



Scape Group

2015 General Election

The Impact on Construction and Property Sectors



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Overview

In the run up to the 2015 General Election *Scape*, the UK's leading construction procurement specialist, has conducted research on the impact that general elections have on the construction and property sectors.

*New analysis of data from the **Department for Communities and Local Government (DCLG)**, **Council of Mortgage Lenders (CML)**, **Office for National Statistics (ONS)** and **Halifax**.*

Executive Summary

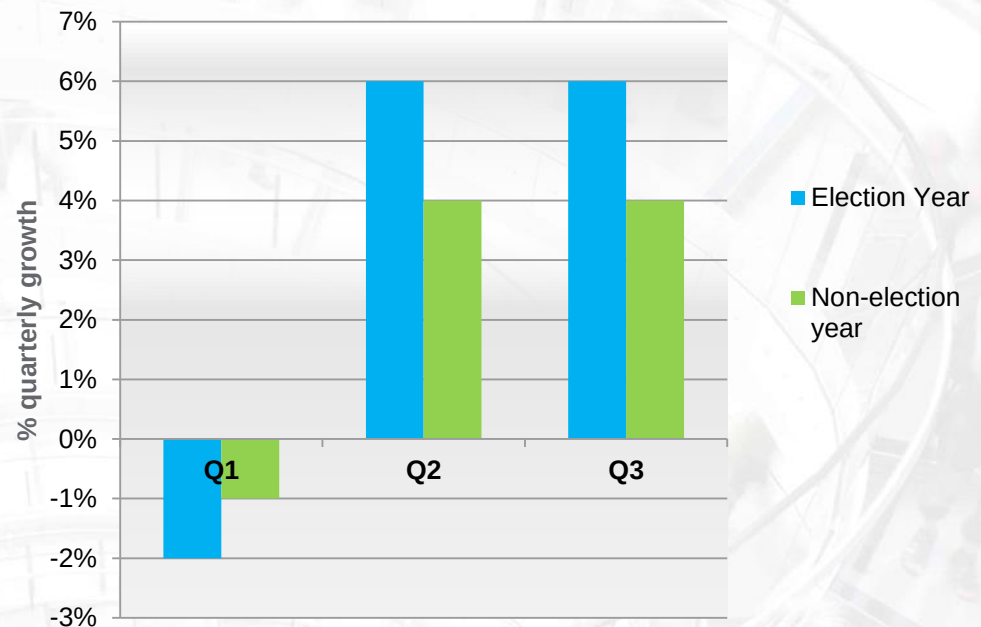
- *Construction output increases by a third after most (60%) of the elections since 1955*
- *UK average property prices will rise over the election quarter – prices have accelerated in all election years since 1980 (up from average of 0.2% in pre-election quarter to 3.2% in election quarter)*
- *The number of new housing starts also see a rise in the run up to eight out of the nine of the last elections*
- *Q2 of 2015 set to see surge in number of mortgages granted as people submit applications in advance*

***Mark Robinson, Group Chief Executive of Scape comments:** “Our research shows that rather than being a time of uncertainty, the pre and post-election periods tend to be periods of growth for the construction and property sectors. Even if there is no change in government, elections are a time of change, with new objectives and agendas and it is clear from this research that the markets respond well to this type of change.”*

Construction Output

- An election is a catalyst for growth in construction output according to Scape's analysis.
- Only two of 15 elections (13%) since 1955 saw a drop in construction output in the quarter following the election and looking at the following year in most cases (60%) there was positive quarterly growth.
- This trend transcends seasonal fluctuations, as the average Q2 growth in election years (elections tend to take place in May) is 6% whereas growth in the same quarter for none election years is just 4%.

