



Construction & Materials Outlook

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Current economy and construction outlook

- GDP, personal income, jobs: weak gains should improve
- Continuing problems for office, retail
- Power, mfg., warehouse/distribution, hospitals will grow
- Apartments should boom; single-family still a mystery
- Federal, state, local cuts will continue
- Little inflation; price spikes for oil, metals should fade

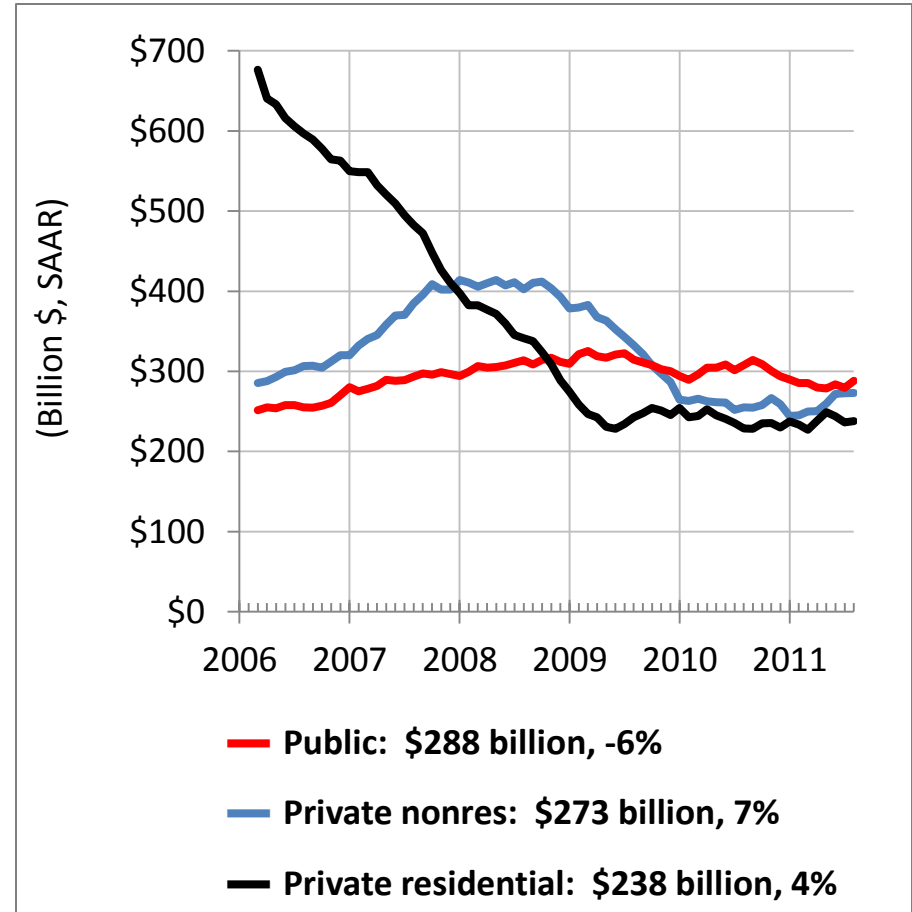
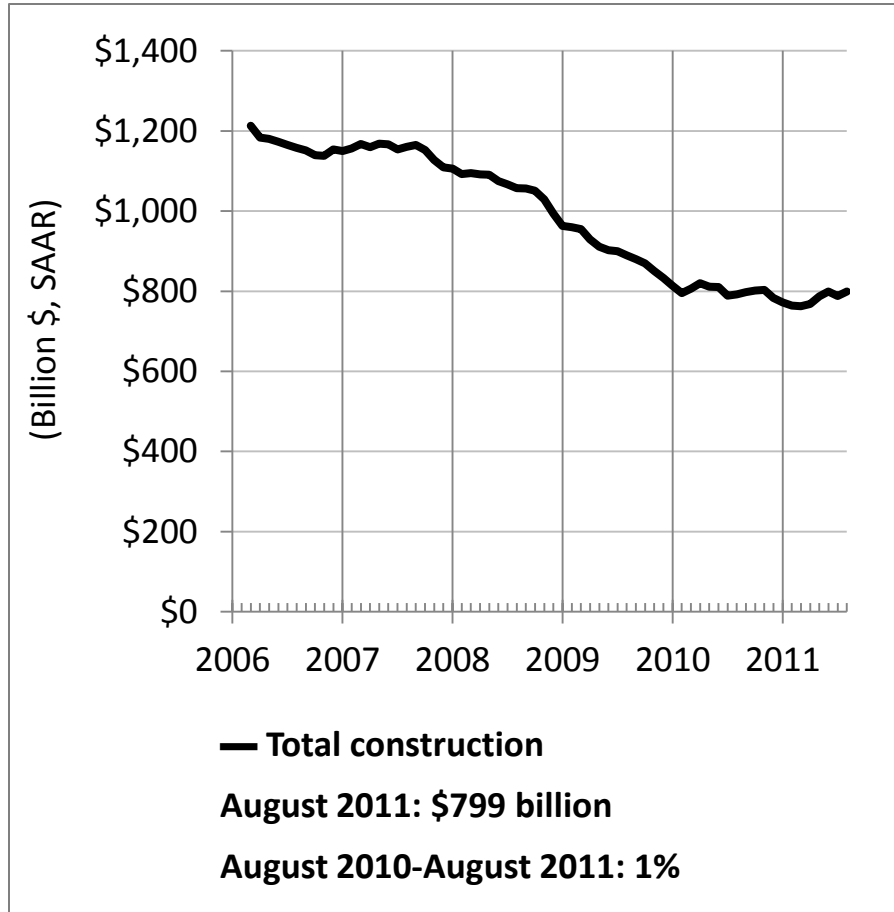


