

RICS China Construction Market Monitor

Q3 2014

Weak macro data lead to a scaling back of building output

- Total construction workloads declined in all sectors with the notable exception of infrastructure
- But confidence in the outlook has turned a little more positive
- Financial constraints continues to be a key issue for the sector

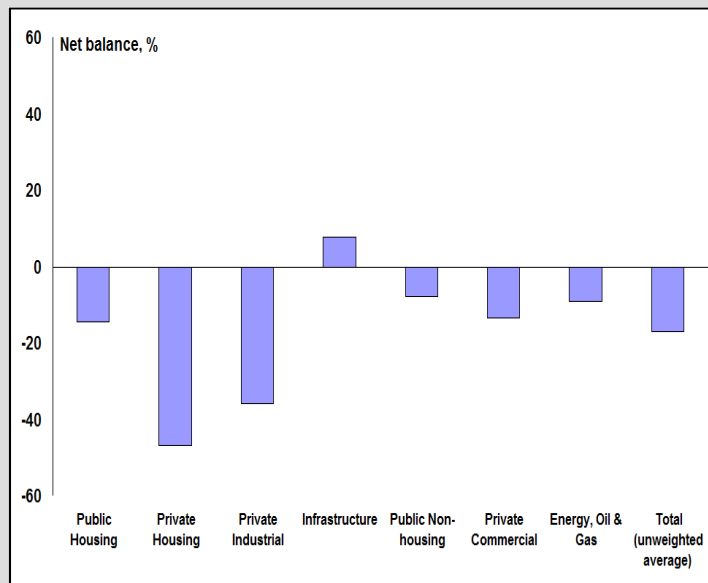
According to the Q3 2014 RICS China Construction Market Monitor, the current mood in the industry is a little downbeat. On the back of the slowdown in the wider economy, total workloads are reported to have fallen at the headline level for the second time in the last three quarters. All sectors apart from the infrastructure category posted declines in activity. It is noteworthy that the reading for this key area of activity remained positive which could be indicative that the authorities' plans to step up infrastructure project approvals is already beginning to feed through into workloads.

Significantly, in terms of the outlook 12 months ahead, respondents have turned more optimistic with respect to output, employment and profit margins. Indeed, all three of our forward-looking indicators are projected to grow at a faster rate than previously. Survey respondents, on average, now expect construction workloads and employment to rise by around 2%, while the increase in profit margins is estimated to be a little more modest.

Financial constraints remain the biggest factor limiting construction output, with 73% of respondents highlighting this issue. Other main constraints include concerns over competition, along with insufficient demand. Interestingly enough in the face of macro uncertainty, the proportion of contributors stating shortage of labour to be of concern continued to fall for the fifth consecutive quarter in Q3. The monitor also indicates that skills shortages seem more pronounced with white collar workers than amongst the trades.

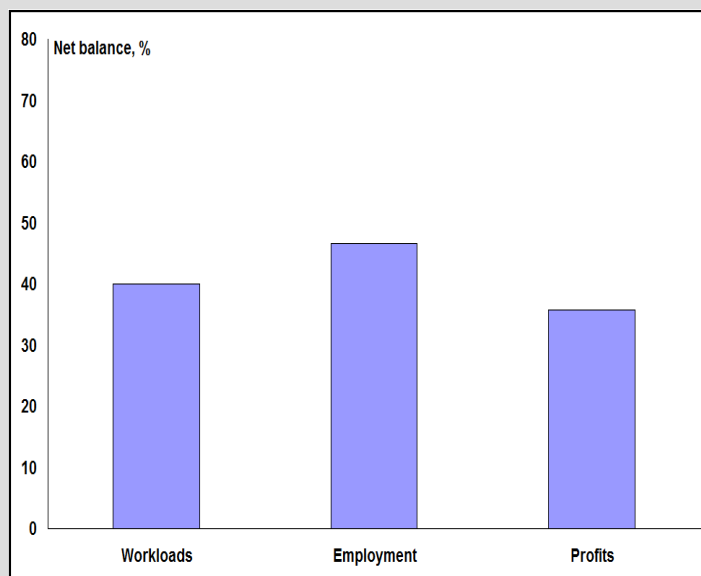
Once again, respondents expect client sustainability budgets to remain unchanged over the coming year. Finally, in response to the question on the prevalence of Building Information Modelling (BIM), the findings show that 25% of those completing the survey use BIM. Of this figure, 30% of respondents indicate that the greatest use is in cost management, while 20% use it for design.

