

Uncertainty is the only certainty

FINCH

The atmosphere in London is febrile, writes Paul Finch

With the ongoing financial implications of Covid, rising energy prices, a European war, and inflation rates rising to levels not seen since the 1980s, these are worrying times for even the most optimistic forecaster.

So while big investment deals in the London market continue (the latest being the £1 billion-plus purchase of the UBS building, designed by Make), the concern is over what is going to happen to building cost inflation, as opposed to the general rate.

Some quantity surveyors are now assuming up to 15 per cent in their assessment of new construction, making some projects distinctly marginal. Given everything else that is happening, why take the risk of development? This will inevitably lead to a slowdown in commissions, which in turn suggests that the architectural employment market, which has been remarkably resilient over the past two years, is likely to take a hit, even though skilled and experienced practitioners are in short supply.

The idea that green policies can transform the economy, even if they should, is currently fading in the face of economic and energy realities. A recent survey suggested that four out of ten employers would not pay higher rents for offices with strong green credentials – and in any event, the enjoyment generated by working-from-home arrangements suggests that demand for space is unlikely to grow. All another reason for developers to be cautious about embarking on ambitious new projects.

Meanwhile the biggest project in London, the retrofit of the Palace of Westminster (ie the UK Parliament), seems to be in a state of limbo, following the abandonment of the development corporation-type supervisory body which was supposedly in charge of development. The problem here, apart from the £5 billion to £10 billion cost, is that Parliament has never got to grips with what it wants from its renewed estate: a replica of what already exists? Possibly, but that would scarcely take account of the changes that devolved national parliaments in Scotland and Wales, plus technology (tested during

the Covid pandemic) now offer to legislatures.

Moreover, the constitutional make-up of the UK has been slowly unravelling, since the Blair government introduced changes for reasons of party, rather than national, interest. The existing Charles Barry-planned building, as my WAF colleague Jeremy Melvin has often pointed out, is an architectural description of the 19th century constitution, with monarchy, hereditary House of Lords and elected House of Commons in their appropriate places. That constitution, in practical terms, no longer exists. What would a new architecture look like were it to reflect what we now have?

This raises another problem, which is the unsatisfactory nature of our second chamber, a body with a vast number of political has-beens, no-show vanity peers and a minute number of hereditaries. Which comes first, constitutional reform or a building?

And how, one might ask, does this vast anticipated expenditure on a London landmark chime with the government's much vaunted 'levelling up' agenda? This involves exporting various government

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offices from the capital to provincial locations, giving local mayors a bit more authority, and lubricating the process with what remains of the public finances. Needless to say, the Midlands and Northern towns and cities which will be the beneficiaries of these policies are not falling over themselves to say thank you. For one thing, many of them are Labour-controlled, so whatever a Conservative government may offer will never be sufficient. There is a faint hope that the geological accident of vast shale deposits under the north-west of the country will be brought into play because of the energy crisis, thereby vastly

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increasing the financial wealth of the northern regions, but it would be unwise to count on it. The prejudice against fracking remains widespread.

Government commitment to green policies has expressed itself in a minor way, via a new tax measure reducing VAT on environmentally friendly improvements to dwellings (essentially insulation). But the realisation that we should not be relying on Russian or Mid-east oil and gas to provide us with heat and light has also triggered a renewed interest in nuclear power, at least in the mind of Prime Minister Boris Johnson, who has asked for new plants to be development at 'warp speed'.

Whatever happens is going to take time (even at warp speed), during which the built environment sector will become a focus of attention for the Treasury and economists generally. It is not commonly understood just how big a proportion of the national economy construction and property represent. Construction and its ancillary activities (for example building product manufacture) comprise about 10 per cent. The value of development and investment is hard to put an exact figure on because of definitions, but it is massive, affecting not just the development and transactional market, but the operations of pension funds and other financial institutions, which regard property – with the exception of shopping centres these days – as a safe haven. It is not looking quite so safe at the moment.

Of course one tries not to be too pessimistic in these troubled times. But always remember the cynic's definition of a pessimist: someone who lives with an optimist. ■