Federal funding sources and outlook

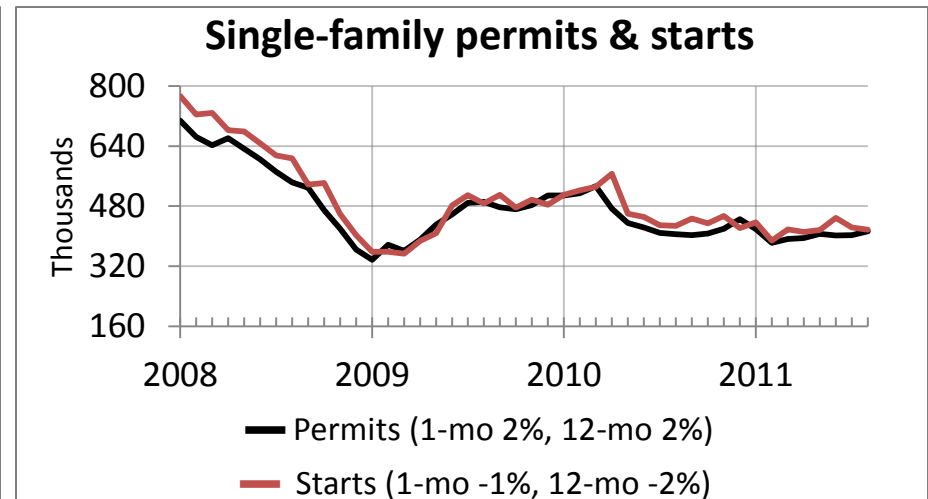
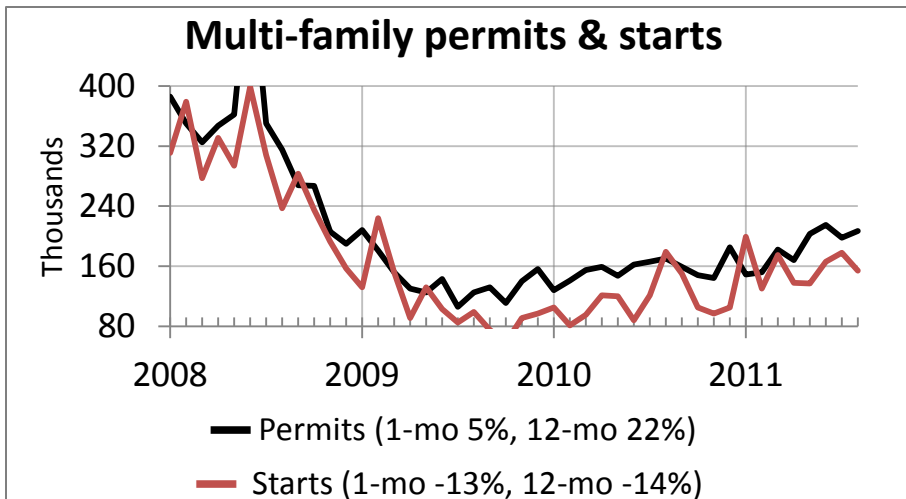
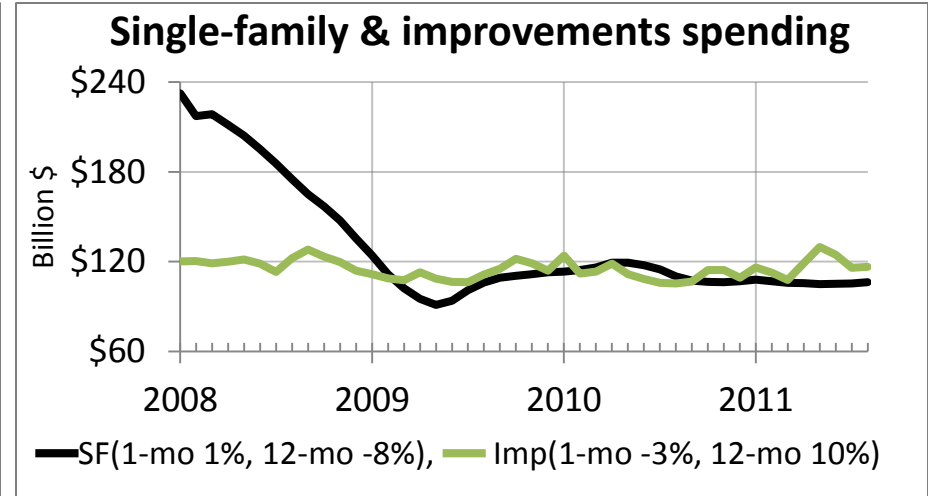
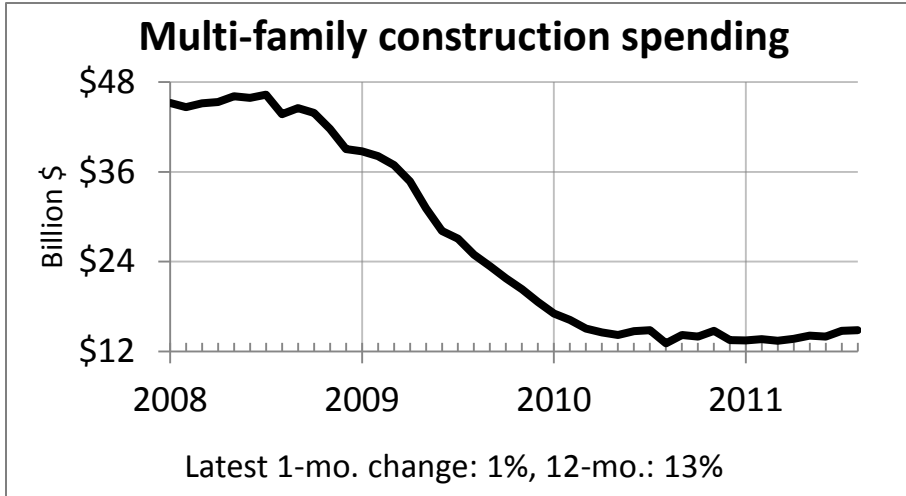
- Stimulus, base realignment, Gulf Coast hurricane work: all ending or tapering off
- Highway, transit funding OK until early 2012, then ??
- Debt ceiling agreement implies more spending cuts but no disruption of interest rates or credit availability
- American Jobs Act: \$50 billion for transportation (+ \$10 billion Infrastructure Bank); \$30 billion for schools—but enactment appears unlikely

Construction spending: trend, latest level, 12-mo. change

Seasonally adjusted annual rate (SAAR), March 2006-Aug 2011



Single- vs. multi-family, 2008-11, seasonally adjusted annual rate (SAAR)





Housing outlook

- SF: starts, permits should rise gradually by late '11
- MF: Upturn has begun, should accelerate in '12
 - Rental demand should rise as more people get jobs or move to military base realignment sites
 - Condo market continues to have large overhang
 - Government-subsidized market likely to worsen

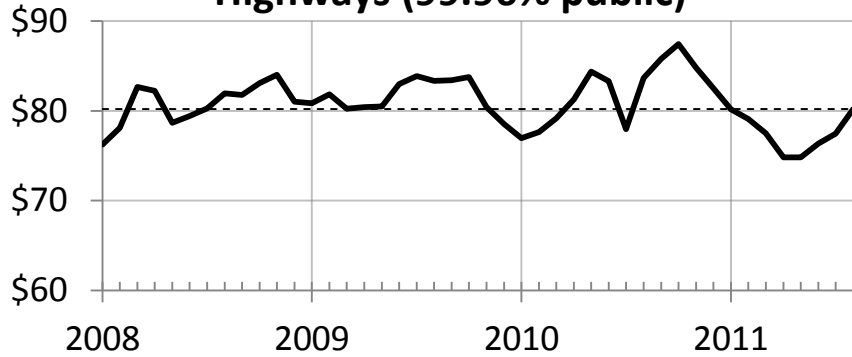
Nonres totals (billion \$, SAAR), share & 12-month change

	<u>8/11 Total</u>	<u>Share</u>	<u>8/10-8/11</u>
Nonresidential (priv.+federal+state/local)	\$553 billion	100%	0
Power (incl. oil & gas struc., pipelines)	91	16	+ 22
Educational	87	16	- 3
Highway and street	80	15	- 4
Commercial (retail, wholesale, farm)	45	8	+ 9
Health care	42	8	+ 3
Manufacturing (incl. data centers)	37	7	+ 3
Transportation	36	6	- 6
Office	35	6	- 2
Sewage and waste disposal	24	4	- 13
Communication	18	3	- 5
Amusement and recreation	16	3	- 12
Other (water, public safety; lodging; conservation; religious): 8% of total			



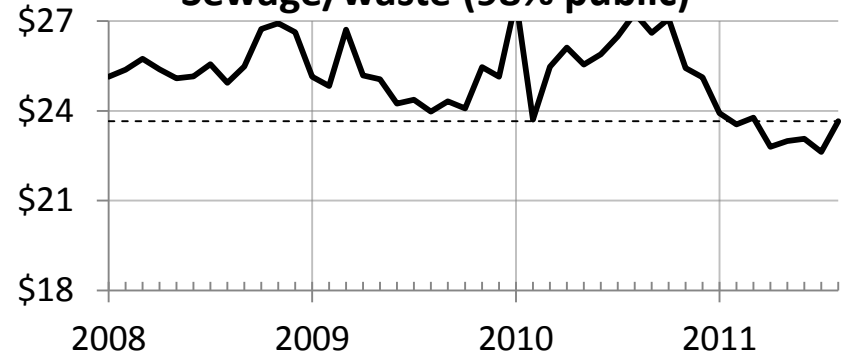
Construction spending: public works (billion \$, SAAR)

Highways (99.96% public)



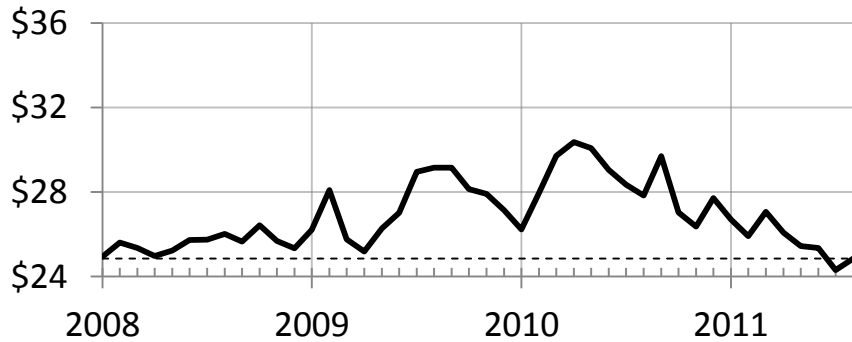
Latest 1-mo. change: 4%, 12-mo.: -4%

Sewage/waste (98% public)



