

Turning Things Around

AGC, Reed Construction Webinar Goes Over Highs, Lows In Current Economy

Industry economic experts insist that the stimulus, in some ways, is working for construction. Proving it's working, however, has been easier said than done. Over the course of a 90-minute webinar, Chief Economists Jim Haughey of Reed Construction Data, Ken Simonson of the AGC of America and Kermit Baker of the American Institute of Architects delivered that and many other messages when outlining the current financial state of the industry. The presentation, titled Turning Points In Construction, outlined what the last few months have shown us in trends and construction spending and when the industry can expect its next upswing.

While it's far too early to waive any pom-poms, there are some signs of a light at the end of the recession tunnel. According to numbers from Reed Construction Data, overall construction spending will increase 2.2 percent in 2010 after steep drops in the previous two years (6.9 percent in 2008, 11.1 percent in 2009). Non-residential construction spending has seen a slightly worse drop than heavy and highway construction, but not nearly the drop experienced in the housing market.

There were no surprises from Haughey when it came to talking about the slowdown in the retail and hotel markets. Retail was largely seen as overbuilt when the recession began and hospitality construction has been impacted by tightening credit. Construction in a number of markets – most notably education, highway and healthcare – is dependent on legislative developments and have continually changing landscapes.

A portion of Simonson's presentation discussed unemployment, which took close to a 14 percent jump nationwide in the industry between June of 2008 and June of 2009. Illinois experienced an increase of 15 percent in its construction unemployment rate – one of 39 states to see a double-digit dip. Despite the plummeting employment numbers, labor and materials costs have continued to go up. Average hourly early earnings for the construction industry have gone up 3.8 percent in 2009, close to one point higher than the average for other professions.

Simonson foresees slightly better construction spending numbers in 2010, partially crediting the stimulus for a non-residential market that will stay even in its best-case scenario and drop five percent in its worst-case scenario.

Baker pointed out how much harder this economic downturn had hit the building industry in comparison to the rest of the country.

Non-residential Building Starts Trends

% change in value of starts last 6 months (June) vs. previous 6 months

Airport	+20%	Retail	-36%
Library/Museum	+13%	Nursing Home	-40%
Bridges	-09%	Water/Sewage	-43%
Laboratory	-16%	Religious	-44%
Gov't Office	-18%	Manufacturing	-48%
Single Fam. Homes	-22%	Public Safety	-48%
Private Office	-22%	Hotel	-51%
Highway	-24%	Multi Fam. Housing	-52%
Misc. Civil	-28%	Dams/Marine	-58%
Warehouse	-30%	Parking Garages	-61%
Education	-34%	Military	-63%
Hospital	-34%	Amusement	-66%

Source: Reed Construction Data


U.S. Department of Labor numbers indicate that while the total decline in payroll employees in the last six months is just over four percent, that number is over 19 for construction firms and over 15 for architectural firms.

For more on this presentation or a copy of the PowerPoint, contact Communications Manager Andy Cole at the Builders Association.

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PHONE: (847) 675-3000
FAX: (847) 675-2167
E-MAIL: prosurv1@sbcglobal.net

7100 N. TRIPP AVE.
LINCOLNWOOD, ILLINOIS 60712

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