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charterfields RE:VIEW

SPRING 2009

INTRODUCTION

RE:VIEW is published quarterly to help insurance professionals and clients understand some of the key valuation issues relating to insurance and deals with inflation and other matters that can affect the accuracy of sums insured.

Our Spring 2009 edition includes an update of the 'Regional Prices – Building Tender Price Inflation' data table as at March 2009, to cover the period 2005 to 2008. The use of indices to track and monitor changes in declared values must be used with care and cannot be applied unless a known and reliable valuation platform has been identified. Therefore, this data should be taken as a guide only and not as a definitive statement for use in an individual case.

Our team profile has also changed since the last edition and an updated contact section can be found at the rear of this document.

COMMENT

As Britain copes with its first recession since 1991, the economy contracted by 1.5% in the final quarter of 2008 with the construction industry just one of many suffering at this difficult time.

A result of the recession is that there is currently a reversal in building tender prices. The tender price index, which is the standard industry measure, monitors current and forecasted contracted building price movements. The trend over the last ten years has seen building tender prices consistently rising and generally above the headline rate of inflation, mainly fuelled by a buoyant property market.

In third quarter 2008 building tender prices began to fall reflecting a slow down in the property market and the onset of recession. New construction projects have been shelved and some existing projects temporarily halted. Current forecasts suggest building tender prices will fall by 7% during 2009 and predictions suggest a further fall of 3% could occur in 2010. A decrease in new work means that contractors are competing for fewer contracts. This is placing a downward pressure on tender prices quoted as contractors try to survive the recession.

The private construction sectors are likely to be hardest hit with significant falls expected in new construction output during the next two years. The Government's response to easing the situation is to try to spend its way out of the recession by way of £3bn of new public sector construction projects. This is in the form of increasing the capacity on some of Britain's most congested motorways, flood defence work, housing and regeneration schemes, the refurbishment and modernisation of schools, the upgrading of GP surgeries and investment in the estates of various Police agencies.

An interesting statistic reflecting the present economic turmoil is that there has been a significant drop in firms reporting difficulties securing skilled workers, particularly plasterers, bricklayers and carpenters. The recession has already seen many business failures and job losses which have affected construction companies and their workforces. The result is a surplus of skilled workers competing for fewer jobs. An improvement in the economic situation is not expected to commence until at least the end of 2010.

BUILDING TENDER PRICE INFLATION 2005 – 2008

			% Change by year	Overall % increase 2005 to 2008
Scotland				
Quarter i 2005 to Quarter iv 2005	216	225	4.2	
Quarter i 2006 to Quarter iv 2006	233	239	2.6	
Quarter i 2007 to Quarter iv 2007	243	259	6.6	
Quarter i 2008 to Quarter iv 2008 (forecast)	264	259	-1.9	19.9
Northern (Cleveland, Cumbria, Durham, Northumberland, Tyne & Wear)				
Quarter i 2005 to Quarter iv 2005	230	238	3.5	
Quarter i 2006 to Quarter iv 2006	243	243	0.0	
Quarter i 2007 to Quarter iv 2007	247	258	4.5	
Quarter i 2008 to Quarter iv 2008 (forecast)	262	255	-2.7	10.9
North West (Cheshire, Greater Manchester, Lancashire, Merseyside)				
Quarter i 2005 to Quarter iv 2005	217	217	0.0	
Quarter i 2006 to Quarter iv 2006	223	220	-1.3	
Quarter i 2007 to Quarter iv 2007	225	234	4.0	
Quarter i 2008 to Quarter iv 2008 (forecast)	235	228	-3.0	5.1
Yorkshire and Humberside (Humberside, North Yorkshire, South Yorkshire, West Yorkshire)				
Quarter i 2005 to Quarter iv 2005	235	238	1.3	
Quarter i 2006 to Quarter iv 2006	244	243	-0.4	
Quarter i 2007 to Quarter iv 2007	244	257	5.3	
Quarter i 2008 to Quarter iv 2008 (forecast)	263	249	-5.3	6.0
East Midlands (Derbyshire, Leicestershire, Lincolnshire, Northamptonshire, Nottinghamshire)				
Quarter i 2005 to Quarter iv 2005	226	229	1.3	
Quarter i 2006 to Quarter iv 2006	234	233	-0.4	
Quarter i 2007 to Quarter iv 2007	239	247	3.3	
Quarter i 2008 to Quarter iv 2008 (forecast)	252	244	-3.2	8.0
West Midlands (Hereford and Worcester, Shropshire, Staffordshire, Warwickshire, West Midlands)				
Quarter i 2005 to Quarter iv 2005	223	224	0.4	
Quarter i 2006 to Quarter iv 2006	233	229	-1.7	
Quarter i 2007 to Quarter iv 2007	236	248	5.1	
Quarter i 2008 to Quarter iv 2008 (forecast)	247	244	-1.2	9.4
East Anglia (Cambridgeshire, Norfolk, Suffolk)				
Quarter i 2005 to Quarter iv 2005	215	213	-0.9	
Quarter i 2006 to Quarter iv 2006	219	213	-2.7	
Quarter i 2007 to Quarter iv 2007	219	228	4.1	
Quarter i 2008 to Quarter iv 2008 (forecast)	233	220	-5.6	2.3

