

World's builders squeezed

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Tightened credit lines and rising building costs are weighing heavily on the global construction industry, and a new report shows that some countries are faring much worse than others.

The report, by Rider Levett Bucknall research and consulting, found Chinese construction output in Beijing, Shanghai, Guangzhou and Shenzhen had remained high, despite building costs continuing to rise by about 10 per cent a year. Tender prices in Hong Kong are set to continue escalating thanks to the construction boom in Macau, the weak US dollar and high commodity prices, the report says.

RLB points to the rise of India's economy and rapid escalation of living costs in the United Arab Emirates as threats to the availability of Dubai's pool of itinerant labour. Up to 300,000 workers have recently returned to India from the UAE.

In Australia, high levels of economic activity in the resource-rich states of Western Australia and Queensland are pulling labour and material resources away from the other states.

According to RLB, the levels of national construction activity are at record highs, although Queensland appears to be easing off.

Sydney-based managing director Bob Richardson said: "You get this caution coming through and people start to be uncertain as to what to do. They might end up doing nothing and that just exacerbates the issue."



RLB president Julian Anderson says that public-private projects attract funds.

Mr Richardson also said increased funding costs had made developers in eastern states more risk averse, particularly in NSW, as margins were squeezed on the cost and value fronts. This has put the viability of some major developments in doubt.

New Zealand-based managing director Brian Dackers said the New Zealand market was affected by the credit crunch, but "not in a dramatic way".

"From our perspective, there has been a tightening of construction work but the sectors we're very strong in have been less affected by [the credit crunch]," Mr Dackers said.

In Europe, residential markets have been noticeably hit by the

credit crisis, particularly in Britain and Spain.

The variations between western European, central European and eastern European markets are reflected in construction costs, the report says. There is pressure to reduce costs in western Europe, while places like Russia are finding costs escalating due to demand and shortages of labour and materials. Construction growth in Poland, the Czech Republic, Slovakia and Hungary is expected to sit at about 10 per cent for the next two years.

US-based president Julian Anderson said that despite the decline in the US residential building market outpacing construction spending gains in the enduring non-residential markets, RLB was keeping busy.

"We've been very fortunate because we're still getting a lot of inquiry from people thinking about doing work. And for us, because [the US] is one of the most litigious societies in the world, there are a lot of disputes. People start lawsuits, and as experts we get a lot of work attacking or defending people. There's always a silver lining," Mr Anderson said.

He added that there was still a lot of money around the world to invest in infrastructure as a result of governments adopting innovative ways to fund projects using private money.

"I believe in the next five years we'll see a record amount of money globally going from private sources into private-public infrastructure," he said.