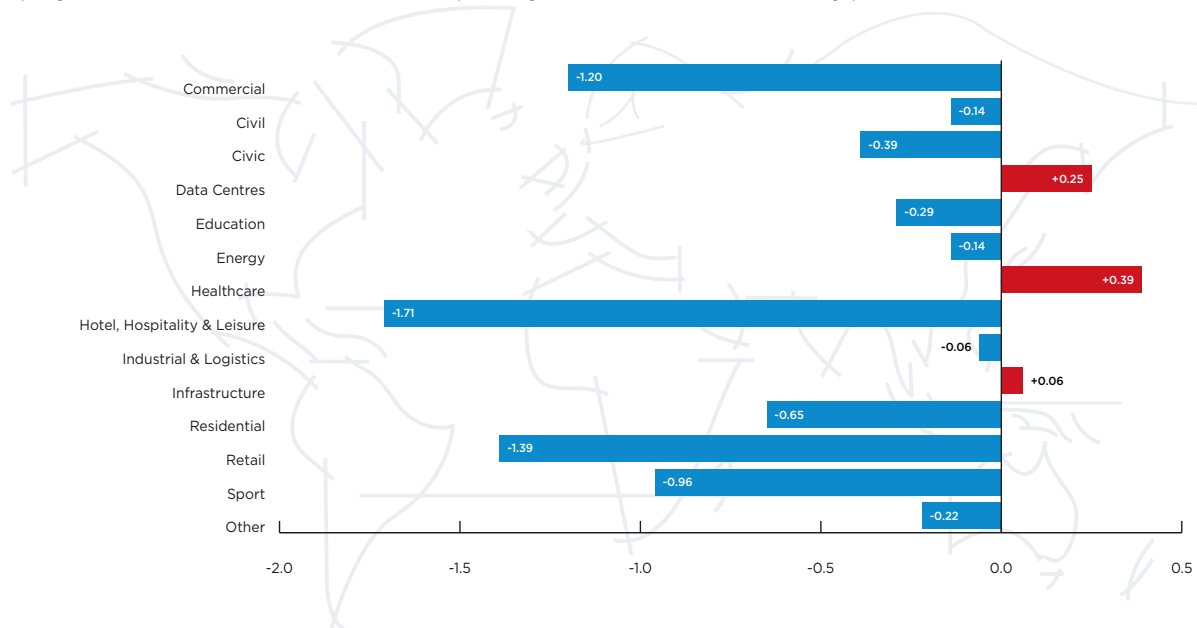
Double width bars indicate major positive or major negative effects in a particular sector (value +2 or -2).

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

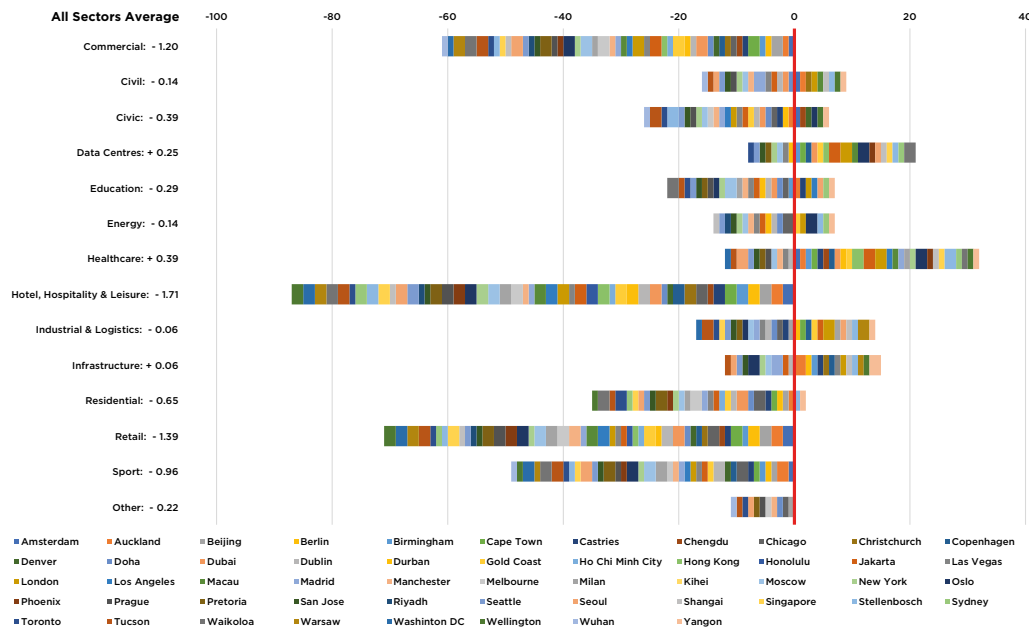
The following chart shows the global average for each sector, a broad descriptor of the impact of COVID-19 on particular sectors, over the range of the cities included in the RLB survey.

