



Unpicking Brexit: is the door shutting on architecture's open economy?

12 October, 2016 By Colin Marrs



Colin Marrs investigates what the government's recent Brexit pledges could mean for the architectural profession – both in the short and long term

Brexit just got real. After three months of uncertainty about the UK's future relationship with the European Union, last week prime minister Theresa May ranked restricting the inflow of foreign workers *above* continued membership of the Single Market.

'We are not leaving the [European Union](#) only to give up control of immigration again,' she told the Tory faithful gathered for the party conference in Birmingham.

The previous day, May's successor as home secretary, Amber Rudd, caused uproar by outlining plans to force companies to collect data on foreign-born employees. Following the hostile response from the traditional and social media, the government has since rowed back slightly on the commitment, promising only a consultation on the plans, and saying the information would not be published.

Despite this swift U-turn – and whatever government spin doctors' intended – the perception from the Conservative Party conference was that the government wants to pull up the drawbridge. Quoted in *The Times*, CBI director general Carolyn Fairbairn said: 'What we have heard over the last few days, if you add up the messages in total, are signs that the door is being closed, to an extent, on the open economy that has helped fuel investment.'

The pound started last week worth \$1.29. As delegates made their way home from the Tory jamboree, it was down to \$1.24 (after falling to a 31-year low of \$1.18 following May's speech). As the likelihood of leaving the Single Market becomes the most likely option, the world is betting against Sterling. So where does this 'hard Brexit' option leave the architecture sector?

In the short term, the falling value of the pound is likely to have more negative than positive consequences for the construction sector, according to David Green, director of Belsize Architects, who has previously worked for the Bank of England and the Financial Services Authority.

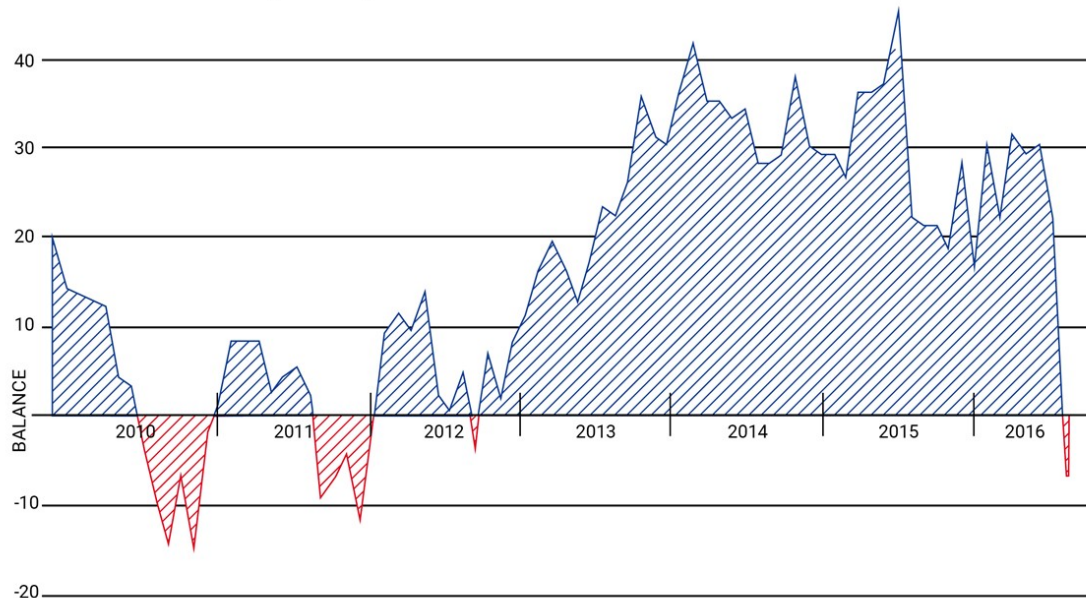
'The value of Sterling is likely to put up construction costs for imported materials,' he says. 'While it is true that property investment in the UK is now cheaper for foreign investors, it will be unlikely to provide a huge boost if they think the rate is going to go lower.'

Slower economic growth from decreased investment following Brexit could also provide a further brake on development, Green says. He argues that reductions in foreign investment would have a double-whammy effect on the UK. 'If car manufacturers and banks stop investing in the UK then it won't only reduce demand for office space but for homes.'

'If economic activity falls, then so does the government's tax take,' he adds. 'It is easy enough for the government to change planning rules to encourage development but the aim of providing new housing may be constrained by tighter government spending.'

RIBA Future Trends Survey

How do you expect the architectural workload to change in your organisation in the next three months?



DEFINITION OF BALANCE
THIS IS THE DIFFERENCE BETWEEN
THOSE EXPECTING MORE WORK AND
THOSE EXPECTING LESS

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Recent findings from the RIBA's Future Trends survey

And even if the cash was available, who is going to build the new homes promised? A spokesman for developer Berkeley Group, says: 'Nationally, half the workers who create Britain's homes are European nationals. If we get migration wrong in the Brexit negotiations, it will have a devastating impact on capacity to build. We'll probably deliver half as many homes in England. So the debate about work permits is something we all have to all focus on.'

Mark Middleton, managing partner at Grimshaw's London office, also voices dismay at the rhetoric on foreign workers. He says around 45 per cent of the practice's architects are from outside the UK, with 30 per cent hailing from the European Union. Problems filling vacancies could lead to lost business in existing EU countries, he claims.

'As a practice who does a lot of work abroad, language skills are among the knowledge and experience we need to pitch to European clients,' he adds. 'Any restrictions on recruitment from the EU would restrict the ability for us to export our skills.'

RIBA president Jane Duncan has been unequivocal about the institute's stance on the movement of labour and is urging clarity for those overseas nationals already practising in Britain. 'It is critical that any reforms to the migration system still enable the UK to attract and retain key architectural talent from around the world, and that mutual recognition of qualifications between the UK and the EU is maintained,] she says.

'We would like the government to confirm the status of EU national architects currently employed in the UK as a matter of urgency.'



Green goes further, saying the government is playing a dangerous game. 'The rhetoric about foreign employees could easily backfire,' he says. 'These were party conference remarks made for a domestic audience, but they will have been heard abroad. Two can play at the same game and other European countries could respond by putting restrictions on UK workers.'

In terms of workload, Middleton says that even if the number of EU jobs for UK practices drops significantly, the sector will cope. 'As a country, architectural exports to the EU only accounted for about 16 per cent of the UK's total in 2014,' he says. 'China and the USA were around that number, while Asia was 45.5 per cent. Leaving the Single Market would have an impact but it won't be a complete disaster.'

It remains to be seen whether the political benefit from a more hostile attitude to immigration will remain sustainable as the economic damage from Brexit starts to hit voters' pockets.

But Green says that the mixed messages of Rudd's immediately watered-down policy raise another problem. 'It wasn't well-managed messaging,' he says. 'That creates worries about incompetence which could compound the fears of investing in the UK.'

Comment

Patrick Brown, British Property Federation's head of EU engagement

'We are pleased to see a degree of certainty around the timings of Brexit. Our members want clarity around the end result to drive confidence around long-term investments. Without certainty, investors in real estate will tend towards caution, which translates into a reduction in investment and consequently jobs, profit and tax revenues.'