

Top construction trends - building a way forward

 By [Dumisani Madi](#)

5 Jan 2022

The construction industry has experienced its share of challenges over the past five years - challenges which were ramped up by the pandemic. As we approach 2022, we explore the major trends that have emerged in the industry, highlighting the top three and the impact they are having - and will continue to have - into the new year, as well as what actions the industry can take to turn adversity into advantage.



Dumisani Madi, chairperson of GVK-Siya Zama

While the construction industry had already suffered the effects of a suppressed economy for several years, nothing quite compared to the global impact of the Covid-19 pandemic and the subsequent squeeze it placed on the economy and every industry. This contraction has significantly influenced the trends that have emerged in the construction industry and the fancy footwork that companies have had to do to ensure business continuity. Many positive actions have been taken, however, and more can still be done.

The top 3 trends

1. Economic pressures

The global and local economic downturn and the effects of Covid-19 have put pressure on businesses. In the construction industry, economic pressures have increasingly caused the financing and feasibility of projects to come under even more scrutiny as banks and insurance companies take a robust view on prospective projects before deciding to finance them and/or provide construction guarantees. The sector suffered difficult economic times before the pandemic hit but since then, there has been a delay in projects entering the pipeline, which further adds to the economic pressures.

What can be done

On a surprisingly positive note, the South African economy has recovered quicker than predicted. It is now expected to grow by 5.1%, from a 6.4% contraction in 2020. Revenue for 2021/22 is now estimated to reach R1.5tn. This is an upward revision of R120.3bn. While government has more work to do in terms of rebuilding the economy and creating employment, the expected economic growth will positively affect the number of projects in the market.

What is essential until then is to have a growth mindset. Construction companies should be committed to doing what it takes to secure new work, but should also maximise what they already have. In addition, they can shift what they usually focus on, for example, instead of commercial properties, consider residential properties, student accommodation or warehousing and distribution.

2. Low markups

Due to the shortage of work and increased competition, there has been a downward trend in markups with gross profits under strain in both the public and private sectors. This trend is set to continue in the foreseeable future and could cause the demise of more marginal contractors.

Low markups are due to economic pressures, so there's less work in the market, but almost the same number of

contractors. This leads to stiffer competition. The squeeze on markups has been happening for at least five years, but has become more extreme in the last two years. Low markups not only affect the viability of businesses, but their ability to create employment.

What can be done

As markups are already sitting at the lower end, they are not expected to decrease any further. The industry is hopeful that from around mid-2022, there will be enough work in the market and this will enable companies to change their pricing strategy.

3. Skills shortages

The industry continues to suffer the effects of skills shortages of senior management and specialist trades. General contractors simply cannot afford to train their staff, and while top tier contractors recognise the importance of training, it is subdued due to low markups and profitability. The reality is that there are simply not enough skills in the market to carry out certain elements of the work required.

Interestingly, tertiary institutions are struggling to attract school-leavers into the construction industry. The current trend is for students to go into professional fields like law and medicine, amongst other fields.

What can be done

It will be up to the entire industry to continuously train, educate and upskill in the communities within which they work. They can also focus on upskilling SMMEs and their staff. More time could also be spent on mentoring high school pupils and showing them the benefits of studying towards a qualification in construction.

GVK-Siya Zama recently hired a national production trainer whose mandate it is to conduct a gap analysis in production across the board, determine where the major skills shortages are, and then introduce training. This is something that can be emulated by other construction firms.



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10 more trends to consider

1. Covid-19 – While there were already projects on the ground when the pandemic and hard lockdown hit in March 2020, the work of developers and designers working on projects in concept and feasibility stages had contracted dramatically. This lag in bringing projects to market will likely spill into 2022, particularly for private sector projects. There has also been a shift in client mix caused by the decline of some industries, notably tourism and hospitality.

The good news, though, is that the economy is experiencing growth and there is a resurgence in business. Also important is that large property companies' portfolios have changed to include new areas of business to focus on.

2. Supply chain – With supply chain shortages, currency fluctuations, procurement delays and inconsistent availability of specialist items, the construction industry has suffered, and this may continue with further Covid-19 waves and lockdowns in source markets. Fortunately, the growth in the economy will help improve supply chain issues. It is also hoped that there won't be a need for stricter lockdowns.

3. Digitisation and AI – South Africa lags far behind the rest of the world in this area. The challenge lies in meeting the

requirements of multinational clients and balancing that with affordability of technology in a low markup environment. Fortunately, the industry is catching up, thanks to dedicated companies whose focus is on AI, specifically building information modelling (BIM), which is helping architecture, engineering and construction professionals to move towards more collaborative, automated and successful ways of working.

4. Vaccinations and safety protocols – Companies have been put under pressure to ensure that their workforce is vaccinated. This will extend to subcontractors who play a critical role in the industry. This will change the employer-employee landscape as businesses navigate changing requirements. However, many companies are running vaccination information campaigns and are practising rigorous safety protocols.

5. Health and safety – First-world health and safety requirements from multinational clients entering the local market continue to have an impact on the sector. On a positive note, the local construction industry has shifted from lagging, retrospective reporting to a focus on leading indicators and preventative measures.

6. Alternative methodologies – South Africa's construction industry is still in its infancy regarding this. However, time constraints have seen the emergence of off-site prefabrication methods and lightweight structures, such as in the construction of temporary wards for Covid-19 patients in 2020 and 2021. The industry has also witnessed fast-tracked construction in certain growing sectors such as logistics where basic structures/white boxing are required with very little need for highly skilled labour or artisans.

7. Green building design – This methodology remains a growing trend, especially among environmentally conscious multinational clients and corporates. Many developers now endorse sustainable buildings as part of responsible governance. Construction firms can upskill management and staff, and employ creative thinking to construct green-rated build projects.

8. Construction disruption – There has been an alarming increase across the industry in disruption and extortion from construction mafia and forums. This is unlikely to change and does not bode well for project delivery. The industry must engage with high-level government to safeguard clients' investments and the lives of all stakeholders while delivering projects.

9. Uplifting SMMEs – A big trend in the foreseeable future is the upliftment and management of SMMEs. This facilitates job creation, entrepreneurship and developing communities, and eventually becomes a critical step in nation-building. The industry must work with SMMEs to improve on project delivery.

10. Long-term maintenance – A growing trend is the consideration of the long-term maintenance cost on a build versus the initial upfront construction cost. Designers are now thinking hard about the long-term cost of maintaining buildings and design changes are being made upfront and implemented at construction phase.

In summary, to address these trends and ensure business continuity, the industry must focus on efficiency and better planning. What is needed is to go back to basics by upskilling staff, sourcing skills in the industry, training and mentoring SMMEs, and retaining the excellent talent already in the industry.

Although economic pressures are not controllable, industry players can focus on new markets and price projects more competitively. Being mindful of the trends and addressing issues constructively will stand the industry in good stead to weather any storms.

ABOUT DUMISANI MADI

Dumisani Madi is chairperson of GVK-Siya Zama, one of South Africa's largest privately owned construction companies. Madi joined GVK-Siya Zama in 1996 as a quantity surveyor and held this position for a few years before being appointed as the group managing director in 2015, after Madi and his partners purchased the group from the original founders. In 2019, Madi was appointed as chairperson of the board. He is now celebrating his 25-year anniversary with the company.

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