

Construction sector confidence: not all hope is lost

Reports of construction sector confidence plummeting to 17-year lows should not be the reason for investors and developers to lose complete faith in the industry, according to the Building and Property Economics Committee of the Association of South African Quantity Surveyors (ASAQS).

“Low confidence in the construction sector is cause for concern due to the impact on investment and risk,” says James Hanley, chairman of the Committee. “The built environment is however known for being cyclical, and these cycles last approximately three years.”

While sensible business planning and building up reserves in their practices is the standard recommendation during times of high confidence and investment, built environment professionals tend to be at the mercy of the market.

What is needed to smooth out the cycles is better governmental planning and longer term infrastructure commitments that enable the sector to respond and build capacity.

“If the past is anything to go by, the industry will start to improve soon,” says Hanley. “The construction industry normally lags the general industry by about 6 months, so improving conditions in the general economy tend to influence the cycle accordingly.”

It is however unwise for business to only wait for macro-economic and –political factors to turn favourable rather than doing what it can to ensure future sustainability.

The Committee cautions against panic to reports of economic downturn and low investor confidence, and instead advises built environment professionals to make use of any surplus time they might have available to develop and broaden their skills.

While it might seem counterproductive to seemingly take time away from business development to strengthen or diversify the professional skill set, the focus should be on the long term sustainability of the professional team.

“By strengthening and diversifying their skills sets, built environment professionals will be better equipped to deal with disruptive changes that continue to challenge a variety of sectors,” says Hanley.

The Committee also warns against aggressive fee discounting that adds additional pressure to professionals such as quantity surveyors. This practice not only threatens the livelihood of individuals, but undercuts the reputation of an entire sector as a severe reduction in fees can easily create a perception that is disproportionate to the real value of a service.

“Fee discounting is at best a poor business decision, and at worst anti-competitive,” warns Hanley. “Professionals that portray low confidence in their own skills through a willingness to undercut standard industry fees are doing more damage to the sector than macro-environmental factors.”

Rather than reduce their fees to secure a sliver of a small pie, built environment professionals should rather increase their capability to showcase the value of their services.

“It will serve both professional and sector interests – by increasing the amount of work available to all – if built environment professionals are capable of creating an understanding among clients of the true short term savings and lifecycle value of incorporating professional fees in the budget of any infrastructure development or maintenance project.”