

DLINFO

PERTH – APRIL 09

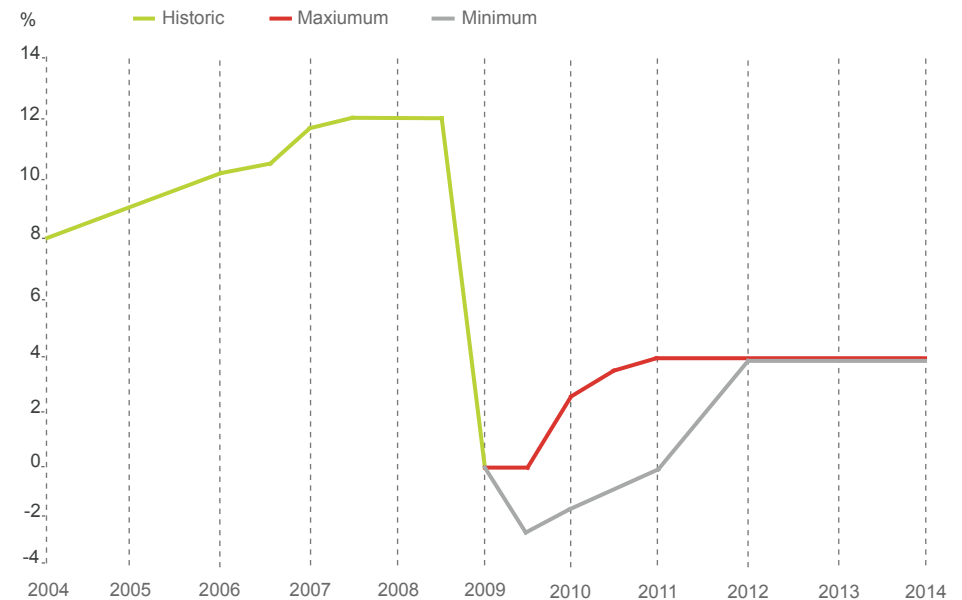
Short to Medium Term Market Outlook

The construction market has certainly turned the corner quickly from the highs of summer 2008. With escalation at that time running at around 12 percent per annum and demand out stripping supply, there seemed no light at the end of the tunnel with the forecasts of the market continuing to overheat. In the spring of last year we saw the first signs of market conditions in America and Europe filtering through to Australia with investors and developers beginning to take a more 'cautious' approach to their property portfolios. Dovetail this with the change in State Government and their slowing of release of new projects along with the slow-down in the Asian economy, and we are now in a very different position – a year of two halves. With projects going on hold and some being cancelled either temporarily or permanently, both Main and Sub-Contractors, concerned about their future workloads, have begun to put downward pressure on tender prices. In monitoring cost movement over the

last six months we have experienced significant changes in key trades along with overall downward movement in escalation projections. We have outlined below our projections for escalation to assist you and your clients with future projections. This projection is averaged across all non-CBD commercial developments.

Clients and architects should be ensuring that project capital costs that were issued any time last year are updated, they re-assess their procurement options and approach to risk transfer and programme their projects to bring them to the market at the opportune time.

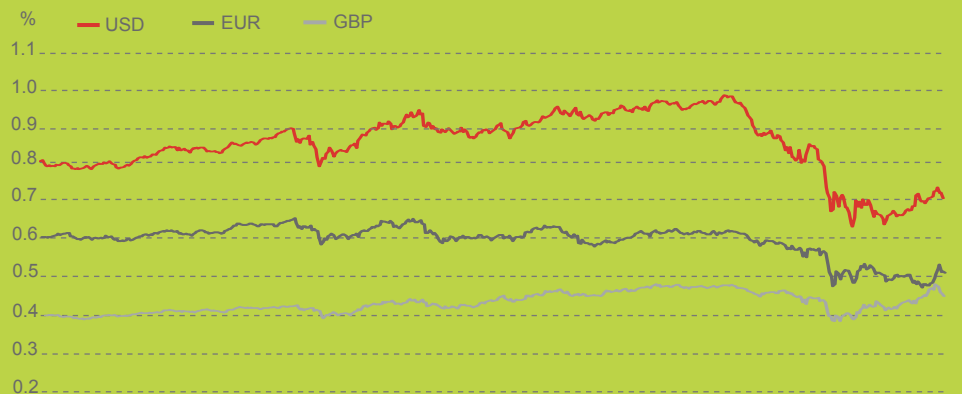
Escalation Project (Financial Years)