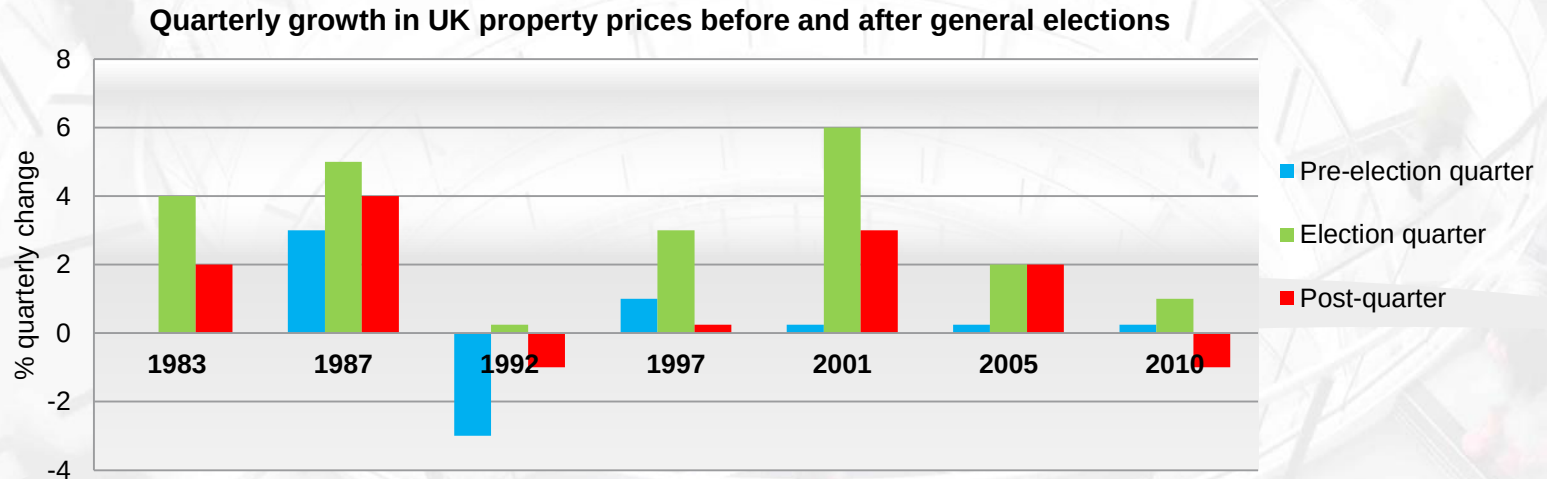
Average quarterly growth in construction output
(Q1, Q2, Q3)



Source: ONS (elections since 1979 only, when all elections fall in Q2)

Average Property Prices

- House price data from Halifax shows that quarterly house prices increased during every general election quarter and at a greater rate than during non-election years.
- In all election quarters, house prices increased on average 3.2%, compared to an average of 0.2% in all the pre-election quarters.
- Interestingly there is also subdued growth in the pre and post- election quarters.
- While some commentators anticipate a lull in market activity in the run up to the election, history suggests that the election will cause a flurry of activity which will boost prices as prospective buyers and movers take advantage of continued low interest rates by locking into fixed rate deals and take advantage of the continued existence of Help to Buy.

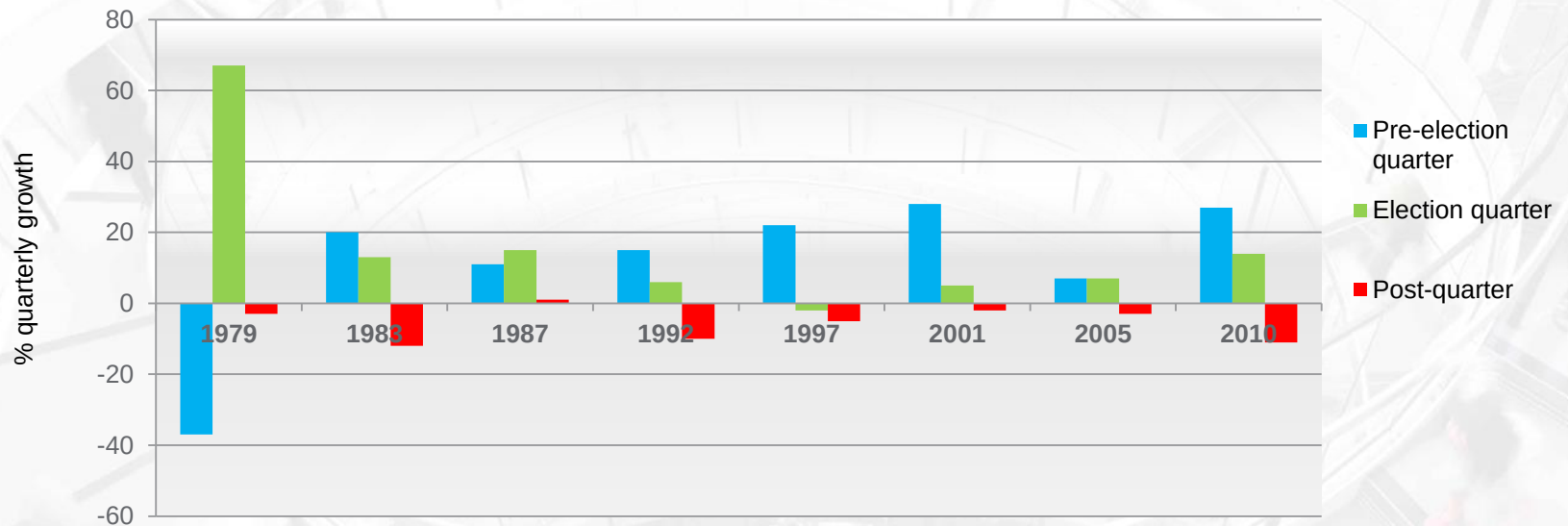


Source: Halifax

New Build Starts

- Eight out of nine elections (89%) saw a surge in the number of new housebuilding starts in the quarter of the election, with seven out of eight (88%) also showing a significant increase in the quarter before the general election.
- However, the six months following the election is likely to see a decline in the number of new home starts – which was the case in all but one general election – as the new government beds in and/or legal and policy changes take effect.

