ARCH VISION

Most countries show stable growth in 2015, faster recovery expected in upcoming years

The Dutch construction sector shows positives results and recovers at a fast pace. The predictions for the coming two years are in the Netherlands most positive of all important European countries. But also Southern European country as Spain shows us very positive figures although this market was hit hard in recent years.
In France the constructions sector is slowly starting to show some improvement, start of recovery is therefore expected in 2017. Even the Italian market, however still showing negative figures is somehow stabilizing which could indicate that we can expect a recovery in this market in 2017 as well. 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 still 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. Next to that none of the confidence indicators show real big improvements in the last quarter. However there are also positive signs which influence our model to a high degree. The Arch-Vision indicators however are showing positive signs, e.g. the sentiment within architectural firms is positive in Q4 2015: again the order book and turnover development are quite positive. The first two indicators have a positive effect on the rolling barometers. Also the amount of architects expecting an empty order book is decreasing throughout the last three quarters. 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 2016 (+3%) which will continue in 2017 (+2%) and 2018 (+2%).

From Q3 2010 onwards there has been a steady positive development among the **German** architects. However 2015 turned out to be less steady: both the Rolling Order Book Barometer and the Rolling Turnover Barometer grew substantially in Q1, while the developments in Q2 were still positive but smaller as in the first three months. Q3 and Q4 however are at the same level for the Rolling Order Book Barometer as Q1: the Rolling Order Book Barometer grew by 16 points (316). The Rolling Turnover Barometer is stabilizing and does not show any growth in the last quarter of this year. The development of the building permits for both residential and non-residential is very stable throughout the years 2014 and 2015: respectively at a level of app. 145 and 95 (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 earlier have not been taken away completely: although the construction confidence is increasing, the other two aren't (industry and consumer). Therefore Arch-Vision expects modest growth figures which are not as high as in the beginning of this decennium: 2016 (+2%), 2017 (+1%) and 2018 (+1%).

The **French** construction sector is slowly starting to show some improvement. Lasts quarters we stated that the sentiment was becoming less negative, which became even clearer this quarter. The Rolling Order Book Barometer, however still quite negative, shows an increase for the first time since Q1 2011 (+17). Also the Rolling Turnover Barometer is stabilizing. Another positive indicator for the French construction market is the amount of architects expecting an empty order book. Less than a quarter expects this to happen within the next twelve months. 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 slightly. All three are however still negative. The building permits show some improvement as well. Therefore Arch-Vision predicts that the French construction market will still decrease in 2016 (-2%) and 2017 (-0.2%) and will start to recover from 2018 onwards (2018: 0.4%).

The indicators are looking quite positive for **Spain**. In Q4 2015 the Rolling Order Book Barometer and the Rolling Turnover Barometer shows positive signs, however they are still way below the point of before the crisis. The small setback seen in Q3 2015 seems to be ignored in Q4 which is positive. The slightly less positive attitude is also reflected in the development of the building permits and the amount of architects with cancelled projects, for the third quarter in a row this percentage has increased (Q4 2015). The permits for residential buildings show, despite some fluctuations, a small increase in the past two years, and the permits for non-residential show a big increase over the past 12 months. The confidence indicators reflect this (temporary?) pause in developments: the construction confidence indicator picked up again, is however still negative. The consumer confidence indicator showed a big increase in the last quarter of 2015. Given the latest results Arch-Vision concludes that the development in 2015 (+4%) was better than the one in 2014 (-2%). The years after 2015 will show the road to recovery of the Spanish construction sector (2016: +4% 2017: +5% and 2018: +6%).

There are still some drops in the order book and turnover development in **Italy**, but since Q2 2015 the drops are smaller than those from Q1 2014 onwards (Q4: 18 points versus 23 and more in previous quarters. Again, more and more architects see an increase in their order book (20%). However still a largest amount of architects (39%) noticed a decrease in their order book. 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 2% in 2016 and by 0.1% in 2017. Growth of the Italian building volumes is not expected before 2018 (0.0%).

For the whole of 2014 the **Dutch** order book and turnover development were positive and they keep on being positive in 2015 (142 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: (+2!) and Rolling Turnover Barometer -24) resulting in the first positive Rolling Order Book Barometer since the start of the measurement. The number of architects experiencing improvements (62%) is also the highest since Arch-Vision started the research. At the moment only 6% expect an empty order book within the coming 12 months. The positive architectural sentiment can also be seen amongst other indicators such as the confidence indicator for the construction sector. This shows an increase in comparison to Q3 2015. However the ones for the industry and the consumers are still positive, but not as positive as earlier quarters. Next to that the amount of building permits, for both residential and non-residential buildings, decreased in the past quarter. Therefore Arch-Vision predicts an increase in 2016 (+4%) and even continuously improvement in 2017 (+4%) and 2018 (+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% from Q2 2015 onwards, versus 37% at most in previous quarters) order books. This is also reflected in the quarter to quarter Order Book Barometer which is stabilizing (Q4: 116) and the Turnover Barometer (Q3: 110) which is also higher than 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 all three (construction sector, consumers and industry) all show improvements in Q4 compared to Q3. 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: +2% (2016), +2% (2017) and +2% (2018).

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 in 2015 (at least 103 every quarter) which shows quite a stable order book for architects in Poland. Although the order book developments were positive in the first two quarters, this was not reflected in the turnover developments. The last two quarters of 2015 however show positive signs in the quarter to quarter turnover as well (Q3: 101 and Q4: 105). 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: +2% (2016), +2% (2017) and +2% (2018).

Please find an overview of the most important figures on the next page.

More information
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Amounts in billions at 2013 prices

Country	Q-to-Q Barometer Order Book Q4 '15 vs. Q3 '15	Rolling Barometer Order Book Q4 '15 vs. Q4 '08	Building Volumes 2014		Forecast Building Volumes 2015 *(Q4 2015)*		Forecast Building Volumes 2016 *(Q4 2015)*	Forecast Building Volumes 2017 *(Q4 2015)*	Forecast Building Volumes 2018 *(Q4 2015)*
			Change with regard to 2013	Amount in 2014 (in billion)	Change with regard to 2014	Amount in 2015 (in billion)			
	124▼	325▲	1%	€ 153	€ 157	3%	3%	2%	2%
	116▼	316▲	1%	€ 255	€ 261	2%	2%	1%	1%
	107▲	-388▲	-3%	€ 151	€ 148	-2%	-2%	0%	0%
	128▲	-643▲	-2%	€ 61.2	€ 63.8	4%	4%	5%	6%
	82▼	-965▼	-5%	€ 114	€ 110	-4%	-2%	0%	0%
	142▲	2▲*	1%	€ 43.8	€ 45.2	3%	4%	4%	5%
	116►	112▲**	1%	€ 34.0	€ 34.2	2%	2%	2%	2%
	105►	-54▲**	1%	€ 31.8	€ 32.7	1%	2%	2%	2%

** For the Netherlands Rolling Order Book Barometer Q4 2015 vs. Q2 2009*
*** For Belgium and Poland Rolling Order Book Barometer Q4 2015 vs. Q2 2012*

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 2016, 2017 and 2018 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.