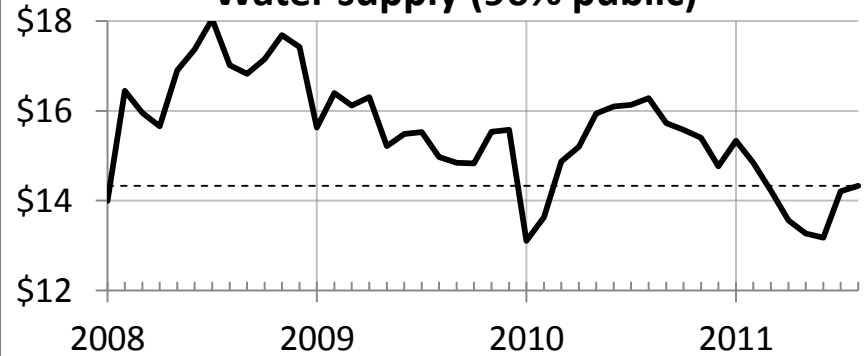
Latest 1-mo. change: 4.5%, 12-mo.: -13%

Public transportation facilities



Latest 1-mo. change: 2.2%, 12-mo.: -11%

Water supply (96% public)

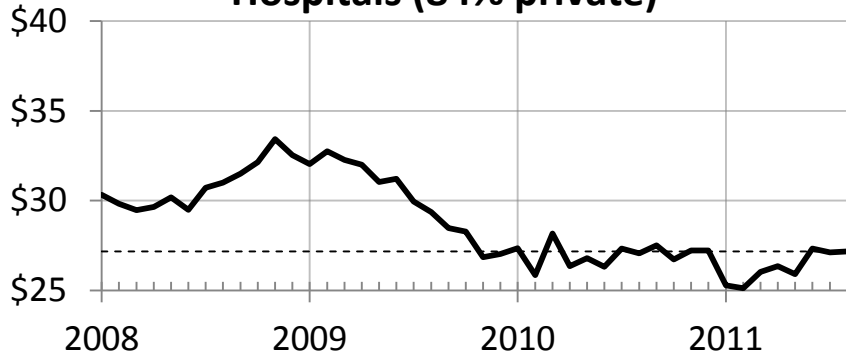


Latest 1-mo. change: 0.8%, 12-mo.: -12%



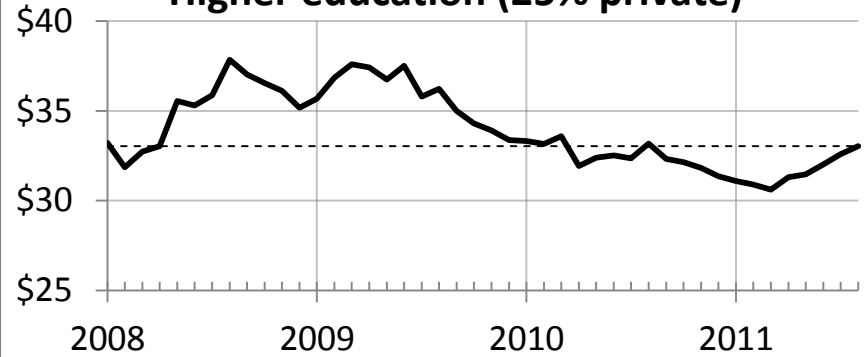
Construction spending: institutional (private + state/local)

Hospitals (84% private)



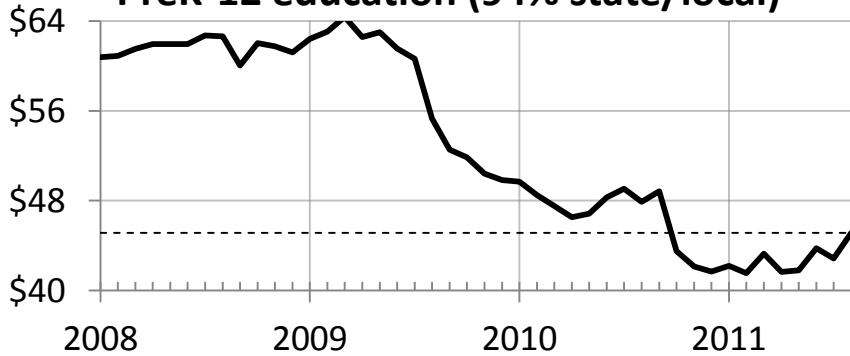
Latest 1-mo. change: 0.2%, 12-mo.: 0%

Higher education (25% private)



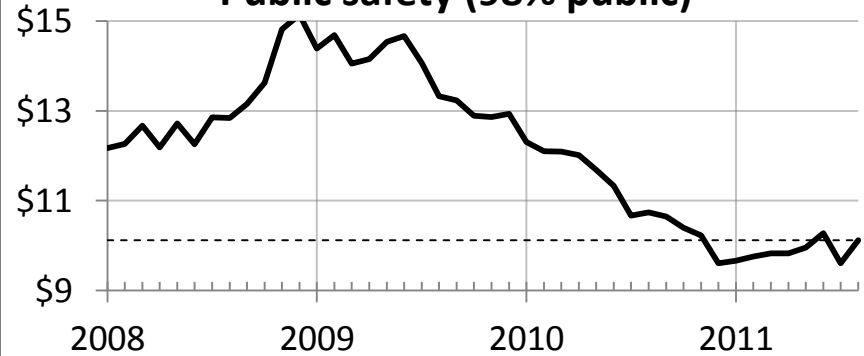
Latest 1-mo. change: 1.4%, 12-mo.: 0%

PreK-12 education (94% state/local)



