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## Scottish surveyors cautious about construction outlook as infrastructure the only area to see workloads grow

### **RICS Construction Monitor Q1 2024 – Scotland**

- Overall construction workloads in Scotland continued to fall for the sixth consecutive quarter
- All subsectors saw a fall in workloads, except for infrastructure, which moved back into positive territory
- Surveyors in Scotland anticipate a flat picture ahead, with profit margins to be squeezed

Construction activity in Scotland fell in the first quarter of this year according to the latest Royal Institution of Chartered Surveyors (RICS) Construction Monitor for Q1 2024, and surveyors remain cautious about the outlook, anticipating that workloads will remain flat.

A net balance of -20% of surveyors in Scotland saw a fall in overall construction workloads through Q1 2024. This is the lowest balance seen across the UK.

Looking at subsectors, infrastructure was the only one to see an uplift with a net balance of 6% of surveyors noting a rise. The net balances of the rest of the subsectors were all reported to have fallen: public housing (-15%), private housing (-37%), private commercial (-6%), private industrials (-22%) and other public works (-26%).

The fall of workloads through the first quarter of the year appears to be weighing on Scottish surveyors' outlook, with workloads expected to fall flat over the next 12-months, (a net balance of 0%)

Profit margins are expected to remain squeezed over the next year. A net balance of -19% of surveyors in Scotland report that they expect profit margins to decrease over the next 12-month period.

Surveyors in Scotland continue to report shortages in skilled workers. 55% of survey respondents noted a shortage in quantity surveyors, though this was an improvement from 65% in the last survey. 52% of respondents noted a shortage in other construction professionals, up from 46% the quarter previous, and 45% reported a shortage in bricklayers, up from 39% in the last survey.

David Shaw of Torridon Cost Consultancy in Edinburgh said: "Public sector spending cuts have sharpened supply chain focus on securing work, with tender prices remaining stable. Sustainable refurbishment is gaining momentum, driven by increased awareness and future regulation, bringing challenges in sourcing and upskilling the supply chain to meet this demand."

Ian Differ of CBA QS Ltd, in Glasgow added: "The combination of increased construction costs over the last 2 to 3 years, together with higher financing charges and rental income lagging behind inflation. The market needs to re-balance."

Commenting on the UK picture, Simon Rubinsohn, Chief Economist at RICS, commented:

“The results of the Q1 RICS Construction Monitor suggest that activity in the industry more broadly is likely to start picking up as the year progresses although for the time being, it remains the infrastructure sector where sentiment remains most positive. The more upbeat expectations for the residential segment is particularly encouraging given the sharp fall in supply over the last year or so but, to put this in some context, the latest reading is not indicative of a return to even previous development numbers let alone reaching the goal of 300,000 units per annum.

“Although there is a little more optimism about a likely easing in credit conditions towards the back end of this year, financial constraints currently continue to be perceived as the major challenge facing the industry.

“Alongside this, securing planning is also seen as a key obstacle to getting on site while even with the relatively subdued trend in activity, difficulties in sourcing sufficient quantities of skilled labour are still being highlighted”.

**-ENDS-**

#### **Notes for editors:**

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Our work with others provides a foundation for confident markets, pioneers better places to live and work and is a force for positive social impact.

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