



AGC of America
THE ASSOCIATED GENERAL CONTRACTORS OF AMERICA
Quality People. Quality Projects.



Construction Spending, Labor & Materials Outlook

AGC Nebraska Building Chapter
Omaha, January 25, 2017

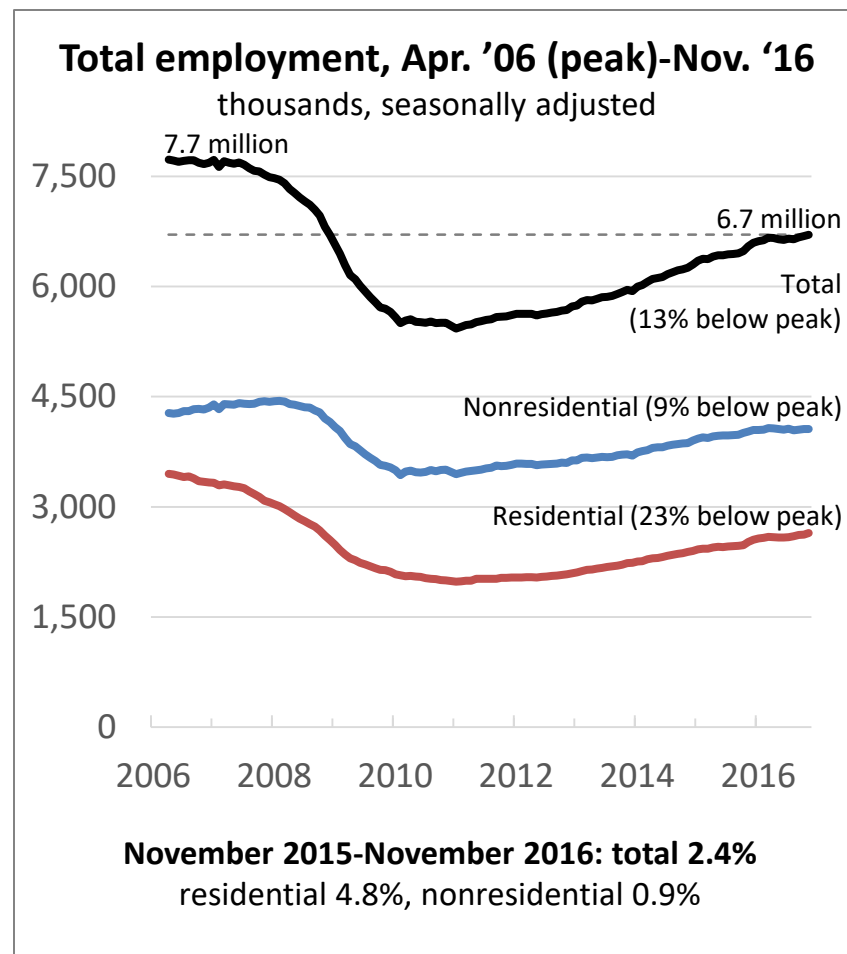
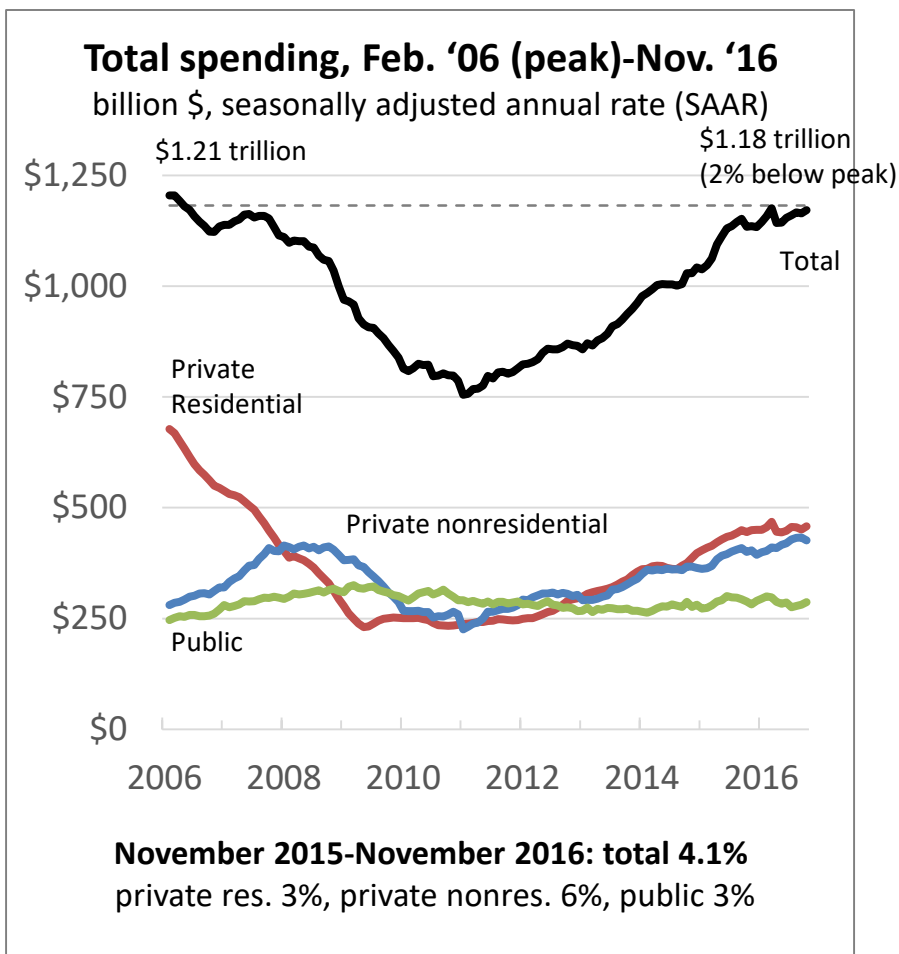
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Construction spending & employment, 2006-16



Policy possibilities & uncertainties

- Infrastructure: How much? How soon? What types? Funding source?
- Immigration: Impact on new & current workers? Wall construction?
- Trade: Higher materials costs? Shortages? Less or more factory const.?
- Regulatory relief: Which ones? How soon?
- Fiscal: Lower taxes? For whom? Bigger deficits? Implications for construction demand, labor supply?
- Monetary: Higher interest rates? Implications for construction costs?

