First, the good news. Buildings will be commissioned and built in Wales in 2013. Many commentators expect more activity than last year. But the bad news is it’s likely to be a patchy recovery, with demand highest in a handful of specialised sectors.

The housing market is expected to perk up, particularly in Cardiff and other prosperous areas, and investment in schools could create demand. Hotels, student accommodation and the power industry could also give the struggling construction sector a boost.

The industry is keen for the Welsh Government to push on with its plans for infrastructure work. Projects in the pipeline include power stations at Uskmouth and Pembroke and the rebuild of the blast furnace at Tata’s Port Talbot steelworks.

There is also a call for more to be done to create a procurement system that will help small and medium-sized businesses gain a larger share of new work.

“What we need is a cohesive approach to construction and the supply industry in Wales,” says Richard Jenkins, director of the Federation of Master Builders in Wales. “Too much material used to build and refurbish property and infrastructure in Wales is not made in Wales,” he says. “When construction begins on the nuclear power station [at Wylfa on Anglesey] there will be a huge opportunity in North Wales. I hope we will have the skills and capacity in Welsh companies to take full advantage of this opportunity.”

Jenkins says that proposed borrowing powers for the Welsh Government could fund desperately needed infrastructure projects, including a solution to the bottleneck at the Brynglas tunnels on the M4 at Newport, improved connections between north and south Wales, and faster links to Cardiff Airport.

Neil Brierley, the Royal Institution of Chartered Surveyors’ construction spokesperson and chairman for Wales, is concerned that construction may be hampered by a lack of capital in 2013. “Traditional debt funding remains difficult to access,” he says.

Brierley, whose day job is at construction consultancy Davis Langdon, adds: “The public sector will be a key element of any recovery. The projected level of spend will help to breathe some well overdue confidence into the market and hopefully act as a stimulus for a sustained period of recovery.”

Neil Taylor, a partner at cost and project consultancy ChandlerKBS, says investment in schools will provide useful revenue. “The Welsh Government is supporting a programme of improving facilities, with an encouraging amount being spent on new schools and schools refurbishment,” he says.

But he adds that organisations will not be recruiting in large numbers until activity levels start to rise significantly: “There is still a sense of people staying where they feel secure. Construction needs more speculative development and greater confidence in the economy generally.”

Builders are coping with narrower margins, and that’s not likely to change, says Philip Graham, head of construction at law firm Douglas-Jones Mercer: “Among those companies reporting positive results, streamlining and new operational methods have been key,” he says.

Graham adds that many smaller businesses believe opportunities are confined to a select few larger organisations. “Delayed payments along the chain have also exacerbated a difficult market and are showing signs of an increase,” he says.
Dave Edwards, a developer based in South Wales, has had a good year. He’s acquired properties such as Llwynypia Magistrates Court in the Rhondda, which he has let to Itec Training, and the old Barry Law Courts, where he’s seeking to create houses, shops and a cafe.

“It is a good time to buy, particularly for commercial,” says Edwards, adding that this year and next will throw up even more opportunities. “Even in the high street, you’ll find a good deal. I think you’ll be able to buy prime freehold stock that is not usually available.”

Despite the collapse of HMV, Blockbuster, Jessops and Comet, the retail sector is picking up in certain areas. Contractor ISG is tendering for eight new shops at Cardiff Gate Retail Park. “It’s rare, but a very welcome indication that someone is doing something in the private retail market,” says Jon James, regional director for ISG.

But most private sector projects scheduled for the next couple of years are small. That’s mainly due to a lack of funding, according to Mark Watkin Jones, managing director of the Watkin Jones Group, based in Bangor.

Watkin Jones is working on a couple of sites in North Wales for retail operators, but it will take time to put these together and it will next year at least before there is movement.

Neal Stephens, managing director of Willmott Dixon in Wales, is cautious about the prospect of a private sector boom: “Whether we like it or not, the building industry in Wales is largely going to be supported by the public sector,” he says.

Willmott Dixon’s turnover exceeded £1bn for the first time last year, with Wales playing its part. The education sector was a significant contributor, with work on projects such as Powys Council’s £36m scheme to merge ten primary schools into four new-build units. The key, says Stephens, has been getting involved with key frameworks used by the government and local authorities to contract projects, such as the SEWSCAP (South East Wales Schools Capital) framework.

The company has picked up some care home projects and is in the early stages of developing a private housing project in Cardiff Bay. But most of its work has been in education.

The Welsh Government’s 21st Century Schools programme should further boost the number of potential projects in the education sector this year. At the outset of the programme, says Stephens, it was indicated that almost all schools in Wales needed work done or replacing entirely, yet much of that work is yet to materialise.

Other companies are also in on the education act. In December, Cowlin Construction shared its plans for the £4.3m refurbishment of the Church in Wales Primary School in Penyfai, Bridgend.

ISG won several school contracts last year and still is working on the sites of five school projects. BAM Construct UK, meanwhile, has been picking up work on academies. “The frameworks are sustaining the industry to a certain extent,” says Geoff Summers, business development manager at BAM Construct UK.

Health is also providing some work. In October, BAM started work on a £40m extension to Morriston Hospital in Swansea, scheduled for completion next year. But Stephens says there is some nervousness about public concerns over spending on building in the health sector.

Work from universities looks more promising. Cardiff University is looking to the next phase of its development, and ISG is hoping to win a £10m contract for a new business school.

With any luck, public sector work will be enough to keep construction companies ticking over until the private sector recovers.