Latest 1-mo. change: 5.3%, 12-mo.: -6%

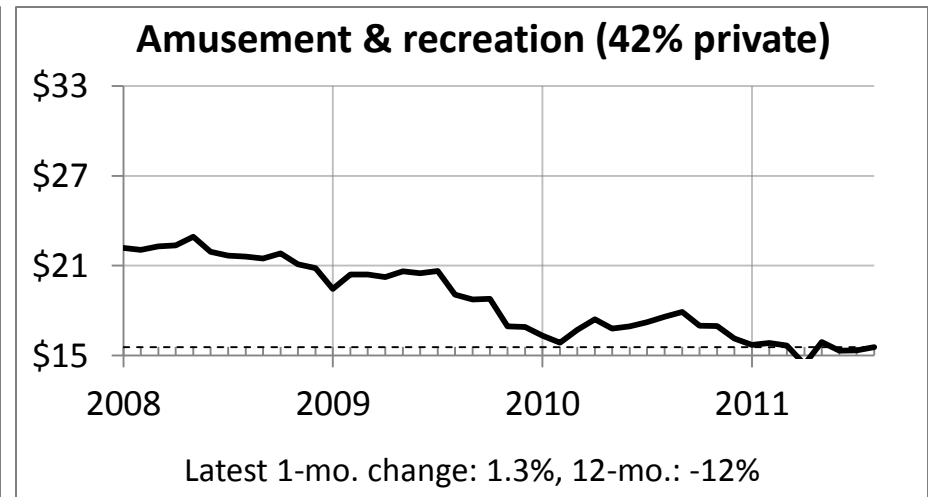
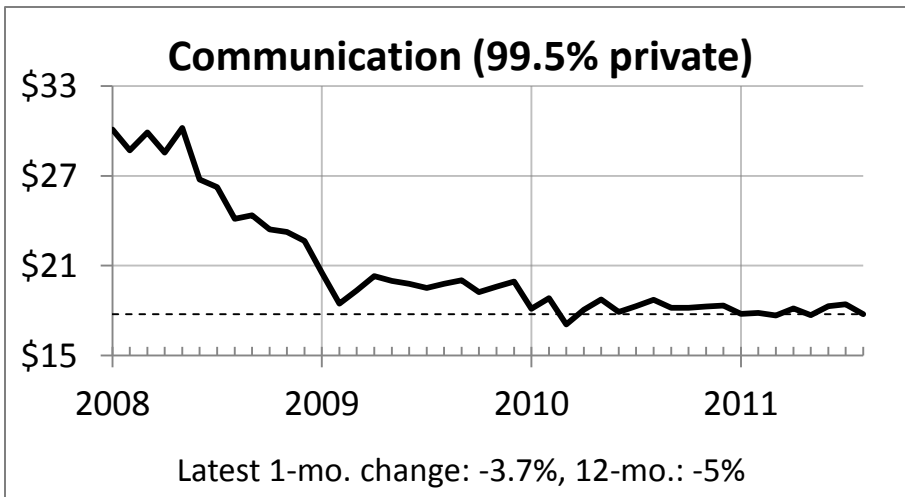
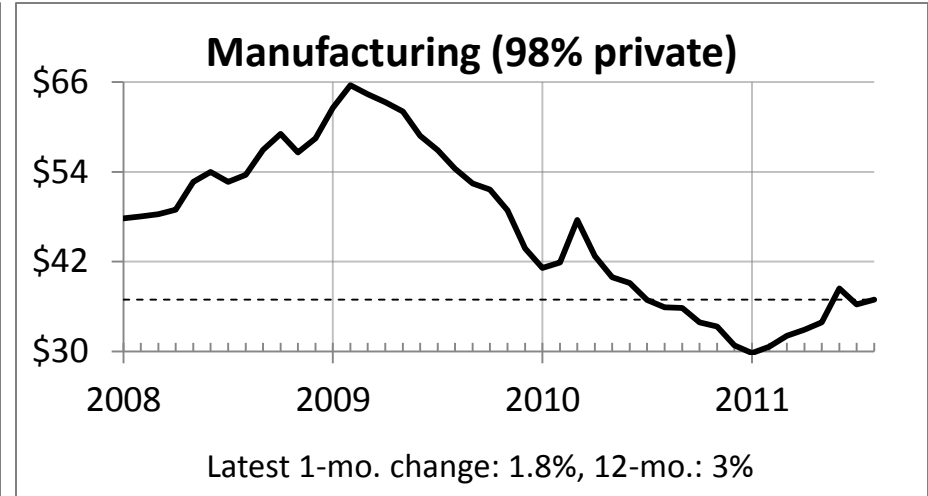
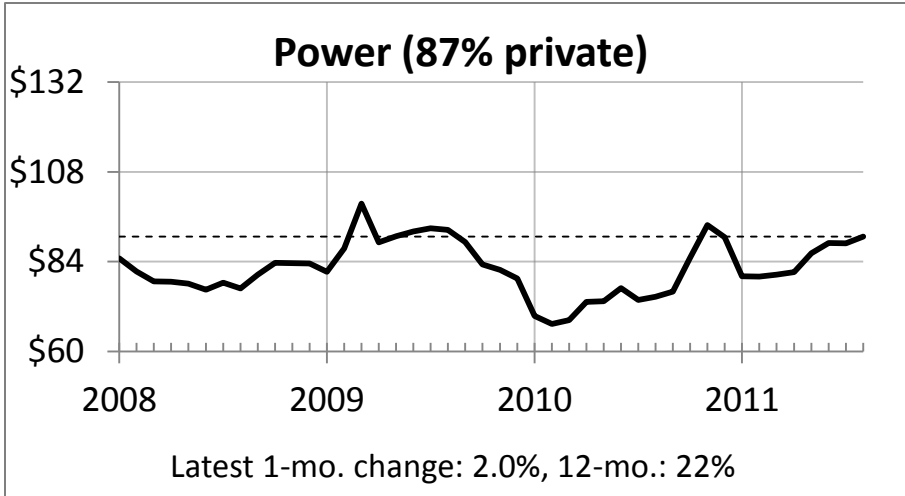
Public safety (98% public)



Latest 1-mo. change: 5.3%, 12-mo.: -6%

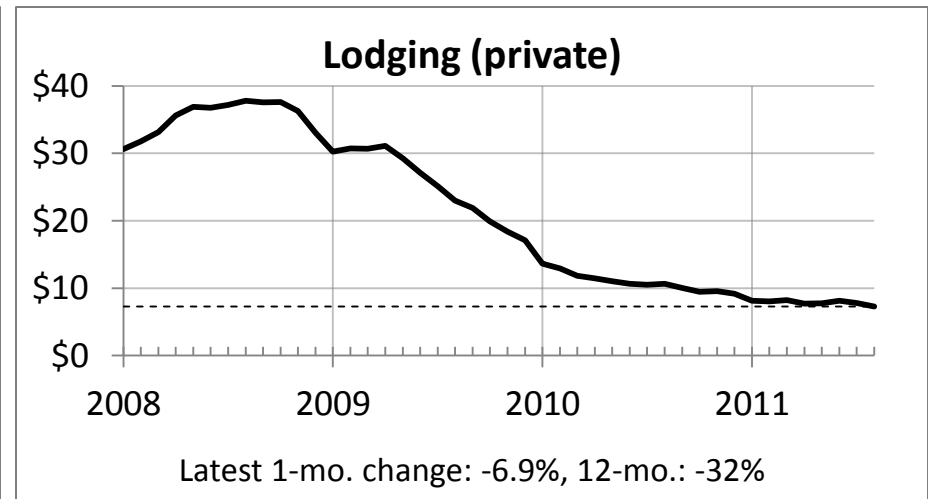
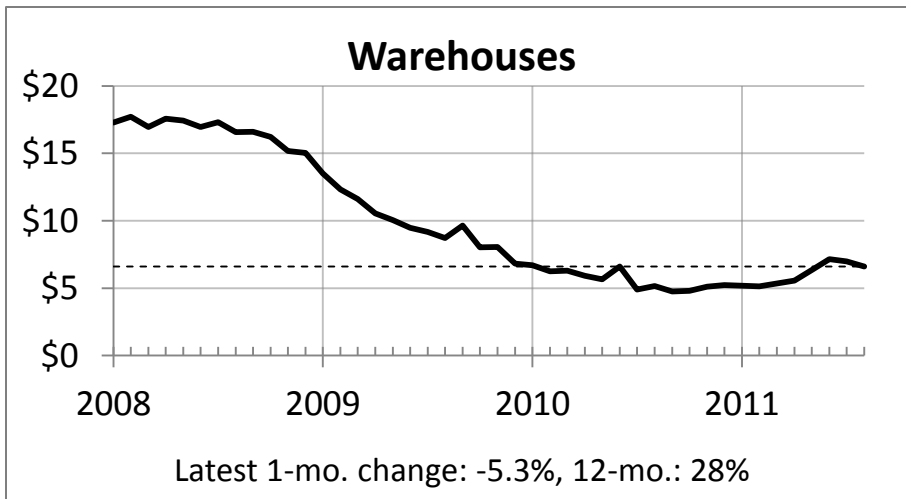
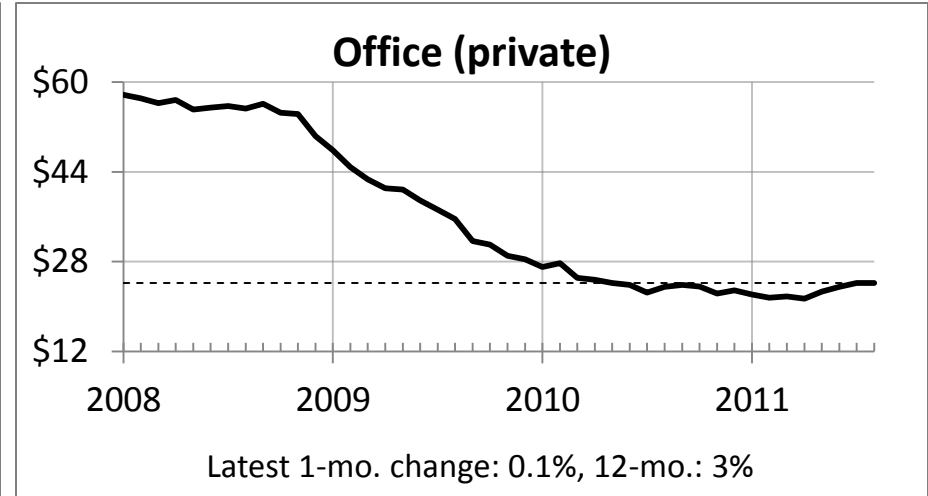
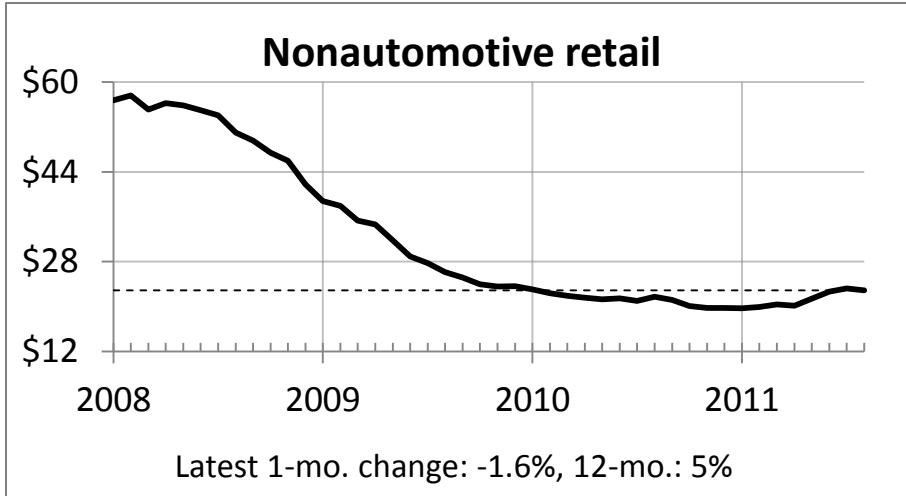