AGC members' expectations for 2017 (1281 total responses)

Compared to 2016, do you expect the available dollar volume of projects you compete for in 2017 to be higher/lower/same?

	<u>% higher - % lower</u>
All projects	36%
Hospital; Retail, warehouse, lodging	23
Private office	20
Manufacturing	18
Highway; Public building	15
Higher education; K-12 school; water/sewer	14
Multifamily; Other transportation (e.g., transit, rail, airport)	11
Power	10
Federal (e.g., VA, GSA, USACE, NAVFAC)	7

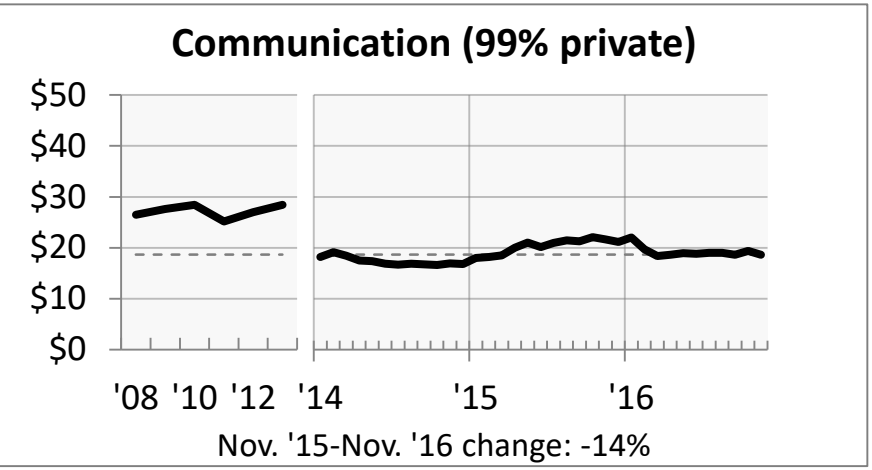
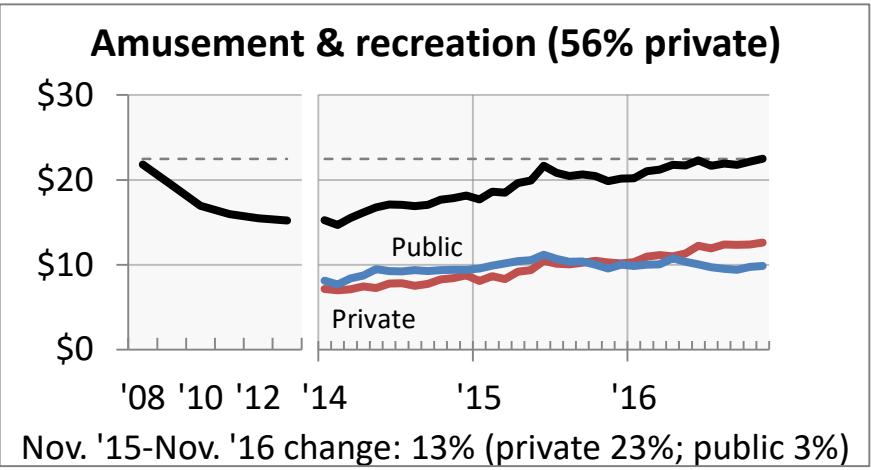
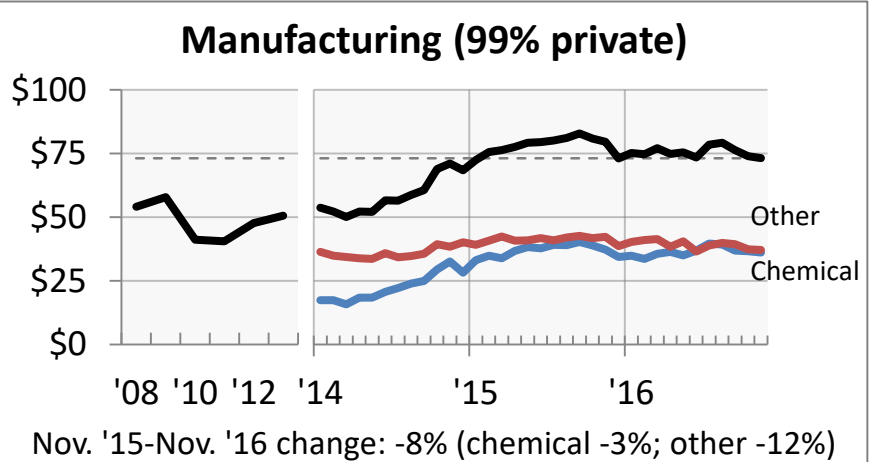
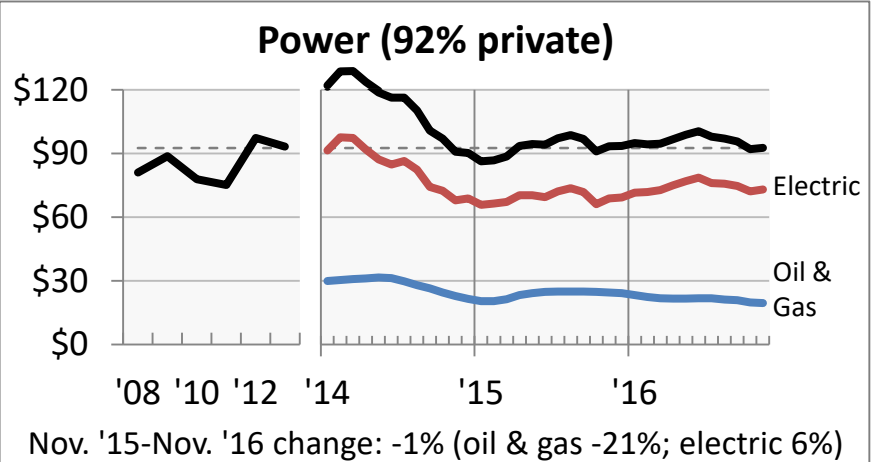
Nonresidential segments: 2014-16 change, 2017 forecast

