Impacts of Brexit on the Construction Industry

FTI Consulting is an independent global business advisory firm dedicated to helping organisations manage change, mitigate risk and resolve disputes.

With dedicated teams in key political and commercial capitals, FTI Consulting is well placed to help you navigate your Brexit challenges and manage commercial risk.

The Construction industry has already been facing multiple issues impacting performance

ORGANIC GROWTH
- Stagnant social housing market
- Lack of available land
- Planning permission delays
- Increased scrutiny and quality assurance
- Slowing economy
- Quality and client relationships will drive value in further

VARYING PORTFOLIO DRIVERS
- Varying regional economics driving value
- Different growth rates and underlying contribution
- Core competencies driving upsides
- Client relationships key value driver in certain businesses
- Consolidation in market/bigger players

ON-SITE OPERATING MODEL
- Slow speed of innovation
- Skills and materials shortages
- Training has not kept up with modern methods of construction
- Sub-optimal data transparency not supporting design of an optimised delivery model

LEAN AND EFFICIENT SUPPORT
- Sub-optimal data transparency
- Lack of accountability and cost control
- Legacy systems and procedures
- Roles and responsibilities aligned to reporting rather than active intervention and management

Brexit further adds to the complexity and may have long reaching impacts on both ease to do business and profitability

Economy
- Brexit could have severe consequences for economy in general
- A slowing economy may impact demand directly but also impact government spending and investment into new housebuilding resulting in firms fighting to get any work available by slashing their prices and cutting corners as work reduces

Passporting of professional services
- International workers occupy significant real estate capacity
- The passporting of professional services (including accountancy and law), as well as the financial services sector, is hugely important to the investment in and occupation of commercial property, and the footprint of such firms in our major cities
- Potential impact likely more severe for any newly certified professionals working in the UK after Brexit

Loss of EU funding and infrastructure challenge
- Currently social housing retrofitting and regeneration schemes receive a significant funding from EU
- If there is a loss of EU funding then this would significantly impact regeneration and related businesses
- Further if government does not tackle infrastructure challenge and brings in private investors then UK’s global competitiveness could be impacted

Access to labour
- Access to a skilled international workforce including professional services and a focus on developing the next generation of home-grown talent are critical to ensure continuity
- Without freedom of movement, construction workers may find it easier to find work in other EU nations resulting in the UK industry missing out on new insight and skills from EU

Access to resources and costs
- Having a Free Trade Agreement results in a simpler process of importing resources, tools and materials from other member states
- If trade agreements with favourable terms are not secured then this could result in increasing the cost of resources, tools, materials and subsequently projects

Exchange rate
- The referendum favouring UK’s exit has already resulted in pound sterling falling by 20% resulting in a higher cost of materials imported from EU
- Many construction businesses reported losses in the following quarters citing the devalued currency as one of the key reasons
Brexit checklist: What should you be thinking about?

- Obtain political and regulatory insight and intelligence to create clarity
- Address any potential commercial and operational requirements
- Ensure you have the right financial and investment strategies in place
- Monitor and influence legislative programmes to protect commercial interests
- Consider any corporate restructure, valuation or business modelling needs
- Mitigate any tax risks
- Undertake market analysis and economic scenario modelling to inform your business decisions
- Understand the implications for your governance, trade and investor protection rules
- Engage all your internal and external stakeholders effectively across all platforms

Our Brexit Leadership Team

JOHN MALONEY
Senior Managing Director, Operational Transformation Practice
London
+44 (0)203 727 1277
john.maloney@fticonsulting.com

RICHARD BAXTER
Senior Managing Director, Tax
London
+44 (0)20 3727 1655
richard.baxter@fticonsulting.com

HANS HACK
Senior Managing Director, Financial Services
Brussels
+32 (0)2 289 08 75
hans.hack@fticonsulting.com

FIONA HOLROYDE
Managing Director, Public Affairs
London
+44 (0)20 3727 1543
fiona.holroyde@fticonsulting.com

LOUISE HARVEY
Non-Executive Chair, Strategic Communications
Brussels
+32 (0)2 289 09 35
louise.harvey@fticonsulting.com

MELORIA MESCHI
Senior Managing Director, Economic Analysis
London
+44 (0)20 3727 1362
meloria.meschi@fticonsulting.com

About FTI Consulting
FTI Consulting is an independent global business advisory firm dedicated to helping organisations manage change, mitigate risk and resolve disputes: financial, legal, operational, political & regulatory, reputational and transactional. FTI Consulting professionals, located in all major business centres throughout the world, work closely with clients to anticipate, illuminate and overcome complex business challenges and opportunities.

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