

Construction Cost Outcomes - November 2013

Spending time where it really matters...

This week saw the publication of the London Office Crane Survey by Deloitte, headlining 10m sq ft of space currently under construction across 71 schemes, which represents a 4 year high.

So, as the industry continues to gain long awaited momentum, the speculation around tender price inflation almost becomes a daily conversation. Why is that, and should it deserve such attention?

There is no doubt that the issue of inflation is important and a key part of a project cost outcome, but it is not uncommon for this topic to take over conversation and become a focal point, perhaps at the expense of other more fundamental issues.

Perhaps one view as to why it gets so much air time is because people like to talk about market sentiment, gossip, and give opinions as to what the future holds. It is “exciting” to speculate and the topic of inflation is sometimes used by people as a public display of who is “in the know”!

The irony here is that there are often more fundamental issues to be sorted. To elaborate, there are many influencing factors on construction cost, with examples being clarity of brief, procurement strategy, design efficiency, quality of tender documents, change and timing of it, team dynamics and effectiveness of leadership.

If an incorrect assessment of inflation can affect a construction cost outcome by a couple of percent, ineffective strategies around the more fundamental issues will have a tenfold effect.

It is, therefore, worth reminding ourselves that time and energy needs to be spent in the right areas for projects to be successful, not forgetting of course the alignment of the project goals with the client's criteria for value.

Making a professional judgement on what market price inflation and the future holds is important, but ultimately outside a project team's real control. Clarity of brief, how the design responds to it and how the project is bought and run is even more important, and certainly easier to control - most of the time!

Iain Parker, Partner at alinea consulting LLP