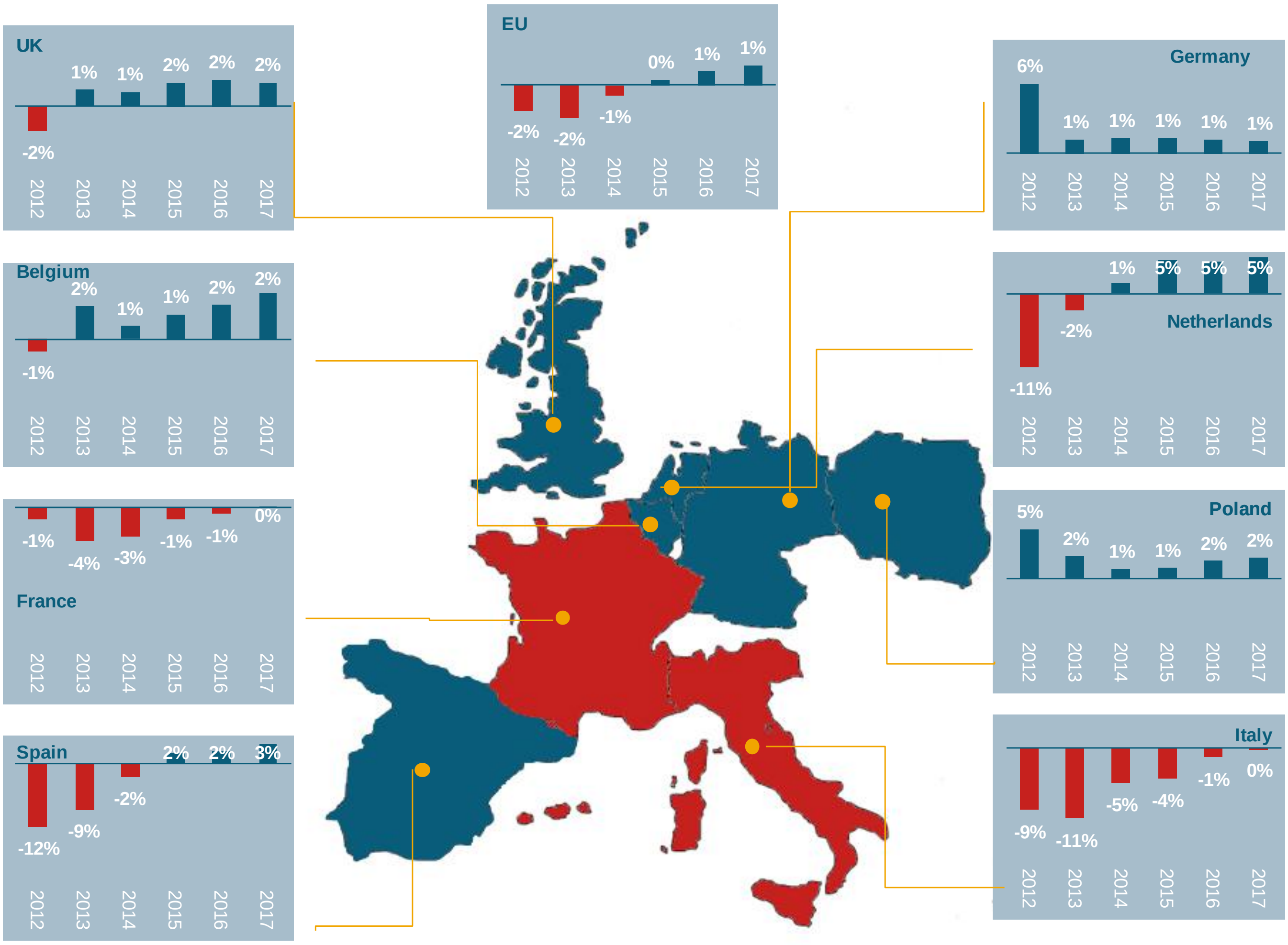
Dutch construction forecasts most positive in Europe

The Dutch construction sector shows positive results and recovers at a very fast pace. Much faster than the other European countries. In France the construction sector is slowly starting to show some improvement. Start of the recovery in France is therefore expected in 2017. These are some of the conclusions of the Q3 2015 European Architectural Barometer report, a quarterly research among 1,600 architects in eight European countries. European architects act as a leading indicator for the construction activities.



