THE STATE OF SOUTHEAST ASIA’S AEC MARKET
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Amid waning global growth momentum, leading architects and developers based in ASEAN are in good shape and confident about the future.

A BCI survey snapshot of the 2019 winners of BCI Asia’s Top Ten Awards* from earlier this year reveals that the current overall business environment for the ASEAN AEC sector is seen to be better in 2019 than it was in 2018—50% of the respondents described the business environment as more favourable, and only 15% described it as less positive.

When asked about the state of their business in comparison to last year, 33% of Top Ten respondents from the architectural profession described that their 2019 order book has been stronger than it was in 2018, and 71% expect their order book to continue to grow further in 2020. Meanwhile, Top Ten developers are even more bullish than their design colleagues when considering the current state and future prospects of their business: 69% described their 2019 order book as stronger than in the prior year, and a whopping 91% predicted that their order book in 2020 will look even more promising.

Our survey suggests that the positive sentiment is buoyed by continuing strong market growth in the commercial, hospitality and retail sectors, as well as new pockets of demand through sustained investment by the public sector. Notably, Top Ten firms attribute much of their emerging opportunities to the increasing shift to new digital technologies in the building sector.

At BCI, these insights encourage us to continue to work hard to serve the industry, not only with timely market information but also with big data, which is becoming increasingly important with the use of artificial intelligence in the construction and development process.
BCI Top Ten Architects and Developers are, by measure of the total value of projects registered against their names, the most commercially successful firms based in Southeast Asia in their respective fields.
OVERALL BUSINESS SENTIMENT IN THE AEC SECTOR

After global economic activity slowed notably in the second half of 2018, conditions have again started to ease in 2019. This overall global trend is particularly true for the larger economies of the Southeast Asian regions, which in aggregate are enjoying robust growth of 5.2%, 5.1% and 5.2% in 2018, 2019 and 2020 respectively.*

This robust state of the market is reflected in the region's AEC sector. When asked how the overall business environment in the region’s architecture, engineering and construction industries are in 2019 compared with the prior year, 39% of architects felt the environment was more favourable, while only 19% felt it was worse. Developers gave an even more positive view: while only 9% of the region’s leading developers found that the business environment had become less favourable, 65% found that business conditions in 2019 had improved.

* IMF 2019
Broadly speaking, the AEC industry is busy in Southeast Asia. Architects predominantly describe their 2019 order book as stronger than in 2018 (33%), while only a smaller number (9%) report it as weaker. Again, developers are even more bullish, with 69% stating their order book is stronger than it was in 2018. Not a single responding developer complained about less work.
EXPECTED STATE OF 2020 ORDER BOOK AS COMPARED WITH 2019

Looking ahead, the AEC industry’s prospects in Southeast Asia are bright. Architects expect their order books in 2020 to be even fuller than they were in 2019—71% of respondents share this optimistic outlook, whereas only 10% expect somewhat weaker conditions. Developers predict an exceptionally favourable trend, with 91% of respondents expecting their order book to be full, and not one worrying that 2020 will see a decrease from 2019.
GROWTH SECTORS

In line with BCI’s project reporting, Office and Commercial projects are drivers of growth in Southeast Asia. When asked what they expect to be the three strongest market segments in 2019 – 2020, architects pointed to Hotel, Office and Community projects, while developers expect growth to come from Office, Retail and Hospitality projects (in this order).

ARCHITECTS

DEVELOPERS
A lot has been said about the low productivity of the AEC sector, with one main reason being the slow adoption of new technologies. Drawing on the experience of the leaders in our industry, we asked the question:

“Looking at the next 2–3 years, how do you rate the significance of the following developments within the AEC sector? Please rate the items listed below from 0 (= absolutely not relevant) to 10 (= likely to have an overwhelming impact).”

Interestingly, BIM is seen by both architects and developers as the most important technology to transform our industry in the near future. Architects also predict a greater adoption of prefabrication and modular construction, while developers expect a shift to more advanced building materials. Both architects and developers expect a rise in the use of Internet of Things (IoT).
EXTERNAL RISKS

In a global survey released in January 2019, The Conference Board identified recession risk, threats to global trade systems and global political instability as top areas of concern of CEOs worldwide. McKinsey confirmed these findings by highlighting in a survey released in March 2019, that trade conflicts, geopolitical instability and changes in trade policy are the greatest potential threats facing businesses around the world today.

These sentiments are largely mirrored in the Southeast Asian AEC industry. When asked how deeply concerned industry stakeholders are with external developments, architects and developers mentioned “threats to global regional trade systems” as their #2 and #3 concerns, respectively, topped only by concerns about cost developments in the market (energy prices and interest rates). Interestingly, architects are slightly more concerned than developers about the impact of climate change (ranked #3 and #8, respectively).
Much of the market’s bullishness comes from the region’s overall vibrant economic conditions. Interestingly, respondents from emerging economies are more upbeat than their peers. When asked about the top opportunities they see for their business, demand is identified in very specific pockets of the market (public sector, tourism, affordable housing and projects outside the main metropolitan regions). Virtually every respondent made some reference to new market opportunities when looking ahead to 2020 and beyond.

Meanwhile, in line with other industries, the shift to new technologies has emerged as a top opportunity for growth for the region’s AEC sector. Both architectural and development firms highlighted terms such as digital technologies, BIM, IoT, design technologies and big data.
INTERNAL CHALLENGES

According to The Conference Board, global CEOs’ most pressing internal hot button issues relate to staff—attraction and retention of top talent as well as the development of next-generation leaders are ranked top and 3rd place respectively in the global survey referenced above. AEC stakeholders in Southeast Asia very much second that sentiment, with issues such as HR, staff and skills topping the list of internal challenges of both architects and developers. Competitive pressures and new technologies also represent key day-to-day challenges for both architects and developers.
LEADERS’ ADVICE

To wrap up our survey, we asked leaders to give their peers advice for the ensuing 12 to 24 months. For architects, two main themes emerged: One main advice is to embrace new technologies, as they hold the promise of significant productivity gains for the design sector. The other recommendation emphasises the soft skills of leaders: to stay focused, remain agile, to work smart and innovate.

Developers focus even more on the importance of soft skills: peers are advised to stay nimble, alert, focused and humble, as well as to use empathy as a guide for product development and collaboration.
The findings presented in this report are drawn from a survey of BCI Asia’s 2019 Top Ten Awardees. This survey was conducted by BCI Asia in March 2019.

Top Ten Awards are bestowed annually on the 10 leading architectural and development firms in seven distinct markets in Southeast Asia: Hong Kong, Indonesia, Malaysia, Philippines, Singapore, Thailand, Vietnam. Based on data collected via BCI’s real-time project research, the winners are those with the greatest volume of projects completed in each market over the past year. A total of 54 out of 140 possible firm respondents participated in the survey, with 31 respondents from the architectural profession and 23 from development firms.

Other sources quoted in this report include:

- The Conference Board, Release #6063, January 1, 2019
- McKinsey, Economic Conditions Snapshot, March 2019
- International Monetary Fund, World Economic Outlook, April 2019
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