Construction

How an Irish success story came undone: Inside Henry Construction's fall

When Henry Construction fell into administration it left behind unfinished projects across London, with £43 million owed to hundreds of suppliers and sub-contractors.

Dominic McGrath | November 19, 2024

In September 2022, Henry Construction seemed on top of the world.

The year before, the Irish-owned firm had secured one of its biggest and most high-profile jobs yet—a 22-story tower in London's trendy Shoreditch, the first major UK project for European property giant Ghelamco.

Consciously modelled on the red-brick buildings of New York and Chicago of the 19th century, the design had already won awards and accolades.

Completion would be a key milestone for the Irish construction company, which had just posted its highest-ever turnover of over £400 million (€480 million). At an event celebrating 'The Arc', a major London office tower, reaching its highest point, Henry's work was being admired by everyone from Ghelamco's chief executives to Belgium diplomats and local council leaders.

Less than a year later, Henry Construction had fallen into administration. It left behind unfinished projects across London, with £43 million owed to hundreds of suppliers and sub-contractors, according to a report by administrator FRP in August 2023. Over a year later, many sites still remain at a standstill.

The Arc, backed by major financial firepower, was one of the lucky ones. But even still, Henry's downfall had an impact - resulting in overall delays and the subsequent refinancing of some of the project's loans, according to filings to Companies House.

Expansion

Henry Construction was at first glance an Irish success story. Led by Irishman Mark Henry, it had grown from a small civil contractor to an increasingly ambitious firm taking on high-profile jobs across London and the south-east of England.

In the years before its current travails, its developments stretched from Westminster to Brighton, with contracts coming from local councils, private developers and housing associations like The Guinness Partnership.

Henry Construction, which was set up in 2010, initially appeared to be booming. Like other small and mid-sized firms seeking a competitive edge in London's bustling construction sector, contracts were often priced low with administrators calculating a profit margin for the firm around 13 per cent.

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Price rises proved its undoing, entering administration in June 2023. Documents filed by the firm's administrators point to the challenge of growing construction costs, caused partly by the pandemic, but also by the price of steel and other metals spiking sharply.

In its final few years of trading, the cost of the company's materials jumped 30 to 35 per cent, according to administrators.

Henry Construction has been contacted by the *Business Post* via lawyers representing the firm through the administration process. Mark Henry has also been contacted for comment through his legal team. Neither responded to a request for comment by the time of publication.

Impact

The ripples from Henry Construction's difficulties are still being felt, one year on. Many of the suppliers owed money are themselves small and mid-sized firms. Several were owed over one million pounds when Henry collapsed, while one was owed over £6 million, according to the August 2023 report.

The administrators are also still working their way through their investigation, with the administration process only expected to be complete next June.

A report they filed over the summer described the firm's records as "poorly maintained and incomplete". Downloading the company's electronic records, it said, took four months.

It also noted that Henry Construction had "numerous" bank accounts and that administrators had "liaised with solicitors to consider the findings of our investigations and to identify any potential recovery actions".

Yet it is not just suppliers and former employees who have been hit by the firm's downfall.

Across London, a range of public and private developments have been delayed or even halted.

In Ealing, a rapidly growing west London suburb, the local council has been left with six separate sites still shuttered over a year on after signing a £40 million contract with Henry Construction to build 134 homes.

A council spokesperson told the Business Post: "Since Henry Construction collapsed into administration in 2023, we have been working hard on a plan to reactivate work at a number of sites around the borough that the company was working on.

"The sites have all been secured in the meantime. Council officers will seek cabinet approval for a detailed strategy in due course."

Yet council documents show that concerns had emerged about the work long before Henry fell into administration. A paper from Ealing Council, published in January, noted that as early as September 2022 progress was behind schedule and completion dates had been missed.

Pay less notices were later issued in May last year, with the council citing "the poor quality of workmanship on site and instructions requiring these to be rectified were also issued".

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The concerns were not a one-off either. North London's Haringey Council expressed concern last August about Henry's work on a private developer-led project to provide 72 homes.

It found that on the reinforced concrete frame, "concrete was cracking, uneven and in places there was an indication that the steel reinforcement was not adequately covered by concrete".

An investigation by the developer and Henry Construction failed to satisfy officials, who appointed an engineer who reported what they termed "significant quality issues" on the block.

The scheme has now been significantly re-designed, with the new homes now set to be finished by late 2026 - two years on from the original completion date.

Warning

Henry Construction is far from the only firm to become a casualty of the cost pressures of recent years.

In September ISG, one of the UK's largest contractors, also went into administration.

A giant of the UK construction sector, with government contracts worth £1 billion, it sparked immediate fears of a far-reaching impact along the contractor's supply chain and the potential for project delays.

And while industry sources are hopeful that the worst of price rises and cost pressures are behind them, every high-profile collapse prompts reflections about wider vulnerabilities across the industry.

Joseph Kilroy, the policy and public affairs manager at the Chartered Institute of Building, told the Business Post: "I think people are right in saying we're passed the peak in terms of inflation and materials. But that is only one route into collapse. There are other ways it can happen."

While the exact reasons for Henry Construction's downfall remain unknown, questions have long been asked about the potential dangers that come with tight profit margins many construction firms operate on.

For some firms, he said, their "business model is based on winning contracts and the best way to do that is to offer a price that may not in the immediate term make sense".

The hope being, he added, that "in the longer term, finances will change, and that price may make sense".

Yet when firms go under, regardless of the size, someone is always going to be left bruised.

"The impact is going to be felt one way or another," Kilroy said.

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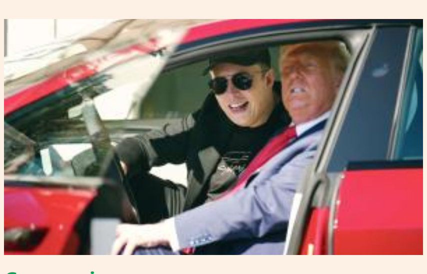
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