	<u>2015 vs.</u> <u>2014</u>	<u>Jan.-Nov.</u> <u>'16 vs. '15</u>	<u>2017</u> <u>forecast</u>
<u>Nonresidential total (public+private)</u>	<u>7 %</u>	<u>4%</u>	<u>2-6%</u>
Power (incl. oil & gas field structures, pipelines)	-16	3	5-10
Highway and street	6	2	2-5
Educational	5	6	3-7
Manufacturing	33	-3	<0
Commercial (retail, warehouse, farm)	6	10	0-5
Office	18	25	5-15
Transportation	8	-6	0-5
Health care	5	1	0-5
Sewage and waste disposal	5	-8	
Lodging	30	25	~0
Other--amusement; communication; religious; public safety; conservation; water: 8% of total	9	-2	

Source: U.S. Census Bureau construction spending report; Author's forecast

Construction spending: industrial, heavy

annual total, 2008-13; monthly, SAAR, 1/14-11/16; billion \$



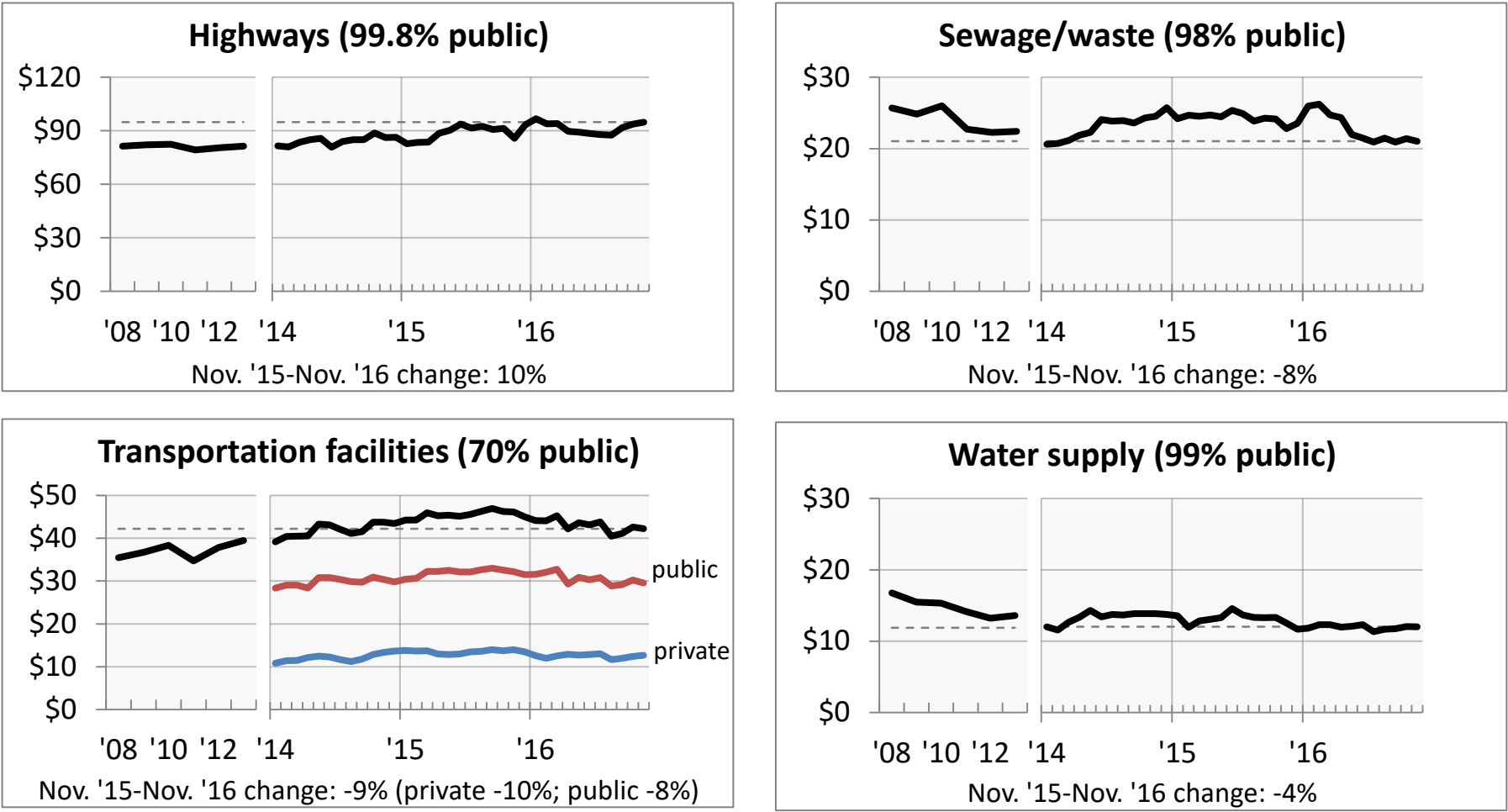
Source: U.S. Census Bureau construction spending report

Key points: power, mfg., recreation

- Solar, wind power are growing again; expect more gas-fired plants, natural gas pipelines into '18
- Mfg decline led by completion/delay of chemical plants (ethane crackers, petrochemicals, LNG) and transportation equipment (cars, trucks, jets, railcars)
- Amusement & recreation spending is very “lumpy” —a few big stadiums at irregular intervals; but funding for local, state, federal parks keeps eroding

