

tunein

Post-pandemic





**How will the COVID-19
pandemic shape our world?**

There are so many unknowns about how the COVID-19 pandemic will shape our world in the coming months and years but what it has highlighted are the strengths and weaknesses in the global and UK economy.

Here Concert takes a look at some of the macro and microeconomic challenges, posing questions about how they might shape the UK and the property sector.



Globalisation vs nationalism

For the past two decades, we've enjoyed the benefits of globalisation whether that is as consumers giving us access to a wider variety of goods or as businesses, through access to bigger markets and in some cases cheaper labour.

Politically, the response to the crisis has been national rather than global. As borders have closed, countries have gone into self-preservation mode while keeping one eye on what their international neighbours are doing.

Part of the problem is that there isn't a natural world leader to drive a collected response, no one galvanising voice to lead the way.

Will that change once the initial shock subsides or could we see businesses playing a part in being the uniting voice? If your business spans the globe as it does for the likes of Amazon and Google there is perhaps a bigger incentive for joined-up thinking.



In the highly competitive world of pharmaceuticals, GSK and Sanofi have already announced they are working together to develop an adjuvanted vaccine for COVID-19. Will this spark more collaboration between businesses?

While the UK's strengths - the science and medical sectors for example - have come to the fore, the pandemic has equally exposed the UK's dependence on the global markets and supply chains, particularly for manufacturing e.g. the OECD report from about a week ago stating the UK economy is going to the hardest hit.

“Will there be a different view on what the UK needs to provide for itself and a review so that we are potentially not as reliant on getting products, materials and services from quite as many countries as we have been?” says Concert Managing Director Rennie Dalrymple. “Questions may be raised about how far globalisation has gone and whether it needs to be reined in a little.”



Resilience

If it encourages innovation and helps develop the national industry for a more resilient economy in the longer term then that might not necessarily be a bad thing.

Resilience will also depend on whether businesses were on a firm footing before the pandemic. The latest GDP figures from the Office For National Statistics show a widespread decline across the economy in the first quarter of 2020, with services, production and construction down by 1.9%, 2.1% and 2.6% respectively.

“ If you stick your head in the sand, then you’re going to be in difficulty. But if you know it’s coming you can positively manage your business, be creative in delivering work, finding ways to be more efficient and productive so that you can trade through the cycle. ”

- Concert Director Paul Body.

There is a bumpy road ahead. The UK economy and businesses are being propped up by cheap debt but debt has to be repaid at some point. Now is time for pragmatism.

Well-run businesses with strong balance sheets and good governance should have a head start in riding out this storm but those who don't will undoubtedly have a tougher time.

Before COVID-19 some sectors were already struggling – retail being the obvious example. The pandemic has served to accelerate the weaknesses within the sector with a number of administrations already announced - and more likely.

Research by Alvarez & Marsal and Retail Economics published in April showed that all non-food retailers listed on the stock exchange were operating in negative cash flow and even after Government support half will run out of money in six months.

The future role of the High Street was already under scrutiny but it will need to evolve faster if more retailers fail. The debate around the mixture of uses and the important role of urban logistics – heightened during lockdown – will need to be addressed more urgently.

**and
pragmatism**

/Property /industry /innovation

Delivering enough houses to meet demand, particularly affordable housing, was already a challenge but the property industry has been rising to that challenge.

For example, local authorities had started setting up their own development companies sometimes in partnership with the private sector to deliver social rented homes, protected from the right to buy.

Progress is being made to develop and scale up modern methods of construction with institutional investors like Legal & General creating its own modular housing business to build affordable homes at scale.

While lockdown may well accelerate the demise of weaker businesses and slow down development the silver lining is that necessity speeds and breeds invention. “We should and could come out of this looking at better, more efficient ways of doing things using modern methods of construction, robotics and digital technology etc,” says Body. “It may also be an opportunity to streamline the planning process – making development efficient from start to finish.”

Temporary planning policies have already been put in place to help with change of use and health care development.

But could the system get wholesale reform to make it quicker and more cost-effective to develop as the Government looks to kick-start the economy?



Changing priorities

Priorities for the built environment may change. ESG – environment, social and corporate governance – was gaining traction, as local authorities and some investors and developers were starting to look at the broader impact of development on the environment and who ultimately benefits from it.

Lockdown is testing the built environment, what it offers, how it is - and could be used - from living and workspaces to shops, streets and green space.

Development has slowed or stopped due to the challenges created by social distancing and lockdown as reflected in the Construction Industry PMI which has fallen to an all-time low of 8.2. However, there is a perhaps a silver lining as lockdown eases in that new contract awards leapt by 20% to £9.7bn in April compared to March according to Builders' Conference.

There won't be a quick fix to this but the industry is resilient and will find a way through because that is the nature of what we do. We are an industry of talent, creativity and innovation and we will use that to find new ways of working, meeting new demands and delivering development.

“ *Before it was a case of let's get investment from Hong Kong or Malaysia to build 1,000 apartments on the Thames and that is probably going to happen less. Instead what is important, what actually works for the UK will come to the fore and in the long term, that will be a good thing* ”

says Concert Managing Director Rennie Dalrymple.



Concert's lockdown lessons

During the lockdown, we have felt the benefit of being able to work flexibly.

Fortunately, we'd already implemented an agile working strategy having seen the benefit to the business both for staff welfare but also as a means for improving productivity and office efficiency. We'd also - again fortunate timing - invested in new laptops and iPhones.

When the Government requested that people work from home only 5% of our staff didn't have a laptop. It meant we could quickly get on with focusing on our clients and their needs.

During the lockdown, we've concentrated on identifying the key priorities on each project and galvanising our team to focus on those. The speed of delivery has inevitably slowed down because of the challenges presented by social distancing and remote working, so clear communications and managing expectations have been key.

The nature of our business is in anticipating and managing problems and we believe in having firm foundations in place so that decisions aren't made in a panic. Challenges present opportunities and discussing more efficient and cost-effective ways of doing things and the best balance of risk is our arena.

While we were already set up for remote working, this enforced period of working from home has highlighted the next area that we need to address. During this time our staff have perhaps had less control over their workspace and set up. They may have children at home or be sharing workspace with a partner.

Our next step, if working from home is going to be a more permanent consideration, is to ensure we all have an appropriate home working environment so we aren't having to sit at a dining room table.



Contact



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As a retail sector specialist, Paul has in-depth knowledge and expertise of the key drivers in this sector. He has a consultative style but is not afraid to challenge current practices where appropriate.

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Thank You

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