The **British** market is improving, but its increase is not stable. One of the reasons for this is that the building permits for residential buildings show increases but also decreases in the last few quarters. The development of building permits for non-residential buildings is quite steady. Next to that all confidence indicators show a small decrease in the last quarter.
The Arch-Vision indicators however are showing positive signs, e.g. the sentiment within architectural firms is positive in Q3 2015. Nevertheless there are signals that one should be careful about the future. The building permits for residential buildings showed a decline late 2014, which means this will come into effect in two to three years. Arch-Vision therefore predicts a growth of the market in 2015 (+2%) which will continue in 2016 (+2%) and 2017 (+2%).

From Q3 2010 onwards there has been a steady positive development among the **German** architects. However 2015 turns out to be less steady: both Arch-Visions Rolling Order Book Barometer and Rolling Turnover Barometer grew substantially in Q1, but the developments in Q2 were still positive but smaller as the first three months. The development of the building permits for both residential and non-residential is very stable throughout the year 2015: respectively at a level of app. 150 and 90 (index 2010=100). Since Germany is a country which relies more on renovation than new build, this will have less impact on the total buildings volumes than other countries. The concerns we had in Q2 have not been taken away completely: all three confidence indicators declined in Q2 and have more or less stabilized in Q3 at a (slightly) negative level.

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Therefore Arch-Vision expects modest growth figures which are not as high as in the beginning of this decennium: 2015 (+1%), 2016 (+1%) and 2017 (+1%).

The **French** construction sector is slowly starting to show some improvement. Last quarter we stated that the sentiment was becoming less negative, which became even clearer this quarter. There are still more French architects experiencing a decreasing order book (33% in the past semester) than an increasing order book (25% last semester), but the latter group was only 14% big in Q4 2014. So the gap between these two groups is narrowing. The drops in the order book (-8) and turnover (-15) development in Q3 2015 are as big as the previous quarter, but by far not as big as in 2014, but the fact that they are still negative shows that the French situation is not improving fast.
Other indicators are also showing some movement to a positive sentiment. The industrial and consumer confidence indicators are stable, whereas the construction confidence indicator has improved. All three are however still negative. The building permits show some improvement as well. Therefore Arch-Vision predicts that the French construction market will slightly decrease in 2015 (-1%) and 2016 (-1%) and will start to recover from 2017 onwards (2017: 0%).

The results for **Spain** are positive for the seventh quarter in a row, but not as positive as the first two quarters of 2015. Still, more architects reported an increasing order book (43% in Q2) instead of a decreasing order book (17% in Q2). The past two quarters these percentages were respectively above 50% and below 15%.
The slightly less positive attitude is also reflected in the development of the building permits and the amount of architects with cancelled projects (23% in Q2 and 31% in Q3). The permits for residential buildings show a slight decrease in the last quarter, and the permits for non-residential show a very small increase. The confidence indicators reflect this (temporary?) pause in developments: the industrial and construction confidence indicators remained the same and the consumer confidence indicator decreased a bit. Given the latest results Arch-Vision concludes that the development in 2015 (+2%) will be better to the one in 2014 (-2%). The years after 2015 will show the road to recovery of the Spanish construction sector (2016: +2% and 2017: +3%).

There are still some drops in the order book and turnover development among **Italian** architects, but since Q2 2015 the drops are smaller than those from Q1 2014 onwards (Q3: 15 points versus 23 and more in previous quarters. There are increasingly more architects noticing an increase in their order book over Q3 2015 than in Q2 and Q1 2015 (17% versus 12% and 4%). However the largest amount of architects (48%) noticed neither an increase nor a decrease.
Italy is the worst performing country. Improvement of the construction market in Italy seems to be far away, but there are some – although minor – positive signs. The latest available data on building permits show no big decreases as they used to show. This will have its influence on the construction sector in the 2 – 3 years after the building permits have been granted. This same trend can be seen when looking at the confidence indicators: stabilization or only small differences. Therefore the outlook for the next twelve months is still not very promising. Arch-Vision predicts a shrinkage of the market by 4% in 2015, by 1% in 2016 and 0% in 2017. Growth of the Italian building volumes is not expected before 2018.

