

2023: Through a Legal Lens

To collate a set of phrases which best encapsulate 2023, from a construction sector perspective, such a 'bucket' would include cost inflation, supplier stress, access to skilled labour, energy performance and stranded assets. We take a closer look at the key trends in the construction arena throughout 2023 here.

The first half of 2023 saw a steady increase in commercial building followed by a drop in Q3.

There is some stability in cost inflation but cost and material inflation remain a stubborn red flag item. Notwithstanding this, the outlook is positive and optimistic.

This is demonstrated in CIFs latest Outlook Survey, with over half of the construction companies surveyed feeling positive about the health of the sector heading into Q4 and only 11 per cent feeling pessimistic.

Respondents observed an increase in housebuilding, civil and general construction, with some respondents also identifying a healthier pipeline of work they expect to merge by Q2 of 2024.

Further, the recent investment funds announced by the Government in the 2024 Budget are likely to create more business certainty across the sector.

So what type of transactions have been a feature of the market this year?

Despite the economic pressures, multi-building/use, campus-style developments continue to progress, where such build out is not restricted to the residential elements,

but includes the commercial and retail spaces also.

In addition, some forecasted multi-building developments are now working their way out of the difficulties encountered with the planning system. Considerable fit-out and alteration projects are also a feature of the market as the industry looks towards supplying / completing energy efficient and sustainable buildings.

This is against the back drop of the new challenges that may be faced by the industry created by the **Energy Performance of Buildings Directive** ie, the introduction of more onerous regulatory efficiency standards so to avoid a **'stranded asset risk'** (visit www.matheson.com for further information).

Recent reports at European level, however, highlight plenty of opposition from EU Member States to the **Energy Performance of Buildings Directive**, largely due to limited interest in mandatory energy performance standards.

A watering down of the directive is expected. We have also noted a very welcome uptick in construction/development financing across a wide

spectrum of assets (and outside of residential).

The re-financing of assets is also worth noting at the moment in the context of assets not yet completed or where the related defects liability period is still running.

The data centre and logistics space is very active.

Matheson's Construction & Engineering team look forward to once again engaging with clients and stakeholders in the coming year and being at the forefront of 2024 construction trends.

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