

Global Change: Demographics and the context for the world's construction industry

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There is a common perception that growth, and particularly population growth, is the long run driver for construction activity; perhaps this was true in the past, but it won't be in the future. Certainly population growth will be one of the drivers of construction demand, but other forces will increasingly influence the level and nature of construction activity. Within the demographic context, most regions will experience a much greater level of change in the age composition of their population than they will overall population growth. Most significant will be the rapid growth of the older age groups, bringing with it increased demand for construction related to seniors markets; in some regions this aging will be accompanied by absolute declines in younger populations. Thus our aging population will see hospital and care facility construction move in parallel with school closures and demolitions.

Populations are not the only things that are getting older – in many regions the physical infrastructure, much of it constructed in the high population growth era of the 1950s to 1970s, is reaching the end of its structural life. This physical aging will see, if not complete replacement, at least significant upgrading and strengthening of much of region's physical infrastructure (note that much of the attention will focus on transportation infrastructure, but the same situation will prevail for everything from hospitals to waste treatment facilities). In many cases, the areas where infrastructure is most in need of renewal or replacement will be those that are not, have not, and will not experience significant (if any) population growth, a situation that will bring with it a particular set of construction financing challenges.

Structural obsolescence will not be the only factor that will require construction not driven by population growth, as functional obsolescence will become increasingly an issue in the high energy cost low carbon emission environment that, sooner or later, all regions will have to face.

Perhaps overshadowing all of these factors in terms of the drivers of the demand for construction will be the reality that many countries have embarked on paths of economic change that will improve the overall standard of living of their citizens. With this improvement will go an increase in demand for all of the things that improve well being, and hence for the mines, the mills, the ports, the stores and the facilities that produce the goods and services that people seek. Given the large populations of many of the countries that are current following such paths and the interconnectiveness of regional supply chains, this will result in a new demand (and cost) paradigm for the construction industry both within and outside of these regions.

In a very unique context, the wealth transfer from commodity consuming to commodity producing regions will also generate large amounts of investment capital in resource rich regions – such as the Gulf Emirates – which may be directed off-shore to finance construction projects, or which may be spent within these country on diversification and its supporting construction and infrastructure.

The physical resources that will be necessary to meet the growing and changing demand for construction are not uniformly distributed around the globe, and hence the consequences of changes in demand in one region will be felt in supply responses in regions in other parts of the world. Human resources are also not uniformly distributed, and hence the skilled labour necessary to construct the mines, the ports, the plants, the homes and factories will become a much more global as firms become increasingly engaged in worker mobility in the construction industry.