ARCH VISION

PRESS RELEASE

The sentiment of the Spanish and Italian architects for the first time slightly positive in Q1 2014.

***Rotterdam, 14 May 2014* - The building permits development in 2013 remained negative for Italy, Spain, France and the Netherlands. Together with the still negative architects' sentiment, the construction sector in these countries is expected to decline in 2014. Although we also see some positive developments in Spain, Italy and the Netherlands. UK saw the highest number of architects ever who have seen their order book growing in Q4 2013, but the euphoria has tempered a bit in the last quarter. The German and Belgian construction sector will show the same growth as experienced in 2013. These are some of the conclusions of the Q1 2014 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 keeps on improving. One of the reasons for this is that the building permits for non-residential are slowly increasing again, but they are still at a lower level than 2012. The building permits for residential show more positive signs, but since the non-residential sector is bigger this will have more influence on the total building sector. Arch-Vision does not present negative figures for the UK, due to the fact that the renovation is compensating for the slight loss in new build non-residential and that the sentiment within architectural firms is positive in Q1 2014: a strong order book (+38) and turnover (+36) development. Nevertheless there are also signals that the euphoria from last quarter is tempered: 1) last quarter two-thirds of the architects reporting increasing order books; this quarter however, the very positive trend seems to be tempered a bit, as now 55% sees an increase in their order book and more architects experienced that their order book remained the same (37%). 2) this quarter clearly more architects than in the previous quarter expect an empty order book in the next 12 months (37%). Arch-Vision therefore predicts a slight growth of the market in 2014 (+2%) which will continue in 2015 and 2016.

From Q3 2010 onwards there has been a steady positive development among the German architects. In Q4 2013 both the **German** order book and turnover development were positive again but with small changes in comparison to the results from the previous quarter: the Rolling Order Book Barometer (219) grew by 15 points and the Rolling Turnover Barometer (116) by 9 points. The number of architects with an increasing order book has remained quite stable (33%). In Q1 only 2% of the architectural practices expect to see an empty order book in the upcoming 12 months. Also this indicator has remained quite stable for Germany and is even at its lowest since the start of the European Architectural Barometer. There are however also some indicators which show less improvement: the construction confidence indicator declined, but is still just above the level from Q1 2013. The building permits in the non-residential area declined as well, but this is a seasonal effect we see each year. The new build sector only accounts for approximately 30% of the total building sector in Germany, while the rest is renovation. Therefore Arch-Vision expects the following growth figures: 2014 (+2%), 2015 (+2%) and 2016 (+3%).

The slight signs of improvement noticed among the **French architects** in Q3 2013 were unstable and only temporary as in Q4 2013 and Q1 2014 the Rolling Order Book Barometer for the French architects showed strong decline. There are much more French architects experiencing a decreasing order book (43% this quarter and 47% previous quarter) than an increasing order book (19% this quarter and 22% previous quarter). The new drops in the order book (-19) and turnover (-30) development show that the French situation continues to deteriorate. And it is also confirmed when looking at the building permits. The building permits for residential show a negative trend for the whole of 2013, and is still at one of the lowest levels since 2010. This downfall in building permits has a big impact on the French building sector since new build residential has a share of app. 28%. Also the building permits for non-residential registered a decline, and therefore cannot make up for the loss of in the residential area (share of only 18% of total volume). Arch-Vision predicts that the French construction market will decrease in 2014 (-2%), but will recover from 2015 onwards (2015: 0% and 2016: +1%).

For the first time since the measurements in **Spain** started, the ongoing decreasing line seems to come to a hold in Q1 2014; results are even slightly positive as more architects reported an increasing order book (32%) instead of a decreasing order book (25%). With every quarter of 2013, the Spanish architects were becoming more positive, feeling the bottom has been reached and improvements should follow: in Q1 2013 49% of them expected empty order books in the next 12 months, while currently this is valid for 29% of them. Unfortunately the more positive attitude is not in line with the development in the building permits: especially the non-residential sector is showing a dramatic decline in building permits. Given the latest results Arch-Vision concludes that the development in 2014 (-7%) will be slightly better, however still negative, to the one in 2013 (-9%). An improvement is not foreseen until 2016 (0%).