Construction spending: industrial, heavy (billion \$, SAAR)





Construction spending: developer-financed (billion \$, SAAR)

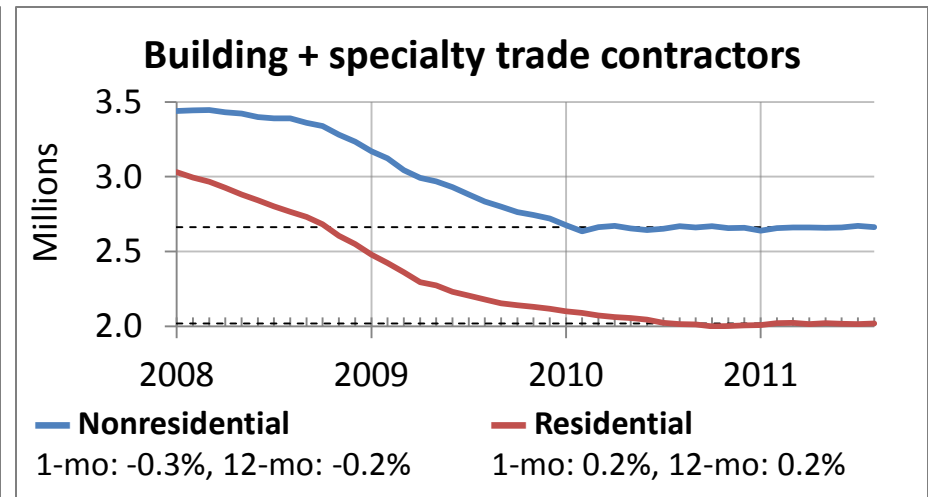
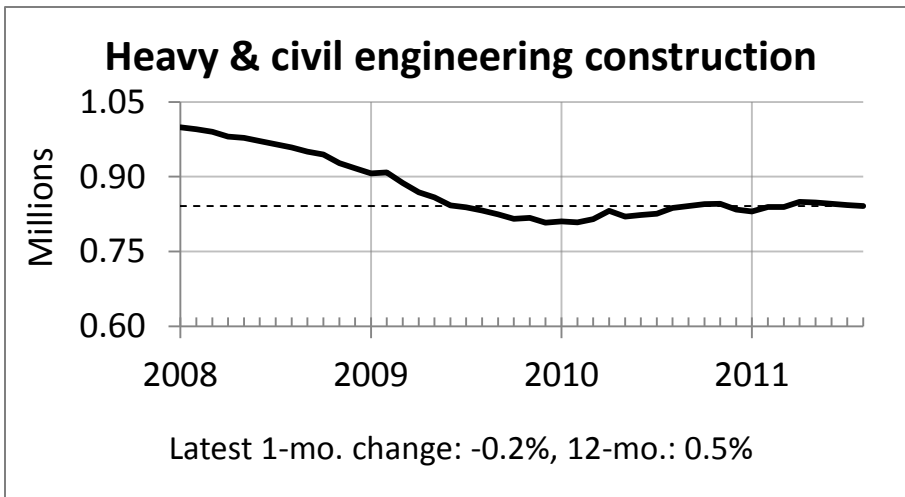
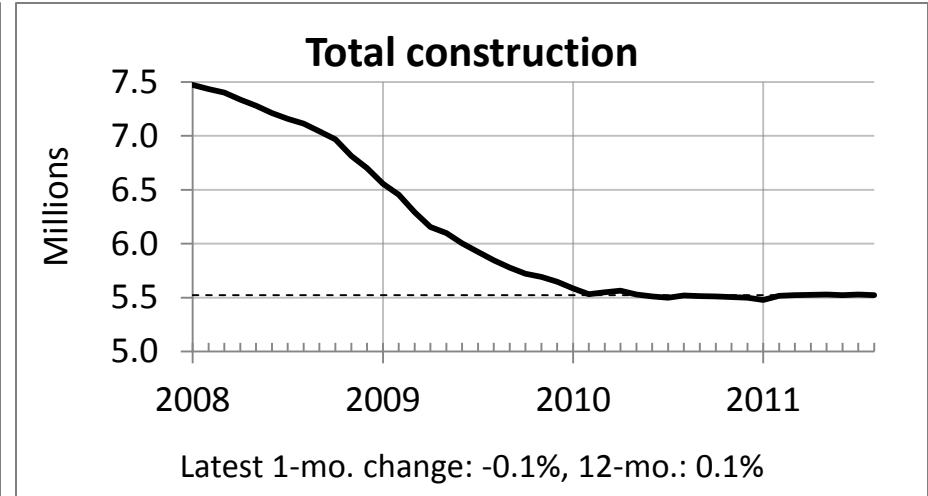
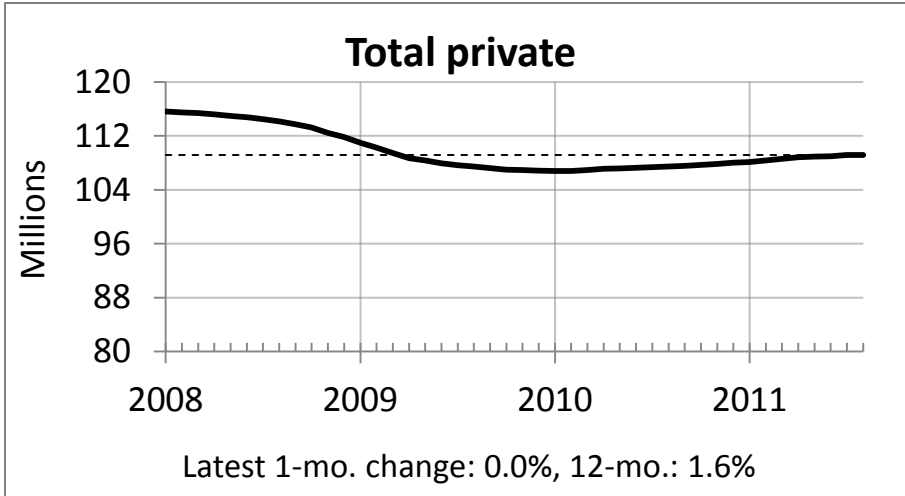


Economic impact of nonresidential construction

- Jobs: 28,500 per \$1 billion
 - 1/3 direct, onsite construction
 - 1/6 indirect (quarries, mfg., services)
 - 1/2 “induced” by spending from higher earnings of construction, indirect workers and owners
- GDP: \$3.4 billion
- Personal earnings: \$1.1 billion