Unsurprisingly, the healthcare and data centres sectors continue to show positive effects, but much will depend not only on the re-shaping of life after COVID-19, but on the shape, length and extent of the recovery phase.



SECTOR ANALYSIS BY CITY

Breaking down the sectors' performance by city shines light on the real effects of the downturn in specific sectors. In the hotels, hospitality and leisure sector there are no locations reporting positive effects, and a significant number showing major adverse impacts (the double-width bars). These two facts combine to denote this sector as clearly the most adversely affected.



SECTOR ANALYSIS BY CITY

Although the commercial and retail sectors are also badly affected, our respondents reported less serious adverse effects. Healthcare displays as positively affected overall but not consistently across all locations, which reduces the sector's upside.

While this form of presentation provides a simple overview of general sector performance, it must be accepted that individual sectors may be more, or less, relevant to particular locations. By way of example, for a resort-based local economy, the impact of a very badly COVID-19 affected hotels sector could be particularly problematic. In such a case, the construction industry as a whole would be more widely impacted than in the case of a city which was more based upon commerce or industry.



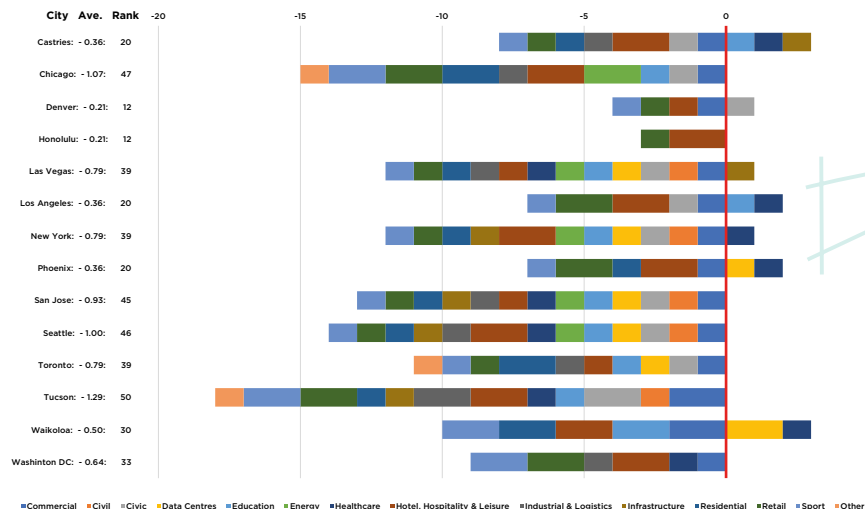
“Build, build build: Expenditure is geared to repair and maintain some sectors and boost major infrastructure projects”

London, UK

SECTOR ANALYSIS BY CITY (AMERICAS)

Analysis of the Americas' sectors again shows Tucson and Chicago as badly affected. Denver and Honolulu show the same average overall, because each has multiple sectors reporting a neutral effect, and the one positive sector in Denver is balanced by an additional negative sector.

The 'Ave.' figure represents the overall combined sectors average for the city. The 'Rank' displayed shows each city's ranking within the 51 cities included in the total global survey, from best-performing having rank of 1, to worst-performing having rank of 51.

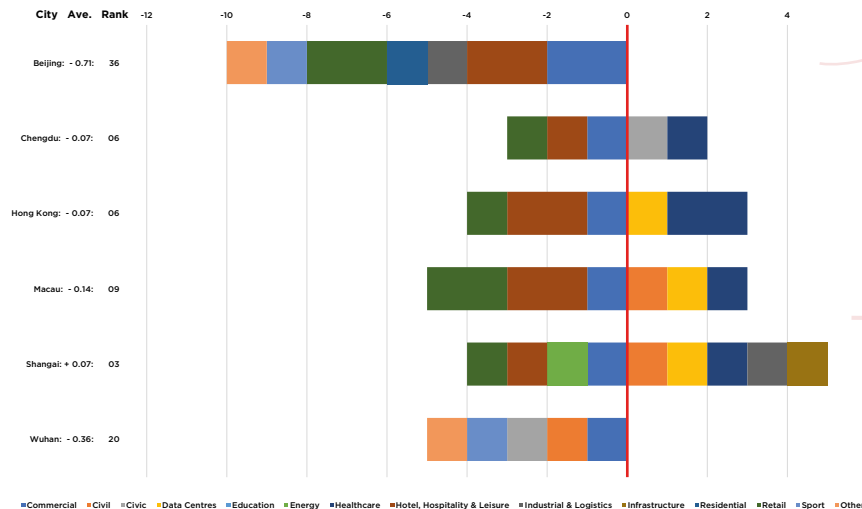


“Our hospitality clients’ revenue has been severely impacted and their level of investment into their facilities has declined”

