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But Despite Some Positive Signs, Industry's Economy Won't Recover Fully In 2010

The construction industry won't receive a miracle rescue in 2010. Most sectors are still facing bleak times, but a few bright spots remain, according to Ken Simonson, the Chief Economist of the AGC of America.

Simonson delivered an overview of the national and Chicagoland markets during a webinar for Builders Association members. He pointed out that positive signs exist in the single-family home and transportation sectors. Simonson also covered construction spending and the federal stimulus.

About \$135 billion of stimulus funding has been pumped into construction-related ventures, but many individuals in Illinois have still struggled to find jobs, while others continue to be laid off. The largest chunk of the said funding has gone to transportation.

"We will see an increase in the amount of stimulus money that will come out this year," Simonson said. "We're finally seeing federal stimulus make a meaningful impact in transportation, specifically transit and rail."

Highway projects have received \$28 billion, which may help Illinois specifically, and highway projects will increase again in 2010. Simonson predicted a chunk of stimulus money to be invested in high-speed rail, a suggestion President Obama has mentioned in the past. Construction spending on public transportation facilities is currently above the 2008 levels.

Several stimulus tax provisions have also affected construction, including the \$8,000 homebuyer tax credit. The "Build America" bonds have also become very popular in many states as a way to reduce spending costs.

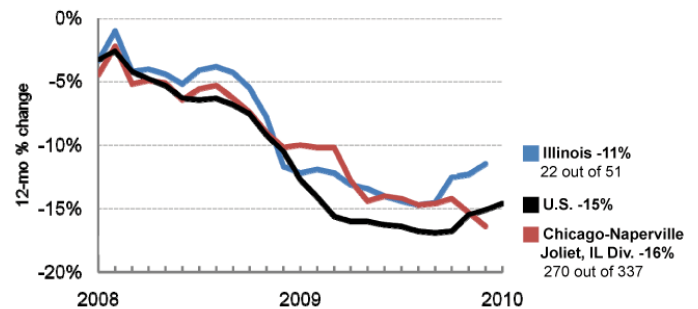
Although Simonson sounded pleased that the construction industry has received federal stimulus money, he did say there have been problems with timing. Road money was spent quickly, while other money was delayed due to personnel matters at various agencies.

Simonson also spoke about the economic impact of nonresidential construction in Illinois. An additional \$1 billion investment in nonresidential construction spending would:

- Add about \$2.6 billion to the state's Gross Domestic Product
- Add about \$790 million in personal earning
- Create or sustain 20,000 jobs, including 6,800 in direct onsite construction jobs

Multifamily construction won't see any improvement until

Construction Employment Change (not seasonally adjusted)



Sources: Bureau of Labor Statistics; AGC of America

probably 2011 nationwide, according to Simonson. Chicago might fare much worse. Analysts estimate that the local multifamily market will languish until 2012 or 2013. Simonson also said he doesn't have much hope for improvement in the developer-financed construction spending sector.

"There won't be any big retail shopping centers this year," he said.

Institution (private and state/local) construction spending will most likely be mixed this year. Simonson remains hopeful that the University of Chicago, Northwestern University and other higher education entities will resume construction in late 2010 or early 2011.

In terms of construction employment, in 2007, a total of 493,000 jobs were supported by the direct and indirect outlays associated with the state's nonresidential construction spending. The construction industry (residential plus nonresidential) employed 209,800 workers in December 2009, a decrease of 70,600 (25 percent) from October 2002, when construction employment in Illinois peaked.

In 2008, annual pay of all construction workers in Illinois averaged \$60,400, which was 23 percent more than the average of all private sector employees. As 2009 went on, increases ceased or were minimal at best.

Simonson made the following predictions for 2010:

- Nonresidential spending will have no change or drop no more than five percent, depending on stimulus funding
- Overall residential spending will increase 5-10 percent overall, but multifamily will be down
- Total construction spending will be down between two and four percent
- Material prices will be between even and up eight percent
- Labor costs could raise three percent, but will probably be more moderate