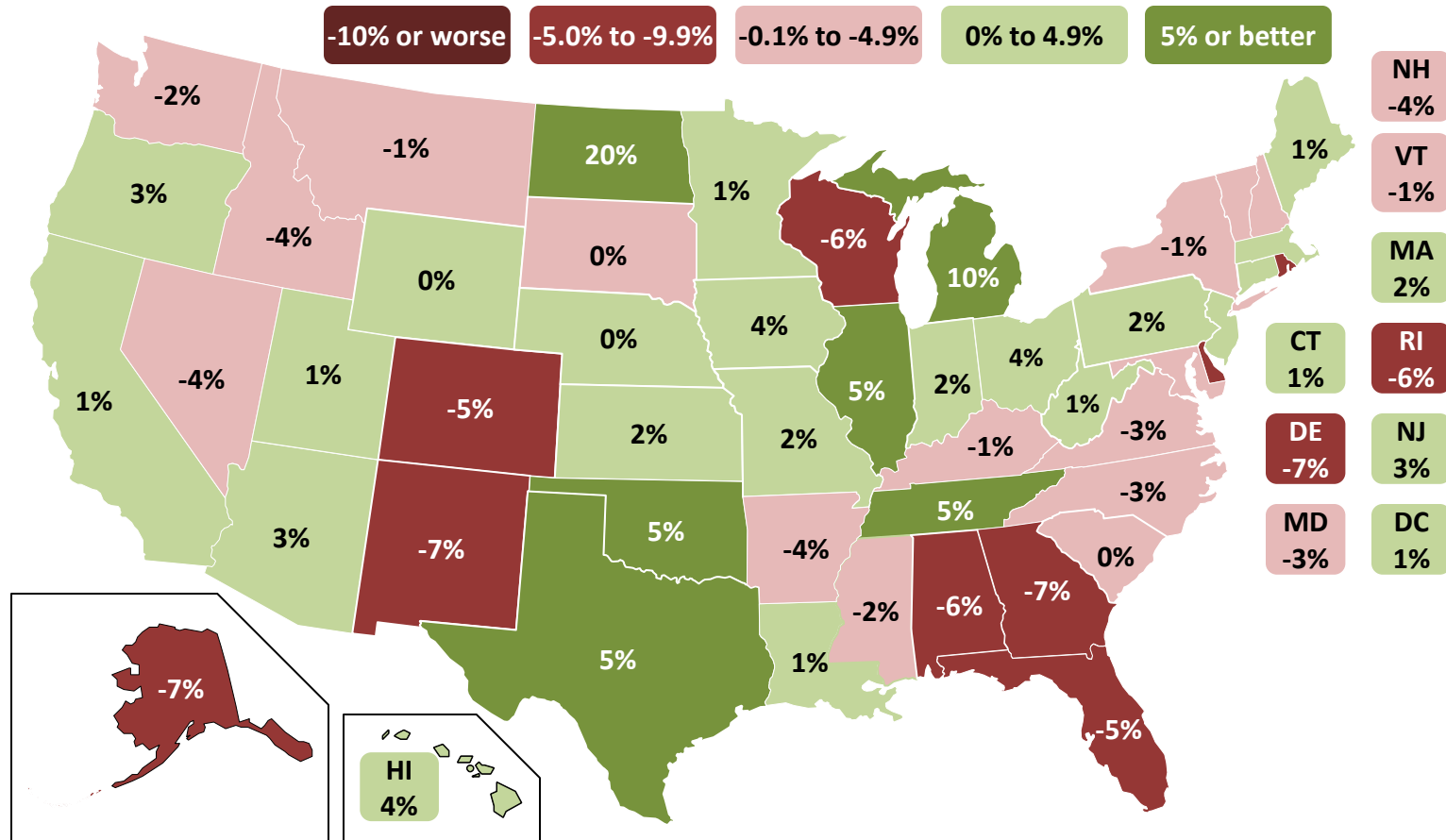


Construction and total private employment, 2008-August 2011



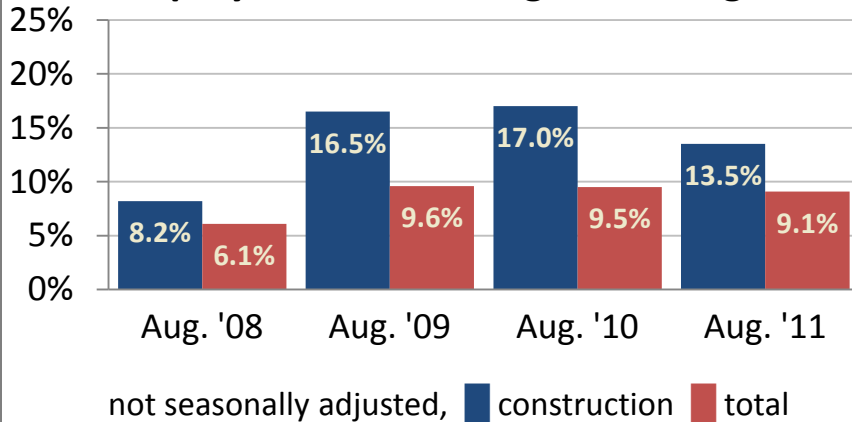


State construction employment change (U.S.: 0.1%) 8/10 to 8/11 (seasonally adjusted)

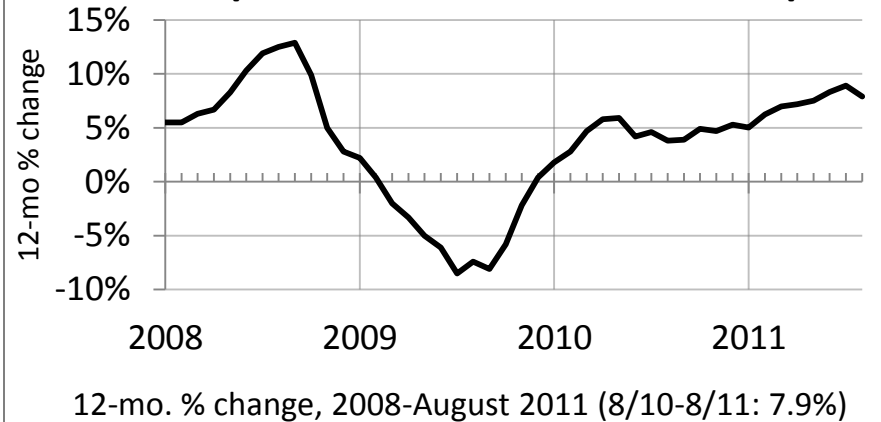


Construction employment, wages, costs and output prices

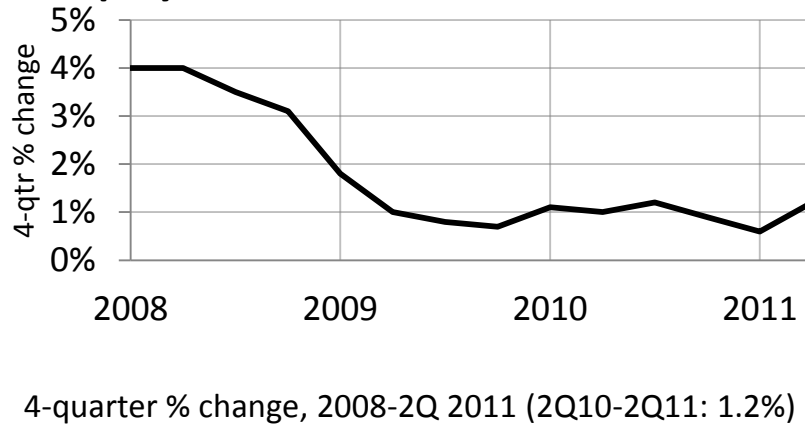
Unemployment rates, Aug. 2008-Aug. 2011



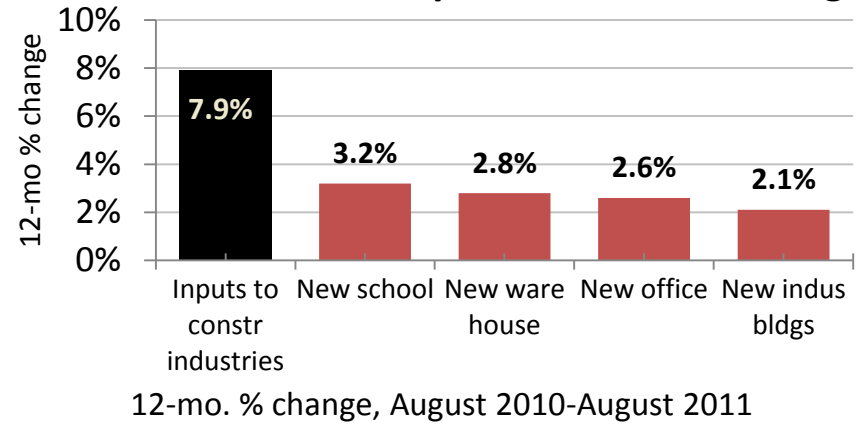
Producer price index for construction inputs