			% Change by year	Overall % increase 2005 to 2008
South East (Bedfordshire, Essex, Hertfordshire, Kent, Surrey, East Sussex and West Sussex, Berkshire, Buckinghamshire, Hampshire, Isle of Wight, Oxfordshire)				
Quarter i 2005 to Quarter iv 2005	211	212	0.5	
Quarter i 2006 to Quarter iv 2006	217	214	-1.4	
Quarter i 2007 to Quarter iv 2007	220	230	4.5	
Quarter i 2008 to Quarter iv 2008 (forecast)	237	227	-4.2	7.6
London (the area forming Greater London Council)				
Quarter i 2005 to Quarter iv 2005	206	209	1.5	
Quarter i 2006 to Quarter iv 2006	213	217	1.9	
Quarter i 2007 to Quarter iv 2007	218	234	7.3	
Quarter i 2008 to Quarter iv 2008 (forecast)	242	238	-1.7	15.5
South West (Avon, Cornwall, Devon, Dorset, Gloucestershire, Somerset, Wiltshire)				
Quarter i 2005 to Quarter iv 2005	228	230	0.9	
Quarter i 2006 to Quarter iv 2006	233	237	1.7	
Quarter i 2007 to Quarter iv 2007	242	252	4.1	
Quarter i 2008 to Quarter iv 2008 (forecast)	260	255	-1.9	11.8
Wales				
Quarter i 2005 to Quarter iv 2005	212	216	1.9	
Quarter i 2006 to Quarter iv 2006	226	231	2.2	
Quarter i 2007 to Quarter iv 2007	236	249	5.5	
Quarter i 2008 to Quarter iv 2008 (forecast)	254	256	0.8	20.8

OUR SERVICES

Charterfields Limited has a worldwide reputation for providing insurance valuation advice and we act for a diverse range of clients and insurance professionals.

Our insurance valuation service covers industrial and commercial property and plant and equipment assets. Charterfields specialist insurance valuation team has a wealth of experience and can comprehensively advise clients and insurance professionals on values at risk in any business sector both nationally and internationally.

Charterfields services cover:-

- **Property rebuilding assessments**
- **Plant and equipment**
- **Claims management**
- **National and international service support**
- **Expert witness**

Our latest service, Valuation Health Checks, provides an initial ‘no cost’ review of declared values. This is an invaluable tool for the insurance sector in helping clients review programme cover without immediate cost.

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CHARTERFIELDS AT AIRMIC 2009

We are delighted to announce that Charterfields are exhibiting at the AIRMIC [the Association of Insurance and Risk Managers] conference, taking place on 16th and 17th June at the Bournemouth International Centre. Neil and the team look forward to meeting all our friends in the insurance sector, so do visit us at stand number 30.

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My association with the insurance sector goes back many years. At Charterfields, our goal is to act at all times professionally, impartially and with fairness, whilst keeping the interests of our clients foremost in our minds.

I am proud to lead a team that is recognised in the UK and in the international markets as a leading force in technical insurance valuation and claims matters.

My colleagues and I are available to you to support existing and new business initiatives.

Thank you for your continued support.

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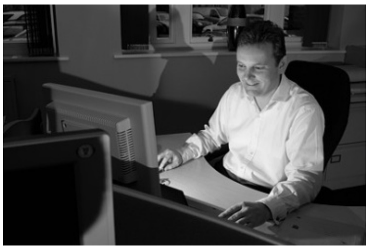

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