Construction spending: public works

annual total, 2008-13; monthly, SAAR, 1/14-11/16; billion \$



Source: U.S. Census Bureau construction spending report



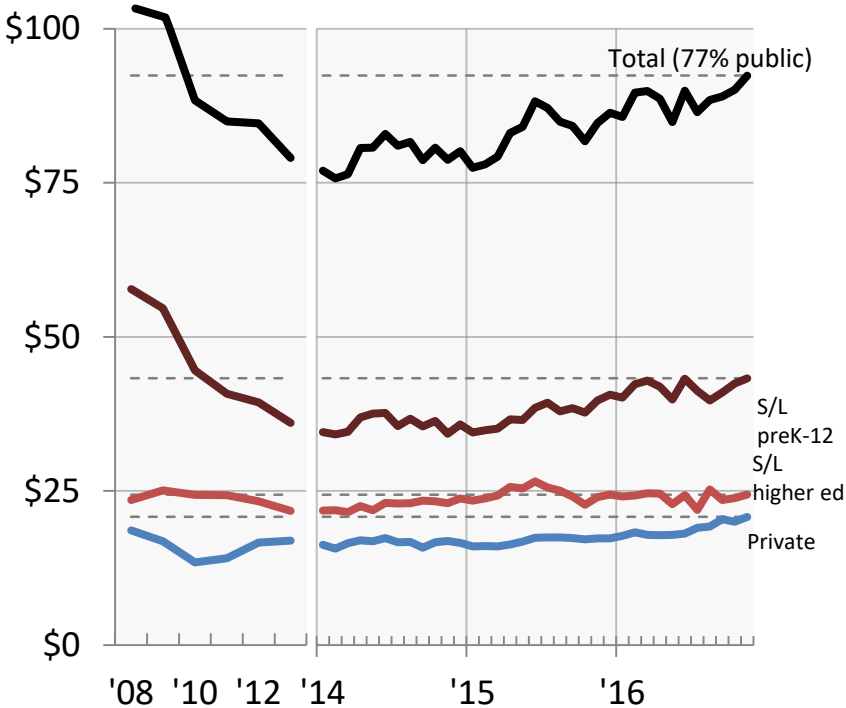
Key points: roads, transportation, sewer/water

- Highway funds benefit from more travel, hence fuel purchases; gradual pick-up in state funding & P3s; higher federal funding unlikely before '18
- Railroads slashing investment; pickup in airport projects but no increase likely in port, transit construction funding
- Eastern & Midwestern cities under orders to make long-term upgrades to sewer systems that should boost spending; water utilities hurt by drought, conservation but may get money for lead abatement

Construction spending: institutional (private + state/local)

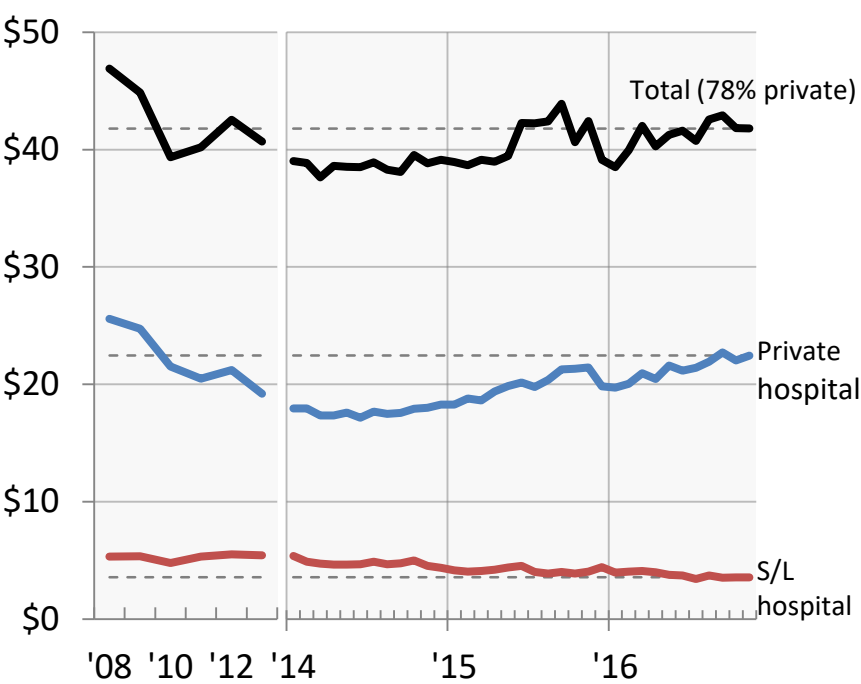
annual total, 2008-13; monthly, SAAR, 1/14-11/16; billion \$

Education (state & local K-12, higher; private)



Nov. '15-Nov. '16 change: 9% (state/local preK-12 9%, state/local higher ed 2%; private 20%)

Health care (private hosp, S/L hosp, other)



