

On The Upswing?

*While None Know For Sure,
Construction Economists See
Encouraging Signs For Industry*



BY SAIQA MALIK

The title of the March 3 economic webinar said it all: Time To Spring Forward?

Nobody's better qualified to remove that question mark than three of the leading construction economists in the country. Ken Simonson of the AGC of America, Jim Haughey of Reed Construction Data and Kermit Baker of the AIA were on hand as presenters for this Market Insights webcast series event, providing financial status updates in relation to the construction industry. A very insightful overview of the financial highs and lows was laid out for industry professionals.

Baker pointed out that, while the home building market continues to be a disappointment due to low demand, he expected it to make a more complete recovery by the end of the year.

"The existing home sales are up only 10% while the new home sales are below 20%," said Baker. The architectural billings index indicated strong signs last November, when it reached its highest point since January of 2008. Baker indicated spikes in oil prices and a potential government shutdown as threats to the industry's bounce-back.

Haughey envisioned the future of the construction industry through the lens of optimism. Health care construction helps with that, as Reed Construction projects spending on those institutions to be up 2.5 percent this year and over 12 percent in 2012.

"Things have changed in terms of consumer confidence," he stated. "There is a big pickup in the multifamily market and the apartment market is moving as well. "The most rapid economic growth has been in Michigan due to the recovery of the automobile market."

Haughey cited a three percent boost in the economy due to stimulus spending as a positive sign, and feels that we will soon see the private building space coming back. While numbers are skewed by how low the industry sank in the previous year, Haughey expects the education and public safety markets to increase over 10 percent each in 2012.

Simonson, as well, sketched a sanguine outline of the financial situation of the industry. Simonson was pleased to mention that the employment picture was changing towards the better side.

"Employment has increased for ten straight months which is a good sign," Simonson said. "Federal spending is at its maximum level now. Highway trust fund and water and waste water funding have also risen. This is a year in which federal programs are at a higher level, but they will decline."

That substantial growth in Federal spending was boosted by \$135 billion in construction related work from the American Reinvestment and Recovery Act, in addition to Gulf Coast reconstruction projects.

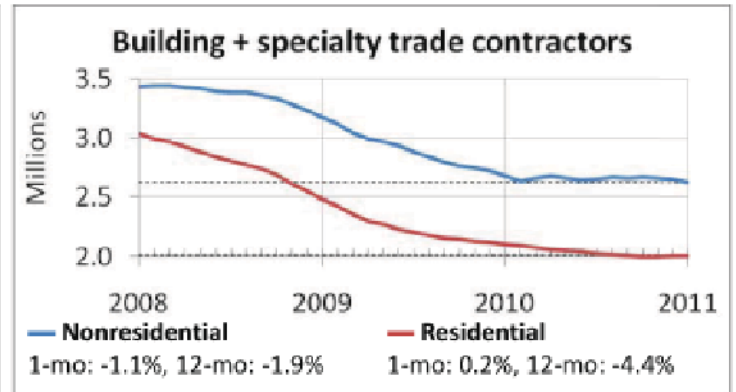
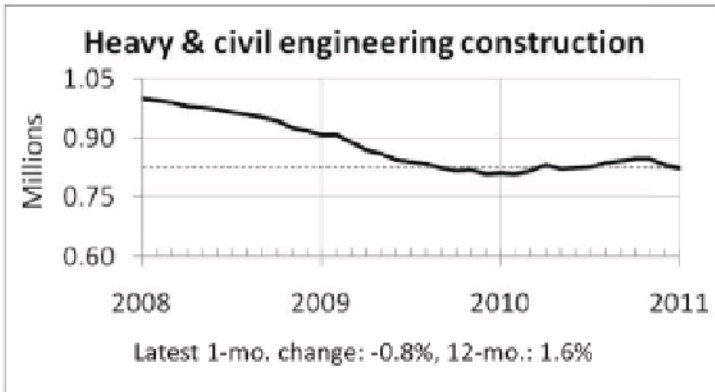
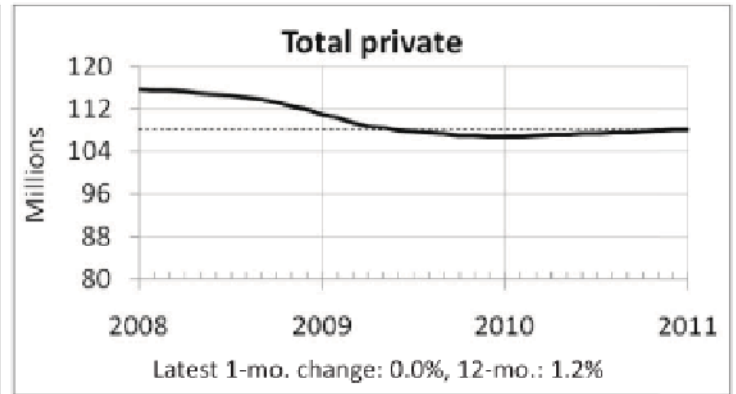
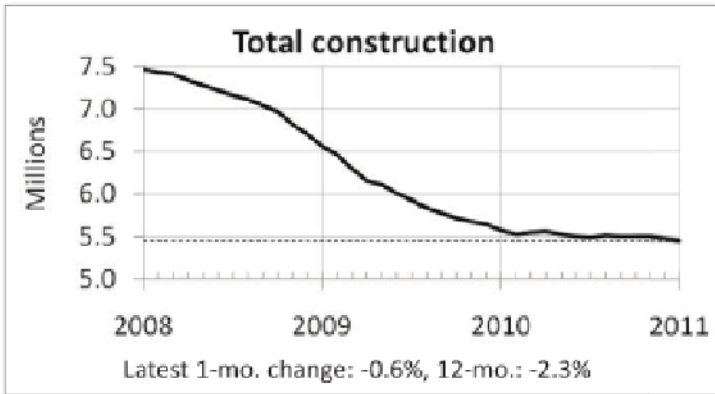
"Residential spending is low but on the other hand the non-residential construction has increased," Simonson said, mentioning specifically rising warehouse construction trends.

There should be less demand for shopping centers in the next year, but an expanded market for hotel renovations. On the jobs front, Simonson said that engineering jobs have been added.

The residential sector has lost jobs but fourteen states have added jobs from December 2009 to December 2010. Texas and Oklahoma have shown the biggest growth in that time, with the biggest losses coming in Idaho and Kentucky.

All told, the AGC anticipates an increase in total construction spending of between 3 and 7 percent this year.

Construction and total private employment, 2008-Jan. 2011



Sources: AGC, Census Bureau construction spending reports

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