



# Will the construction glitch lead to greener buildings?

*Helen Garthwaite, head of construction and engineering at European law firm Taylor Wessing reports for Estates Review about the possibility of environmental benefits of the recession*

Following the slump in house building that was confirmed by the RICS' Q2 survey, there are a number of signs that the construction slowdown is beginning to affect commercial development. It is apparent that we are currently in a period where developers are beginning to pull back, pause for thought and re-package projects, which has a number of implications throughout the construction industry.

## CHANGING PRACTICES

Contractors are particularly feeling the strain as developers look to revise schemes in order to find a more cost-effective means of delivery as development end values reduce. For instance, we have started to notice that before even embarking on main contract discussions, developers are beginning to by-pass contractors and negotiate directly with sub-contractors for key specialist packages. Competitive tendering is also beginning to come back in vogue, whilst the recent trend of bringing contractors on board earlier on in the

design process is steadily being reversed.

All of these adjustments have had the effect of altering the profile of contractors' order books, which has exacerbated short-term cash flow difficulties as potential new instructions get delayed. Less early integration between the design and build phases could also lead to disputes over design and quality of developments further down the line.

However, there has also been an upside to recent events. The freeing up of operatives from the stricken house building sector has started to alleviate some long standing resourcing pressures in the commercial construction sector. This has provided an opportunity for some to pick up high calibre skilled professionals to resource commercial schemes with limited retraining costs.

With all the doom and gloom surrounding the UK economy, it is easy to forget that overseas locations still present exciting opportunities for the development industry eg. it was recently reported that Laing O'Rourke sees major growth potential in the

Middle East and intends to double its staff levels in the region next year.

## THE GREEN AGENDA

It is perhaps predictable that during an economic downturn some cost conscious developers may lose their enthusiasm for sustainable construction. Before the financial crisis, environmental concerns appeared to be a major priority for the industry, but with the economic climate steadily deteriorating developers have started to voice doubts as to whether the market is willing to pay for the increased development costs and higher rents perceived necessary for green buildings.

That said, the pull back on commercial development may yet have a positive impact on the green agenda. We are noticing an increase in the appointment of director-level sustainability officers, with the contractors' industry seemingly taking the opportunity to boost their green credentials in preparation for proposed legislative developments

in the area. However, it may also be the case that developers and contractors are being forced to factor in the impact of planned sustainability legislation due to the fact that many projects are being put on hold for anything between 12-24 months.

The Government has also indicated it will award contracts to those that base their design on sustainable principles. Hence those looking to the public sector as a means to restore the order books may also have to become greener.

## CONCLUSION

Both commercial development and the house-building sector have undoubtedly been affected by the economic climate. The brakes seem to be on a number of projects and contractors are certainly being forced to re-negotiate and revise schemes in order to cut development cost. However, if delays to projects eventually translate into greener buildings, many would argue that a temporary economic downturn is a price worth paying. 🏠

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