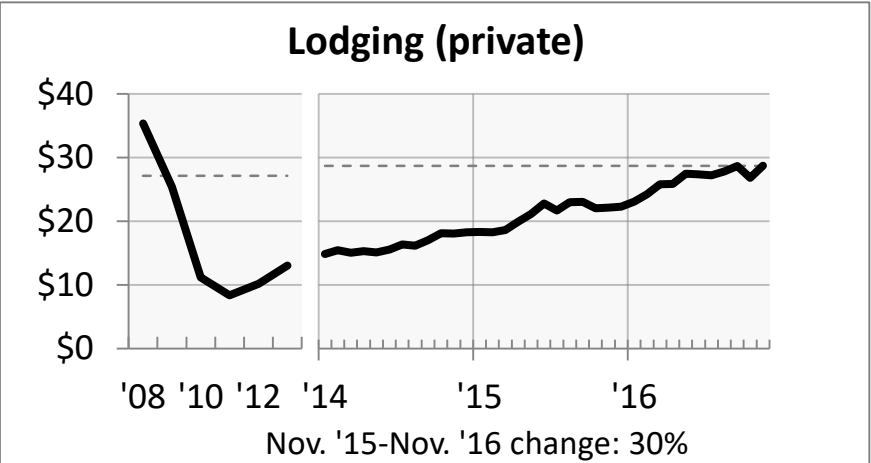
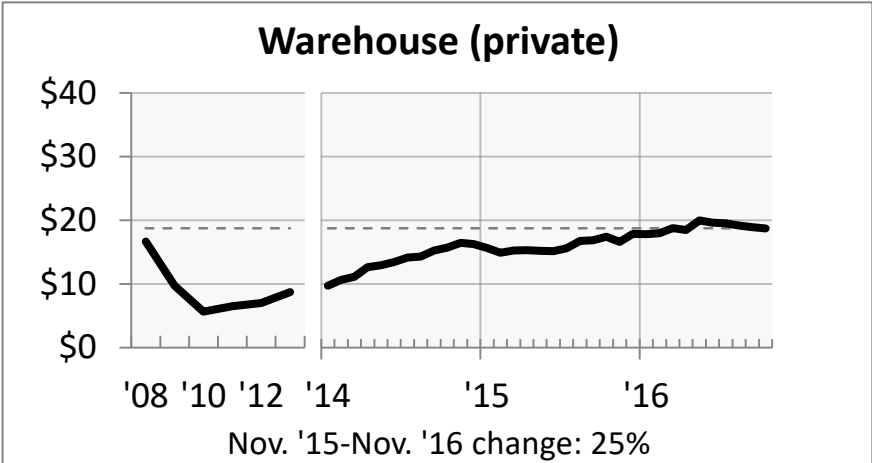
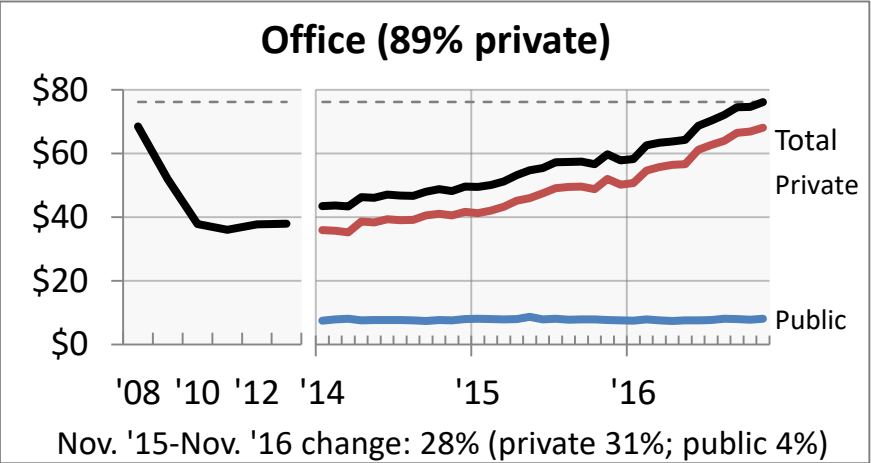
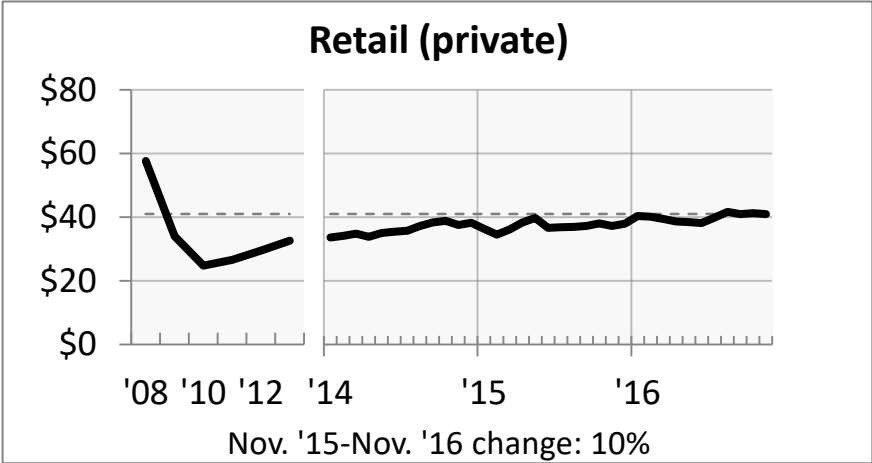
Nov. '15-Nov. '16 change: 3% (private hospital 5%; S/L hospital -12%; other: special care, med bldg, federal -1%)

Key points: education & health care

- Bond issues passed in 2014-16 should boost preK-12 projects in 2017
- Higher-ed enrollment declined 21% from 2011 to 2016, so colleges need fewer dorms & classrooms; apts. (multifamily) replacing dorms (educational construction)
- Hospitals face more competition from standalone urgent care, outpatient surgery, clinics in stores; also, renewed uncertainty about utilization and reimbursement rates if Affordable Care Act is repealed/modified/replaced