Hawaii, USA

SECTOR ANALYSIS BY CITY (CHINA)

Chinese markets, other than Beijing and Wuhan, have multiple sectors of positive effects, which will assist them in recovery. In Beijing, there are clearly multiple sectors which return neutral responses, but commercial, retail, hospitality and leisure sectors are very badly affected. While the neutral sectors do not worsen the situation, the post-COVID-19 rebound may be less straightforward in Beijing than in for example, Shanghai, where there are multiple positive sectors to feed work to the marketplace. Although Wuhan is showing negative sectors, their number is fewer, so will be expected to be less problematic in respect of the totality of the market.

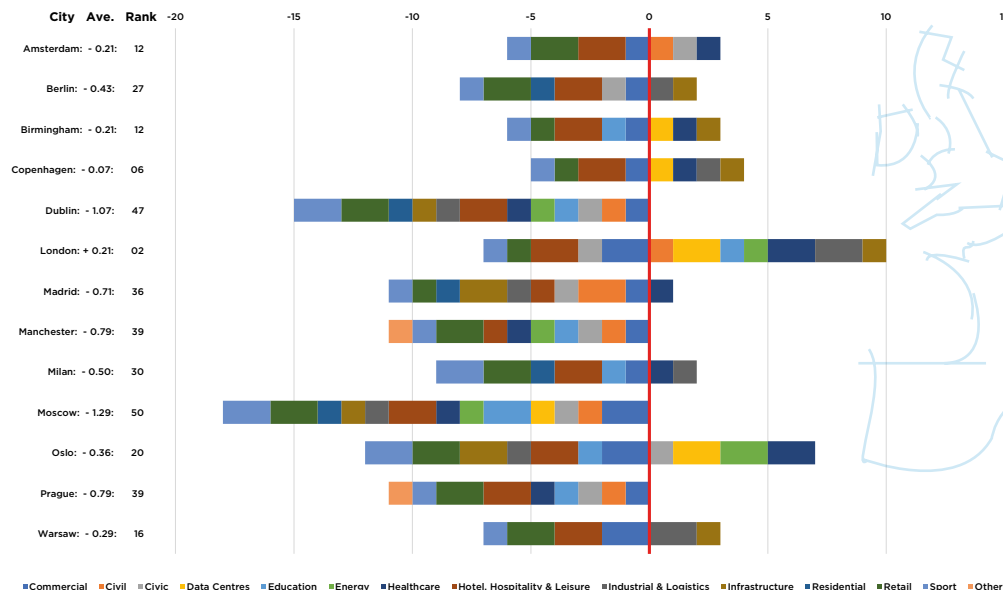


"There has been increased investment in the real estate market through state-owned developers"

Shanghai, People's Republic of China

SECTOR ANALYSIS BY CITY (EUROPE AND UK)

In Europe and the UK there is a very broad coverage of effects. London still appears near the top end of the global rankings, yet still has multiple negatively affected sectors. Moscow and Dublin are again reported as being particularly badly hit, although there are also several other cities reporting only negative or neutral sectors. Oslo is a good example of the balancing of sectors, but of course the outturn effect depends on the weighting and significance of the respective sectors on each side of the neutral line.



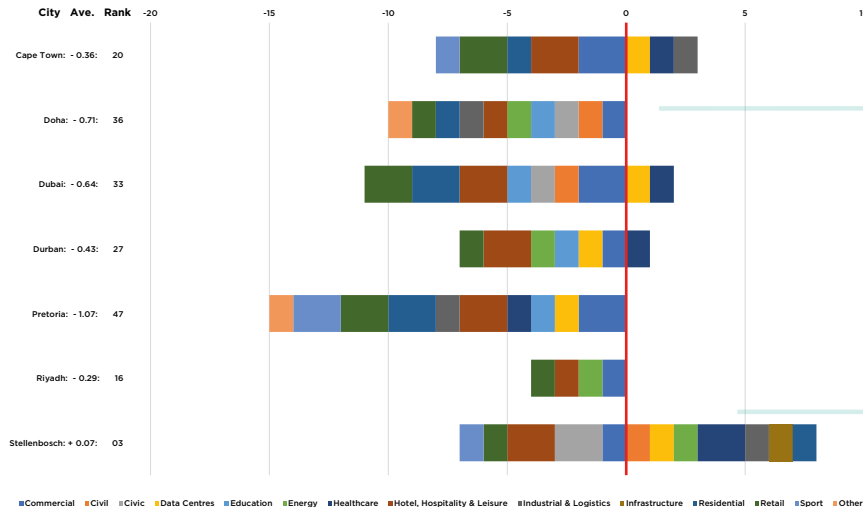
“Investment in housing, infrastructure and refurbishment has had great activity. Tourism is gravely affected so hotel projects will take much longer to recover”