For the whole of 2014 the **Dutch** order book and turnover development were positive and they keep on being positive in the first three quarters of 2015 (133 for the order book and 125 for the turnover in Q3). The Rolling Barometers are the highest since 2011 and 2012 (Rolling Order Book Barometer: -44 and Rolling Turnover Barometer -52). The number of architects experiencing improvements (58%) is also the highest since Arch-Vision started the research. At the moment 16% expect an empty order book within the coming 12 months, which is also the lowest percentage in 4 years.
The positive architectural sentiment can also be seen amongst other indicators such as the confidence indicators for the construction sector and consumers. These show an increase in comparison to Q2 2015. Next to that the amount of building permits, especially the ones for residential buildings, is increasing steadily. Therefore Arch-Vision predicts an increase in 2015 (+5%) and even continuously improvement in 2016 (+5%) and 2017 (+5%).

2014 and the first quarter of 2015 showed a quite stable positive development regarding the order books of **Belgian** architects. In Q2 and Q3 there were even more architects reporting increasing (at least 40% in Q2 and Q3, versus 37% at most in previous quarters) order books. This is also reflected in the quarter to quarter Order Book Barometer (Q3: 117) and the Turnover Barometer (Q3: 107) which are higher than those in 2014.
The building permits figures show positive developments for 2015: increases for both residential and non-residential in 2015 compared to big drops in 2014. The confidence indicators for consumers and industry show small decreases in Q3, but are higher than same quarter last year.

The construction confidence indicator is more or less stable throughout the past quarters. In total this leads to a prediction of the Belgian construction sector by Ach-Vision which is one of a steady and modest growth in future years: +1% (2015), +2% (2016) and +2% (2017).

After the negative order book developments in Q4 2014, which followed positive developments in earlier quarters of 2014, the **Polish** quarter to quarter Order Book Barometer was positive again for the first three quarters of 2015 (at least 103 every quarter). This means that the number of architects that experienced their order book growing was bigger than the number who saw declining order books. Although the order book developments were positive in the first two quarters, this was not reflected in the turnover developments. In Q3 2015 these were positive as well.
Poland is a country which heavily relies on new build with respect to the construction sector volumes (almost 75% of its total volumes). Therefore the trend in building permits and turnover development should be watched closely: declining building permits until Q1 2015 and slightly more architects showing negative turnover development in the past 4 quarters will have its impact on the near future. But the increasing turnover developments, the stable confidence indicators and the increasing building permits will have a positive influence on the mid-term. All together Arch-Vision expects that the Polish construction sector will show some minor increases: +1% (2015), +2% (2016) and +2% (2017).

About the European Architectural Barometer
The construction industry operates in a late cyclical market, which means that the buildings designed today will not be completed until at least two years from now. For that reason, architects are a good indicator for future building volumes. Besides that, architects are also very influential in how projects are built and which materials are used.
The European Architectural Barometer is a quarterly research among 1,600 architects in Europe. Four times a year, this study is conducted by Arch-Vision in the United Kingdom, Germany, France, Spain, Italy, the Netherlands, Belgium and Poland. The research covers the developments of architectural turnover, order volumes and the impact of the crisis. Besides these economic statistics, a topic is highlighted each quarter.

About the barometers:
The Quarter-to-Quarter Order Book Barometer presents the development from quarter to quarter. The Indicator is calculated on the basis of the answers given by the architects every quarter.

The Rolling Order Book Barometer is a cumulative indicator comparing the development in the current quarter to the quarter before the first measurement in Q4 2008. The main goal of this indicator is to show with regards to 2008 whether the order books of the architectural practices are recovering or not.

About the forecast model
The correlation with building volumes is tested for a total of 11 market indicators together with 2 outcomes of Arch-Vision. The correlation of the following 5 indicators appeared to be strongest:

- *Building permits – m² of useful floor area in non-residential buildings*
- *Building permits, number of dwellings*
- *House sales (existing houses)*
- *Development of Turnover Barometer at architects (Arch-Vision figures)*
- *Number of FTE working at architects (Arch-Vision figures)*

The predicting value of these indicators is between 54% and 91%.

The forecast for 2015, 2016 and 2017 is based on the market knowledge of USP Marketing Constancy together with the market figures and the statistical model used by Arch-Vision for the predictions in previous years.

More information
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