Construction spending: developer-financed

annual total, 2008-13; monthly, SAAR, 1/14-11/16; billion \$

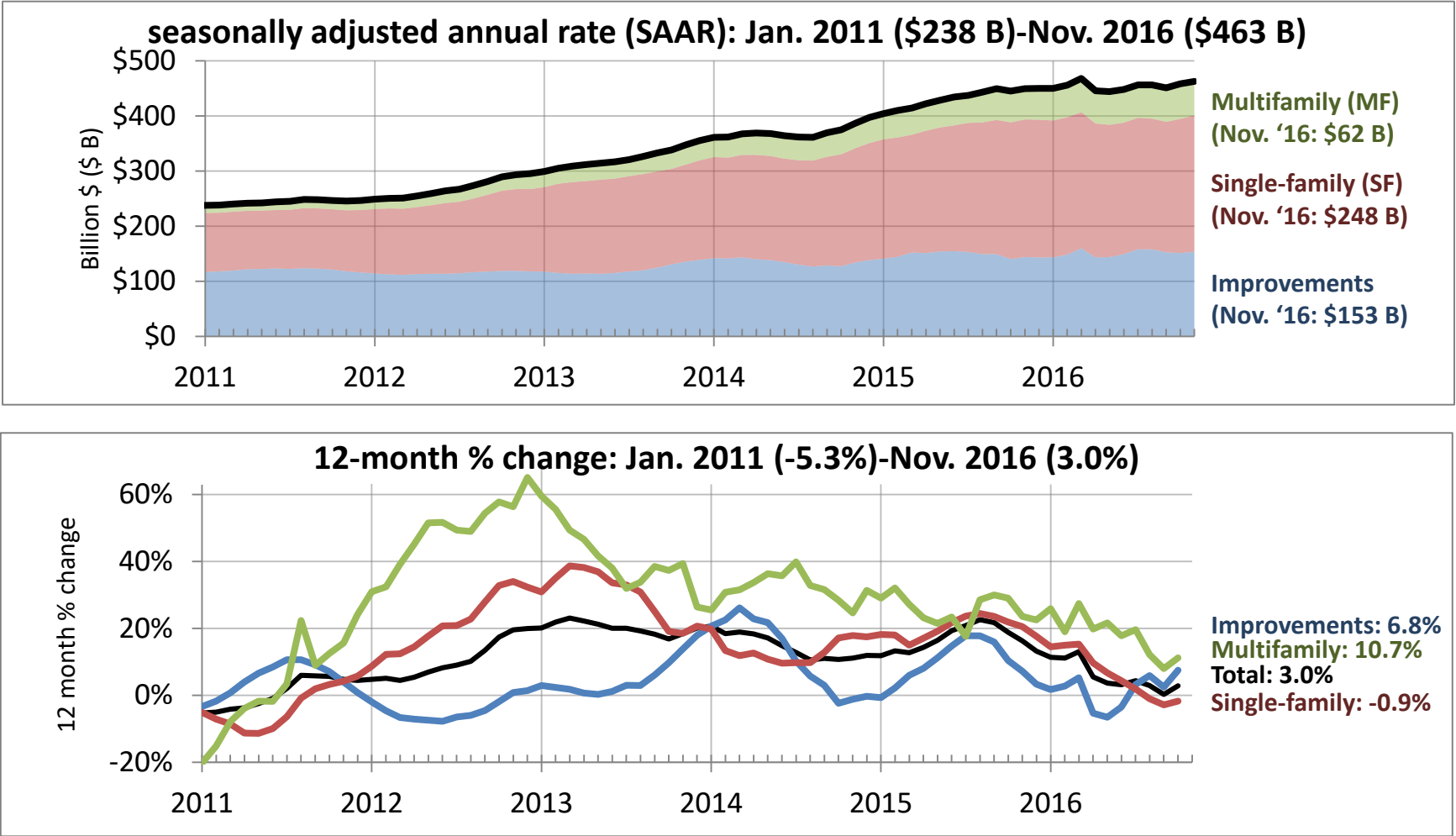


Source: U.S. Census Bureau construction spending report

Key points: retail, warehouse, office, hotel, data centers

- Retail now tied to mixed-use buildings & renovations, not standalone stores or shopping centers
- Warehouse market still benefiting from e-commerce; more local than huge regional distribution centers likely in future
- Record employment each month but office space per employee keeps shrinking; more urban & renovation work than suburban office parks
- Hotel construction likely to drop as revenue per available room slows
- Data centers remain a strong niche but no data available on how strong

Private residential spending: MF continues to outpace SF



Source: U.S. Census Bureau construction spending reports

Residential spending forecast: 2016: 4-6%; 2017: 5-10%

- SF: 4-5% in 2016, 6-11% in 2017; ongoing job gains add to demand; but student debt and other credit impairments, limited supply will limit growth
- MF: 16-18% in 2016, 5-10% in 2017; growth slowing but should last till 2018
 - occupancy rates, rents have leveled off or dipped in some markets
 - millennials are staying longer in cities, denser suburbs where MF construction is bigger share of market than in outer suburbs
 - nearly all MF construction is rental, not condo
- Improvements: 0-5% in 2016, 0-10% in 2017; Census data is not reliable and shows only a loose relationship to SF spending

Legend:

- decrease
- 0-0.49%
- 0.5-0.99%
- 1.0-1.49%
- 1.5%+

State Data:

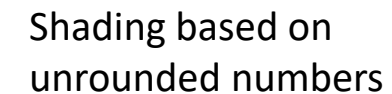
State	Percentage Change
AK	0.6%
HI	0.2%
CA	2.0%
OR	1.7%
WA	1.8%
MT	1.0%
ND	0.9%
SD	0.7%
WY	-0.2%
NE	0.7%
KS	0.02%
TX	1.6%
OK	0.4%
MO	0.3%
IL	-0.3%
IN	0.1%
MI	0.1%
WI	0.2%
OH	0.3%
PA	0.3%
DE	0.8%
MD	0.4%
VA	0.9%
NC	1.1%
SC	1.4%
GA	1.8%
FL	1.1%
LA	0.3%
MS	-0.02%
AL	0.2%
GA	0.2%
NC	0.3%
VA	0.5%
DE	0.1%
MD	0.1%
PA	0.3%
NY	-0.1%
CT	-0.2%
RI	0.1%
MA	0.4%
VT	-0.2%
NH	0.4%
ME	0.2%
DC	1.6%