One to Watch – Exchange Rates

Australia's dependence on imported materials still remains high and as such the effects of AUD\$ against other major currencies directly effects our buying power. It is fundamental that clients and their Cost Managers track exchange rates.

Exchange Rates (Jan 07 – Dec 08)



Source of data: RBA

Events

Building Surveying Conference – Davis Langdon recently sponsored the National Conference of the Australian Institute of Building Surveyors held at the Perth Convention Centre late last year. Showcasing Davis Langdon's various service offerings throughout Australia with a specific focus on Building Surveying, the conference was a great success. The importance of the conference

was reinforced by key note speaker Mr Peter Gow, Executive Director – Building Industry Development, who confirmed that the Western Australian State Government Elect had recently provided their support to the New Building Act for Western Australia. This Act will introduce a system of private certification to Western Australia. On commencement of the New Building Act for Western Australia,

Davis Langdon's qualified Building Surveying consultants will be able to deliver private certification services to clients in addition to its current consultant services. This important regulatory reform will see Western Australia's construction industry achieve consistency with the other Australian states and territories thereby strengthening Davis Langdon's position as a national provider of private certification services.

Innovation in Materials

Dirt doesn't stick easily to the new family of self-cleaning materials, which means that a good shower of rain or water spray from a pressure washer is all that's needed to shift any grime and leave the surface looking as new.

Imagine – no more detergent or elbow grease and no more stains. The enabling technologies have been developed through an understanding of some novel properties of plants and materials at the nano – or billionth of a metre – level. Products that use TiO² and the 'lotus effect' technologies include clear and

pigmented architectural coatings, sheet metal cladding, tensioned fabrics, awnings, concrete, masonry bricks and pavers, glass and ceramic tiles.

Cost Info

The Viridian Renew product is in the order of 50 percent more than the base cost of laminated glass.

Bringing You Innovative Solutions For Energy Performance

In the current economic situation with the reduced availability of credit and ever increasing energy costs, the need for Davis Langdon to advise its clients of opportunities for third party financing and guaranteed energy savings is critical and timely.

In essence Energy Performance Contracting (EPC) provides budgetary simplicity and reduces the conflict of interest between organisations opex and capex budget holders. It does this by financing and implementing energy efficiency projects, it then recoups its costs through receiving a share of the energy savings cost. Increase in the cost of energy to some state government departments has been in excess of 100 percent

from 2007/08 to 2008/09 fiscal years. EPC guarantees savings in unit terms with an agreed cost per unit of energy which can be applied as the baseline for an EPC contract. Thus clients receive real unit reduction at their facility. The final monetary level of savings becomes even higher when there are significant energy price increases. The link with the Australian Government's \$90m Green Building Fund (for building retrofits) is also clear.

Publications

Australia

- > Construction Sentiment Report
- > Our Year in Review – 2007/2008
- > The Blue Book 2009

Global

- > DLS Dynamics – Market Forecast From Asia
- > Middle East Property & Construction Industry handbook 2009

- > UK - Market Forecast 2009 – Two Years to Go!
- > USA – Impact of ARRA Stimulus Package on the Construction Industry
- > USA – Market Forecast 2009 – A Guide to Working in a Recession



For more details on any matters in this issue, or if you have an suggestions for future comment contact Neil Dickson – ndickson@davislangdon.com.au