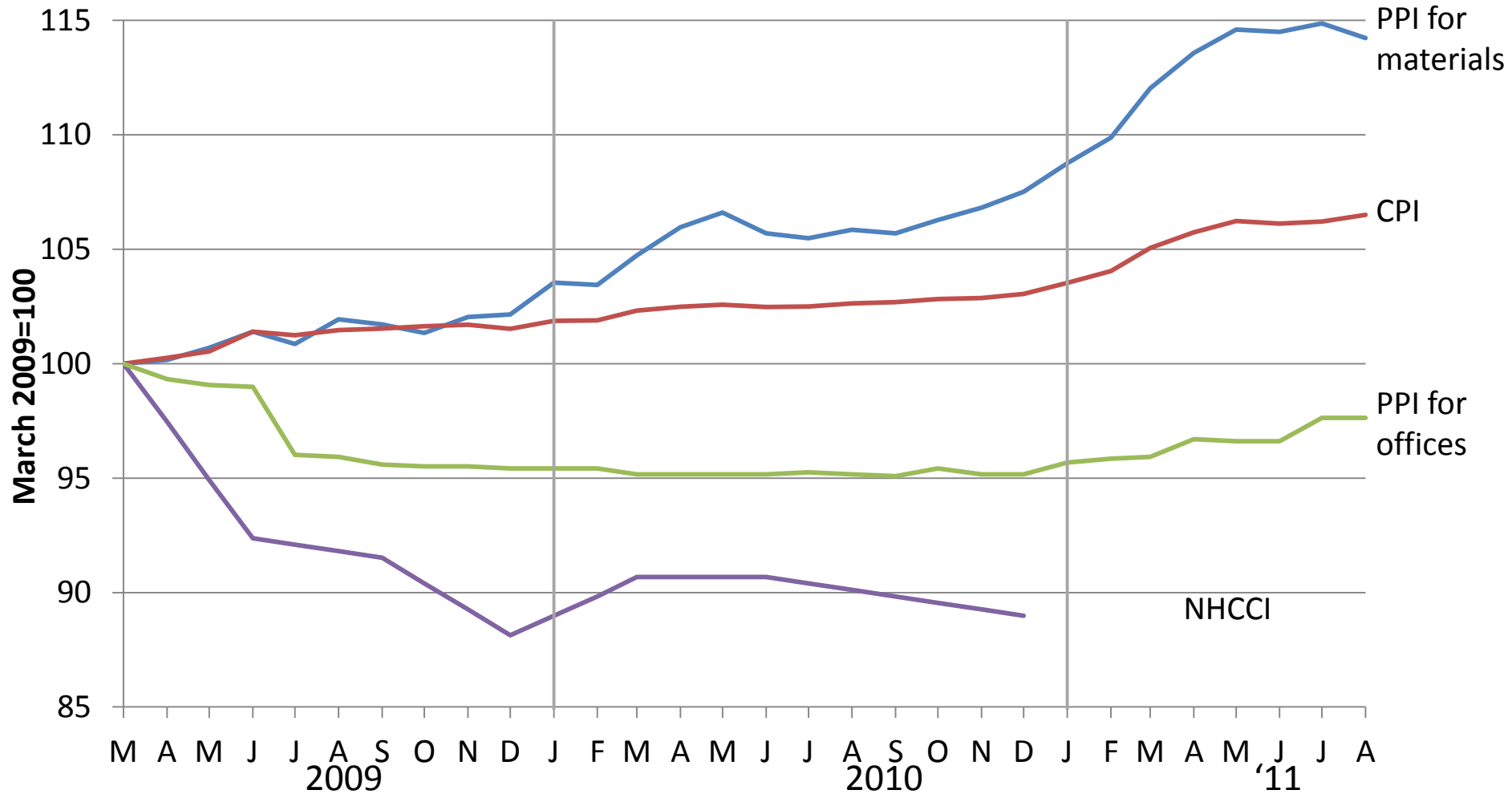
Employment cost index for construction



PPI for construction inputs, finished buildings

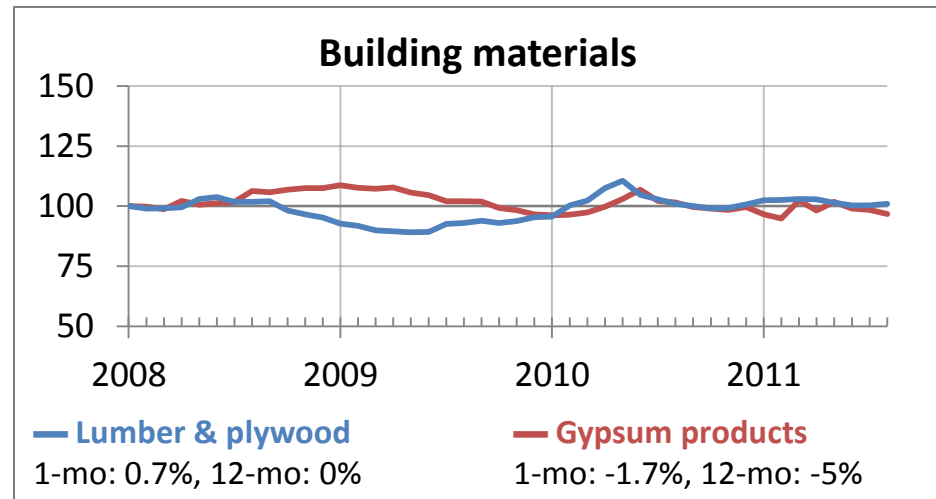
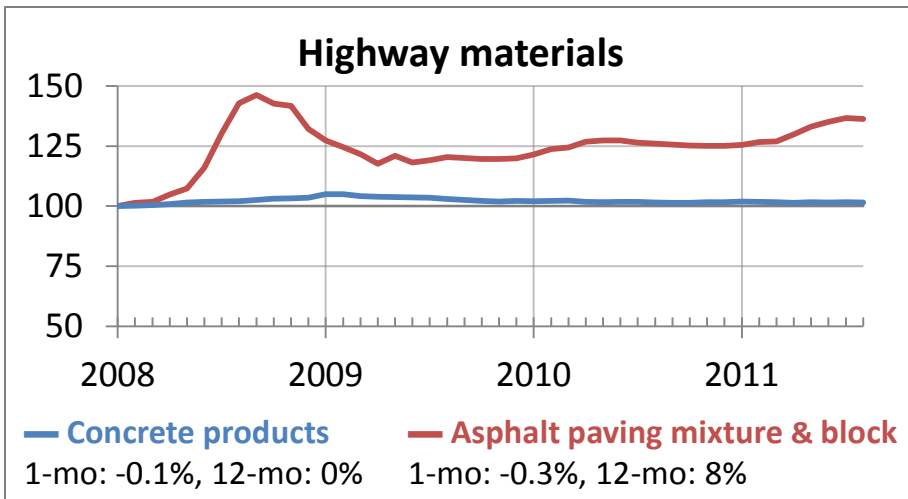
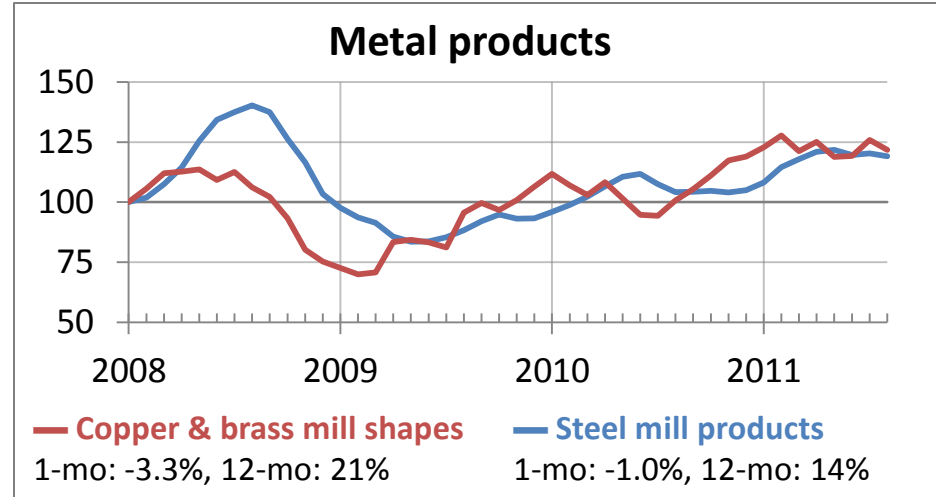
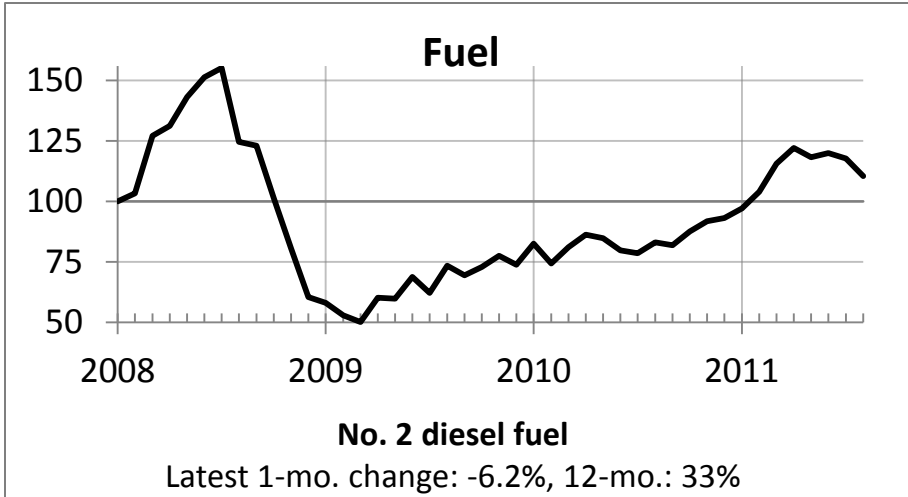