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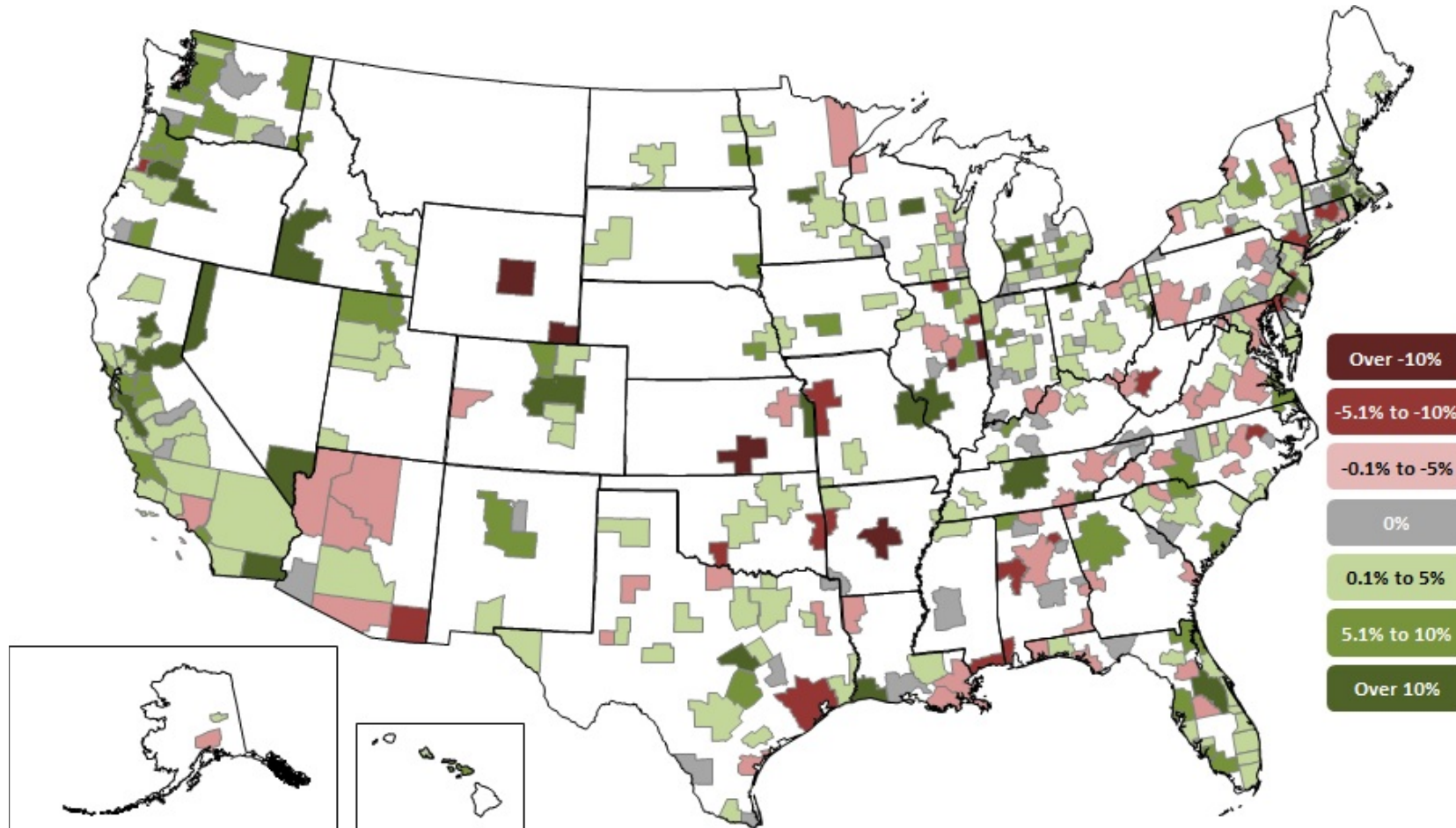