Copenhagen, Denmark

SECTOR ANALYSIS BY CITY (MIDDLE EAST AND AFRICA)

Stellenbosch stands alone in positive territory for the Middle East and Africa. As stated in June's survey, this grouping of locations is of course extremely diverse and covers an enormous geographical area, so any comparisons between Middle East and South African cities is problematic. However, it is clear from the responses that both Doha and Dubai are exhibiting pressure on several sector fronts. Dubai presents as worse affected because several sectors are reported as being very adversely impacted.

In South African cities, only Pretoria has no positive sectors, which is why it is ranked in the lowest decile in the overall global ranking. Riyadh, KSA, on the other hand also has no positive sectors, but features a large number of neutral sectors, which limits adverse impact and ranks it just outside the top 30% of best-performing cities.



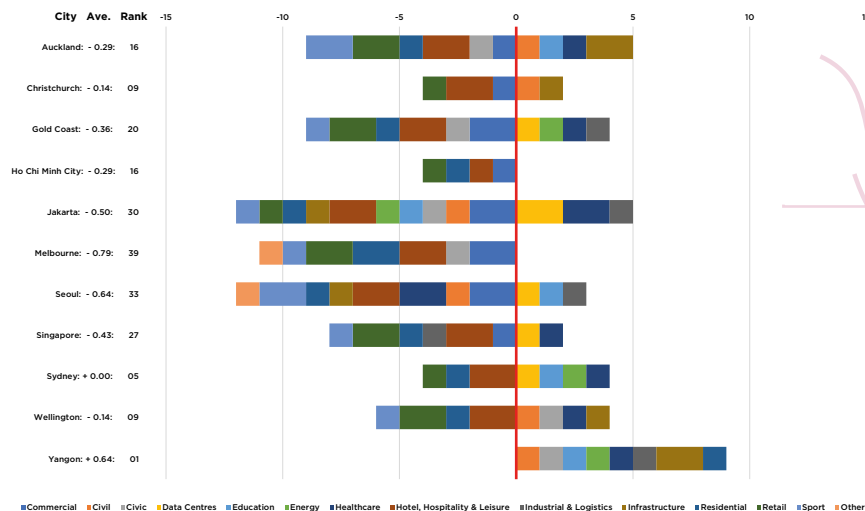
“The government is supporting small and medium size businesses, especially in the leisure sector”

Pretoria, South Africa

SECTOR ANALYSIS BY CITY (OCEANIA AND SOUTH ASIA)

Oceania and South Asian cities display sectoral conditions in varying degrees of positive/negative balance, with the exceptions of Ho Chi Minh City (HCMC), Melbourne and Yangon. HCMC however, is just outside of the top 30% ranking in this latest survey, because many of its sectors are reported as being neutrally affected.

In contrast, Melbourne shows several instances of major negative impact across most sectors, placing the city in the lowest performing 25% overall. Yangon's sector performance leads the survey at an overall average of +0.64, with six neutral sectors.



“Many projects have been put on hold at pre-construction stage across all sectors within our industry”
Melbourne, Australia

CONCLUSION

This Issue 4 of RLB's COVID-19 rolling global survey has further developed and reported upon the continuing move toward relaxation of economic, social and workplace constraints, as governments around the world look to solve the conundrum of COVID-19 from the medical standpoint, and deal with the consequences from the economic standpoint.

Although the emphasis on scientifically-based outcomes remains, as time wears on, there is the ever more pressing weight of economic burden, which weighs heavily on the shoulders of the political and economic leaders around the world. Striking a balance is of necessity, a risky exercise, finding an acceptable landing spot based upon health in the population weighed against the return of economic stability. There are examples from around the globe of the effects of reopening economies too early, with resulting flare-ups and hotspots of a virus which can be carried for several days without symptoms. As we stated in Issue 3 of the survey in June, that problem can only be solved in the medium to long run by vaccination. However, in the here and now, we need to be able to live and work in the shadow of the risk, taking the precautions that both protect individuals' health and provide a semblance of normality, and ensuring that when the storm abates, there is a 'normal' to return to.

On the way, many nations face economic challenges unseen before now. Where no state aid has been brought to bear, there are massive unemployment problems, and where there have been job support schemes, there are enormous consequences of the ending of these schemes.

Construction has long been seen as a staple in governments' range of tools to stimulate economic recovery, and there is evidence that that will again be the case. However, the industry will be challenged by the securing of immediate workload, set against increasing costs and fallen productivity levels, so giving rise to considerable potential market volatility.



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