Construction materials costs vs. new offices, highways, CPI



Source: Author, based on Bureau of Labor Statistics (consumer & producer price indexes--monthly), Federal Highway Administration (National Highway Construction Cost Index--quarterly)

Producer price indexes for key inputs, 1/08-8/11 (January 2008=100)



Outlook for materials

- Industry depends on specific materials that:
 - are in demand worldwide
 - have erratic supply growth
 - are heavy, bulky or hard to transport
- Construction requires physical delivery
- Thus, industry is subject to price spurts, transport bottlenecks, fuel price swings
- Expect periods of 6 to 9% PPI increases



Summary for 2011

- Private nonres spending: -2 to +2% (more power, pipelines, mfg., warehouse; maybe hospitals, higher ed)
- Public: -5 to -10% (less stimulus, BRAC, hurricane work; continued weak state-local spending)
- Res: 0 to +5% (SF up a bit, MF accelerating)
- Total construction spending: 0 to -5%
- Materials costs: +4% to +9%; +5 to +6% Dec.-Dec.
- Labor costs: +1.5% or less



Annual projections: 2012-2016

- Total construction spending: +6% to +10%
- Materials costs: +3% to +8%
- Labor costs: +2% to + 4%
- Bid prices: +2% to +5%



AGC economic resources

(email simonsonk@agc.org)

- *The Data DIGest*: weekly 1-page email (subscribe at: www.agc.org/datadigest)
- PPI tables: emailed monthly
- State and metro data, fact sheets
- Webinars (10/13 with Reed, AIA)
- Feedback on activity, credit, costs



Data DIGest

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Construction job losses remain heavy, widespread; homebuilding rises, nonres sinks

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City-by-City Construction Employment, August 2009 and 2008

Seasonally adjusted nonfarm payroll job losses in September totaled 263,000, barely half the average of the last 12 months, the Bureau of Labor Statistics (BLS) reported on Friday. (Seasonal adjustment takes into account normal monthly variations in weather and numbers of work days.) *But construction, particularly nonresidential, continued to hemorrhage jobs. Construction lost 15% of its September 2008 jobs in the last 12 months, compared to 4% for the entire nonfarm economy. September losses totaled 51,000 in nonresidential building, specialty trade, and heavy and civil engineering construction combined, nearly the monthly average loss of 54,000 over the past 12 months. Residential building and specialty trade contractors shed a combined 13,000 jobs in September, barely a third as many as the monthly average over the 12-month span. One faintly positive sign was that architectural and engineering services employment, a harbinger of future demand for construction, rose for the first time in 15 months, albeit by only 500 jobs (0.04%). Average hourly earnings in construction tumbled 16 cents to \$22.45 in September, bringing the 12-month change to 36 cents or 1.6%, compared to 2.5% for all private-sector production or nonsupervisory employees. The overall unemployment rate climbed to 9.5% in September, not seasonally adjusted (9.8%, seasonally adjusted) from 6.0% a year earlier. The unemployment rate in construction, 17.1%, not seasonally adjusted, again topped every other industry and was up from 9.9% a year earlier.*

For the eighth month in a row, all 372 metro areas had higher unemployment rates in August than a year earlier, BLS reported on Wednesday. (Seasonally adjusted industry and metro unemployment rates are not available.) Of the 369 areas reporting nonfarm payroll employment, 356 had year-to-year losses, 11 had gains and two were unchanged. The largest percentage gains were in Sandusky, Ohio, 2.7%; Hot Springs, Arkansas, 2.6%; Kennewick-Pasco-Richland, Washington, 2.5%; Jonesboro, Ark., 1.9%; and McAllen-Edinburg-Mission, Texas, 1.5%. *If sustained, these gains can lead to more demand for construction. AGC compiled a list of 337 areas, including divisions and subdivisions of the 34 largest metros, for which BLS provided construction employment figures (combined with mining and logging in metros where employment in these industries is small). Construction employment fell over the past 12 months in 324 of these locations, rose in eight and was unchanged in five. The largest 12-month percentage construction employment gains were in Columbus, Indiana, 14% (combined data); Anderson, Ind., 6% (combined); Tulsa (construction only); Longview, Wash. (combined) and Baton Rouge (construction only), 3% each. The worst construction job losses were in Reno-Sparks, Nevada, -35% (construction only); Duluth, Minnesota-Wisconsin, -33% (combined); Tucson, -31% (construction only); Wenatchee-East Wenatchee, Wash., -30% (combined); and Redding, California, -28% (combined).*

Construction in Chicago will not get a boost from the Olympics. The International Olympic Committee today awarded the 2016 Games to Rio.

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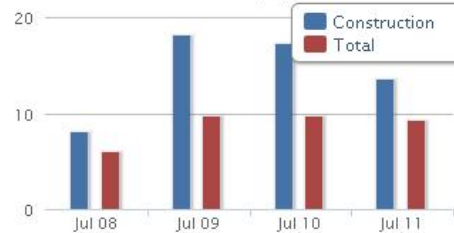
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Construction Economics

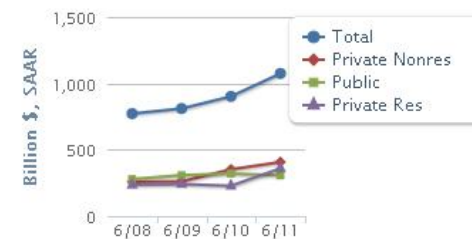
Unemployment rates

Source: BLS employment

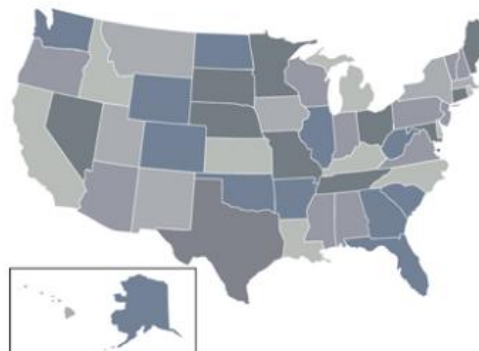


Construction Spending

Source: Census Bureau



State and Local Information



SEP 14
2011

Prices of Key Construction Materials Fall in August, Even as Annual Materials Cost Increases

The amount contractors pay for a range of key construction materials declined in August, but contractors continue to be squeezed as materials cost increases have outstripped the price of finished buildings over the past year, according to an analysis of producer price index figures released today by AGC.