After a very bad second, third and fourth quarter in 2013 **Italy** again has experienced a big drop in the order book (-26) and turnover (-28). There is nevertheless a positive development. In the past three quarters (Q2 – Q4 2013) approximately 78% of the Italian architects noticed a decline in their order book in comparison with the previous quarter and hardly any architects reported an increase in their order book in Q4. This quarter however only 46% of the Italian architects reported negative developments in their order book and 12% saw their order book increasing. Italy has already reached the low levels of the Rolling Order Book Barometer of Spain, but improvement of the construction market in Italy seems to be far away. The outlook for the next twelve months is still not very promising. Arch-Vision predicts a shrinkage of the market by 9% in 2014, by 4% in 2015 and a stabilization in 2016. This on top of the heavy decline in 2013 (-11%). Although no data on building permits is yet available for 2013 the figures of 2011 and 2012 were not positive:

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they showed big declines compared to 2010. So this will have its influence on the construction in the 2 – 3 years after the building permits have been granted.

For the second quarter in a row the **Dutch** order book (118) and turnover (105) development were positive again. This is a continuation of the improvement we saw in the previous quarters. The number of those experiencing increasing order books (49%) is higher than the number of the architects with declining order books (26%), something happening for the second time since Q2 2011 (Q4 2013 being the first time). At the moment 19% expect an empty order book within the coming 12 months, which is less pessimistic than in the fourth quarter of 2013 (25%). Despite the positive architectural sentiment, other indicators like the building permits show a slight decrease in comparison to 2012, so therefore Arch-Vision predicts a small decline in 2014 (-1%), but a recovery in 2015 (+2%) and 2016 (+3%). The Dutch market is still benefitting from the temporary VAT reduction (early 2013 – end 2014) on renovation activities. The last months the housing market in the country shows positive developments.

Since Q1 2013 there was a quite stable positive development regarding the order books of **Belgium architects**. This quarter however, the development seems to be turned into a more neutral scenario; about the same share or architects reported increasing (29%) or decreasing (24%) order books; almost half of the architects indicated that their order book remained the same (47%). Only 10% of the Belgian architects expect an empty order book, although higher than the previous quarters, it is still a relatively low figure. This is also reflected in the quarter to quarter Order Book Barometer (103) and the Turnover Barometer (99) which are lower than Q4 2013. The building permits figures, especially for residential buildings, are showing positive developments, while a drop in the non-residential permits can be seen. This leads to a prediction of the Belgian construction sector by Arch-Vision which is one of modest growth in future years: +2% (2014), +1% (2015) and +1% (2016).

After the negative order book developments in previous quarters, the **Polish** quarter to quarter Order Book Barometer was positive again (103), indicating that in Q1 2014 the architects that experienced their order book growing were more than those who saw declining order books. This was already foreseen last quarter since the number of architects that expected an empty order book within the next 12 months had dropped from 31% to 20%. This quarter it dropped even further, 14%. Poland is a country which heavily relies on new build when it comes to the construction sector volumes (73%). So it could be alarming that the figures of the Barometers are still negative. This is also the case for the residential building permits, they show a negative trend for a second year in a row, but they now start to stabilize. All together Arch-Vision expects that the Polish construction sector will fluctuate between € 29 billion and € 30 billion euro: -1% (2014), 0% (2015) and +1% (2016).

Amounts in billions at 2012 prices

Estimation of future building volumes (residential and non residential)

Change in % with respect to the previous year

2013	€ 829 bln	-3%	1%	1%	-4%	-9%	-11%	-2%	2%	-1%
2014	€ 818 bln	-1%	2%	2%	-2%	-7%	-9%	-1%	2%	-1%
2015	€ 823 bln.	1%	2%	2%	0%	-4%	-4%	2%	1%	0%
2016	€ 838 bln.	2%	2%	3%	1%	0%	0%	3%	1%	1%

Note: *For the second time Arch-Vision provides forecasts for Belgium and Poland as well.*
The European building volumes are calculated based on the building volumes of the 8 countries.
The building volumes include residential and non residential construction. Civil engineering works are excluded

These and many other results and trends of the developments of the European construction market can be found in the European Architectural Barometer, an international market research conducted among 1,600 architects in Europe. This study is conducted in Germany, France, Italy, Spain, United Kingdom, the Netherlands, Belgium and Poland by Arch-Vision four times a year. Besides indicators to forecast the European building volumes, a specific topic is highlighted each quarter. The topic in Q1 2014 was "Decision Making Unit & Media orientation". Architects can be used not only as a reliable source for future building volumes information, but their role is very important as they have great influence on how projects are built and which materials are used.

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