Workloads - last 3 months



*The headline net balance for total construction workloads is an unweighted average of all of the sectors (in net balance terms) covered in the survey.

Expectations - 12 months ahead



About: The RICS China Construction Market Monitor is a quarterly sentiment survey of respondents who operate in the construction market sector. See back page for further details.



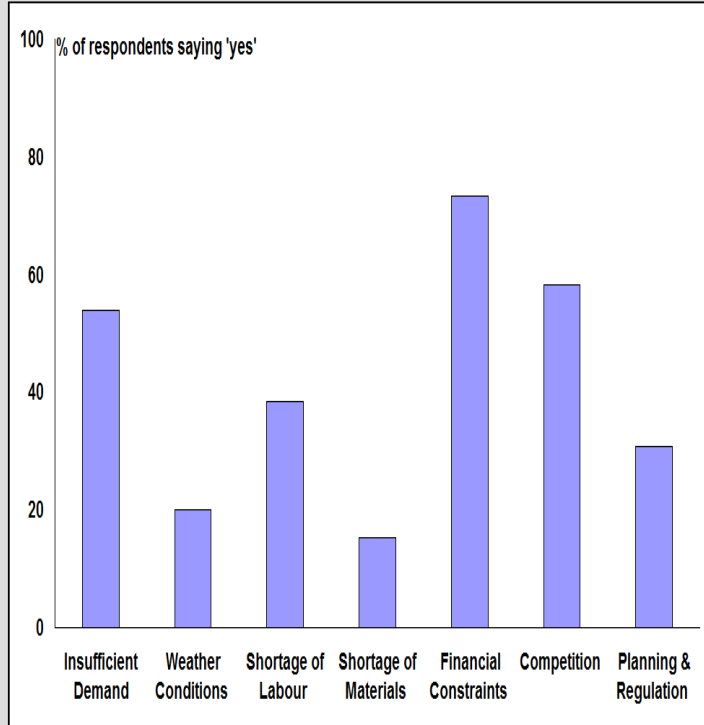
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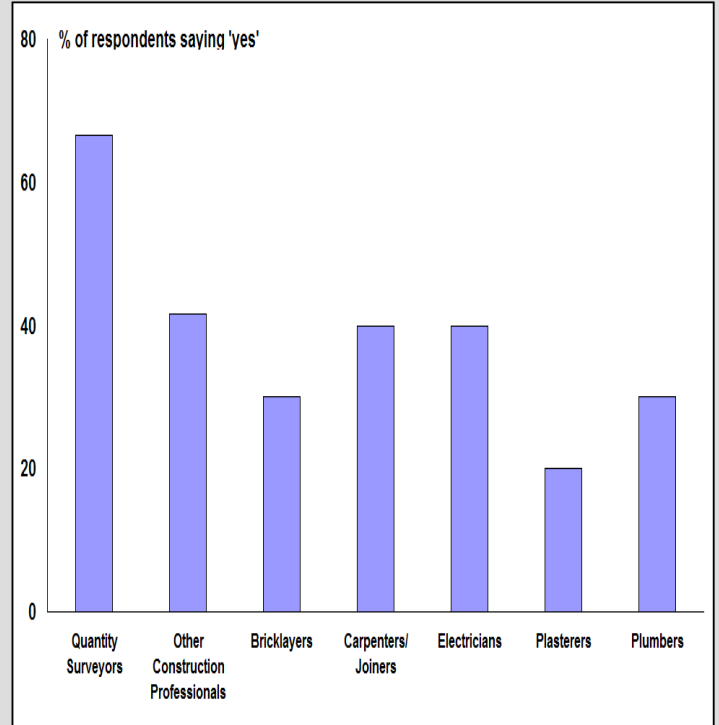
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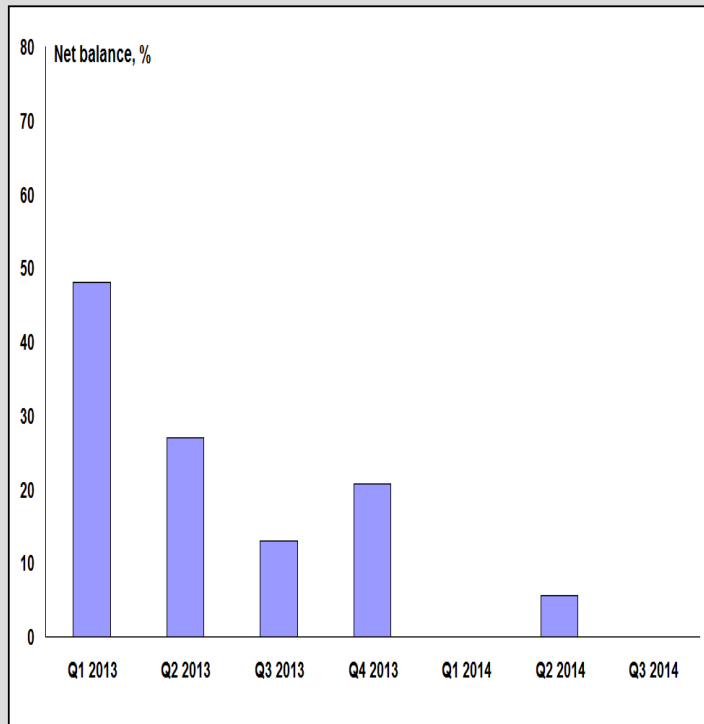
Factors limiting activity



