

Will 2024 Be the Year UK Construction Recovers?



According to a recent report from UK construction specialists Glenigan, the industry faced a particularly challenging year in 2023, as new non-residential project starts dropped 39% year-over-year (YoY).

One of the reasons cited in the report is a low level of investor confidence, causing new projects to be pushed out “until a greater degree of financial security returns.”

Sector Performance

That caution seems to have afflicted almost every major sector, with industrial and hotel projects starting down 49% YoY and offices dropping 44% (measured through the end of November 2023).

The retail sector performed slightly better but was still down overall. Glenigan notes: “Retail provided the sole bright spot amidst the overall gloom, growing 5% against the preceding three months. However, this boost was not enough to prevent the vertical from ending 14% down against the previous year.”

Regional Impacts

The downward trend reached most UK markets, with only two (Yorkshire and Wales) seeing modest gains. Yorkshire saw an 18% increase in starts over three months (but was still down YoY), and Wales gained 5% overall.

London meanwhile was down 27% YoY and starts in the UK’s Northeast and Northern Ireland were 22% and 34% lower respectively.

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2024-2025 Outlook

Despite these somewhat dire figures, data from Glenigan's recent 2023-2025 industry forecast paints a more optimistic picture over the next two years.

BCD Magazine reports that the forecast predicts an uptick in starts across several commercial sectors, with industrial assets leading the pack at 17% growth in 2024, and a further 21% in 2025. Other highlights include:

- 9% (2024) and 17% (2025) growth in retail starts,
- 6% (2024) and 5% (2025) increases in hospitality, and
- 6% (2024) and 13% (2025) growth in office construction work, driven largely by refurbishment, retrofit, and greening projects for existing office space.

CRE Effects

While the anticipated uptick in construction signals new supply entering the UK commercial real estate (CRE) market, it's worth noting that it doesn't make up for the shortfall accrued over the past year.

Whether that's good or bad news for CRE, however, depends largely on how current depressed demand and rental trends play out in the coming months.