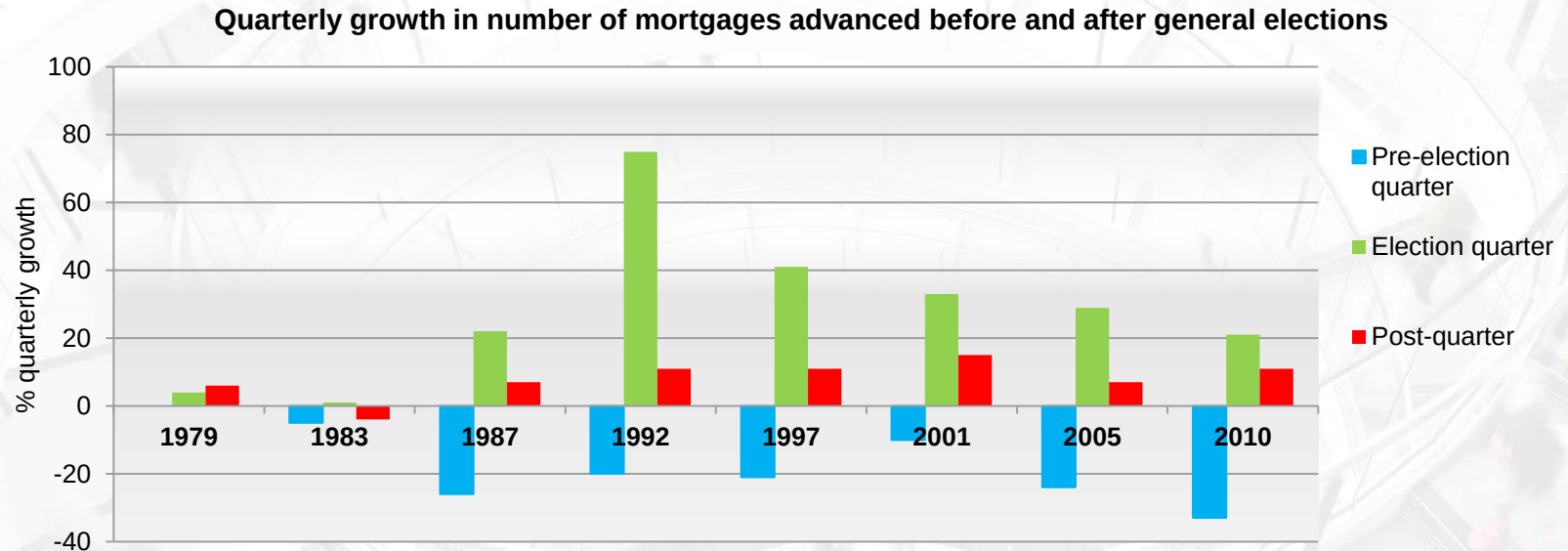
Quarterly growth in new dwelling starts before and after general elections



Source: Department of Communities and Local Government

Mortgages Granted

- The majority of elections (67% - and the six most recent) saw a significant surge in the number of loans advanced in the quarter of the election which in all cases was preceded by a quarter of decline.
- This suggests that the uncertainty leading up to the election prompts people to take the plunge when it comes to buying a new home, which in turn leads to a surge in mortgages granted at election time.



Source: CML

Conclusions

Mark Robinson, Group Chief Executive of Scape, comments: *“The construction sector has traversed a rocky road but there have been plenty of positives to take through to 2015, including recent reports that 2014 was the strongest in 18 years.*

“Our analysis shows that we are likely to see a rise in the number of new home starts in the run up to this year’s general election and then a surge in construction output in the preceding quarter. House prices and mortgage lending also tends to respond positively during election years.

“Ultimately elections look to be good news for the construction and property industries. This indicates that elections cause governments, new and existing, to prioritise infrastructure across the UK and with new roads, school places and hospital beds desperately needed, not to mention new homes, we would urge the next government to again place construction at the top of its agenda.”



Methodology

The report was compiled by Wriglesworth Research – winner of several industry awards for use of research including the CIPR Awards, Golden Hedgehog Awards and PR Week Awards.

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About Scape Group

Scape Group is a local authority owned built environment specialist offering a full suite of national frameworks and innovative design solutions.

Bringing together the strongest teams from the public and private sector, Scape's rapidly deployed, highly measurable and collaborative approach delivers value for money and quality buildings whilst stimulating local growth and community benefits. For more information visit: www.scapegroup.co.uk





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