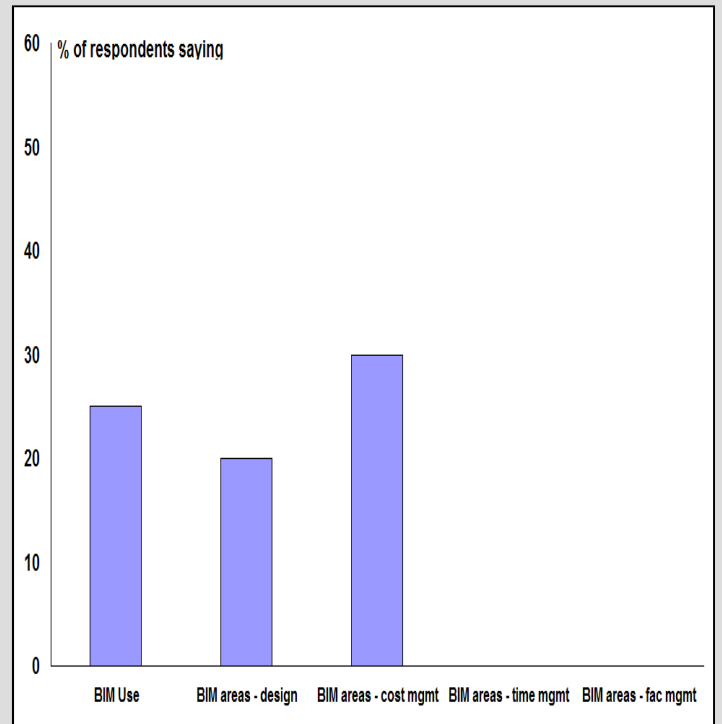
Skills shortages



Sustainability budget allocations



BIM - change over past 3 months



Notes to editors

About:

- The **RICS China Construction Market Monitor** is a quarterly sentiment survey of respondents who operate in the construction sector.

Questions asked:

1. How has the level of your company's workload in your area changed, comparing the **latest three months** with the previous three months? (up/ same/ down)
2. Main factors currently limiting your building activity?
3. Has your company (or your contractors) experienced skills shortages in your area in the **latest three months**?
4. Has the usage of BIM increased or decreased comparing the **latest three months** with the previous three months?
5. Over the **next twelve months**, what change do you predict in these three areas of your company/department's activity? (Workloads, employment, profit margins)
6. How do you expect client sustainability budget allocations to change over the **next 12 months**?

Net balance data:

- **Net balance = Proportion of surveyors reporting a rise in workloads minus those reporting a fall (if 30% reported a rise and 5% reported a fall, the net balance will be 25%).**
- Net balance data is opinion based; it does not quantify actual changes in an underlying variable.
- Net balance data can range from -100 to +100.
- A positive net balance implies that more respondents are seeing increases than decreases (in the underlying variable), a negative net balance implies that more respondents are seeing decreases than increases and a zero net balance implies an equal number of respondents are seeing increases and decreases.
- Therefore, a -100 reading implies that no respondents are seeing increases (or no change), and a +100 reading implies that no respondents are seeing decreases (or no change).
- A change from +30 to +60 does not mean that the variable grew by 30% in one period and by 60% in the next period, but it does indicate that twice as many surveyors reported an increase compared to a decrease than in the previous period.
- Likewise, if we get a reading dropping from +90 to +5, this still means that more respondents are reporting increases than decreases overall, but the breadth of those reporting increases has fallen dramatically; meanwhile, a shift in the reading from -90 to -5 still means that more respondents are reporting decreases than increases overall, but the breadth of those reporting decreases has fallen dramatically.

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