11/15 to 11/16: **34** states **up**, **2 + DC** unchanged, **14** down

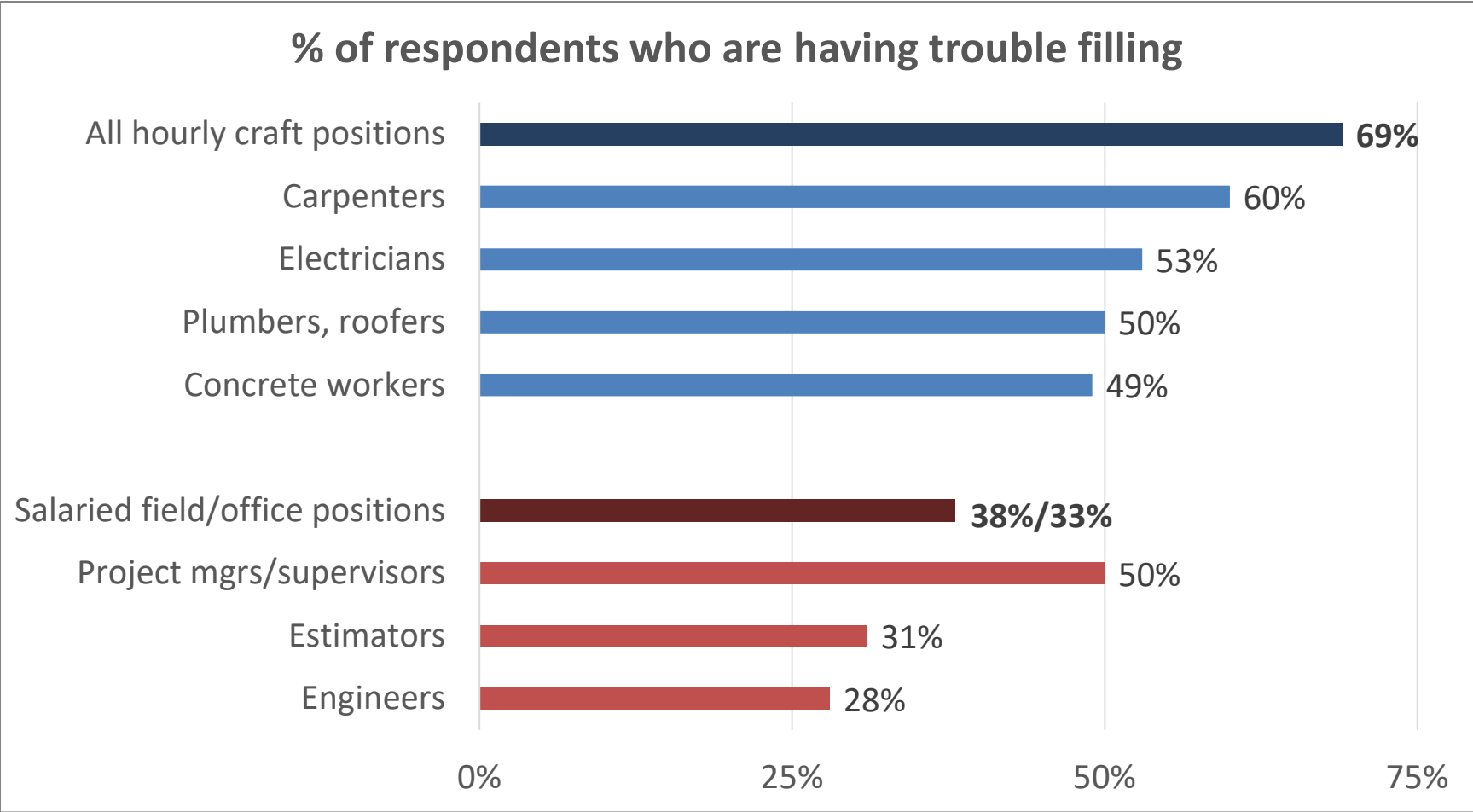


Metro construction employment change

11/15 to 11/16: 211 metros (59%) **up**, 60 + DC unchanged, 86 **down** (24%)

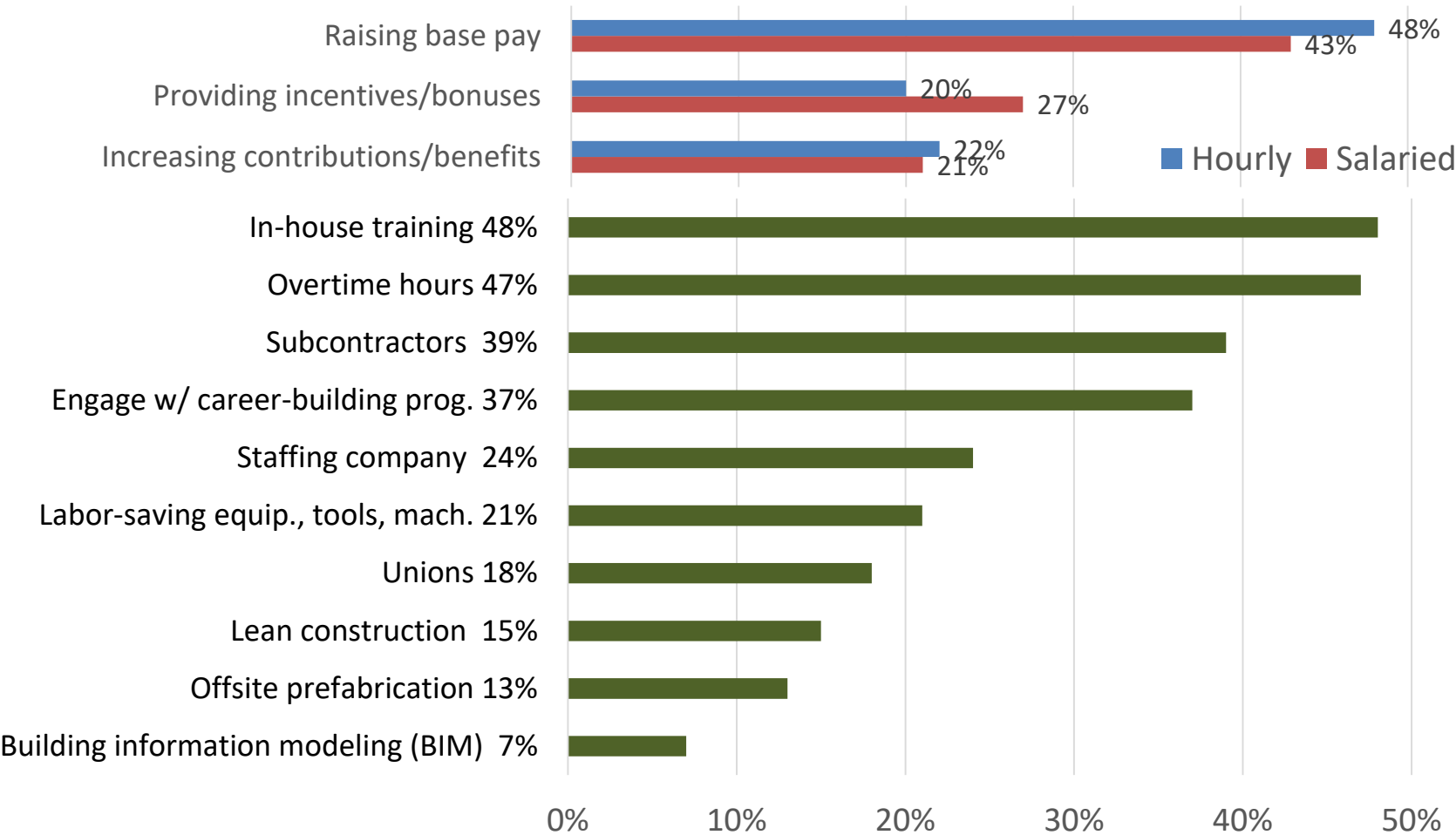


Hardest positions to fill

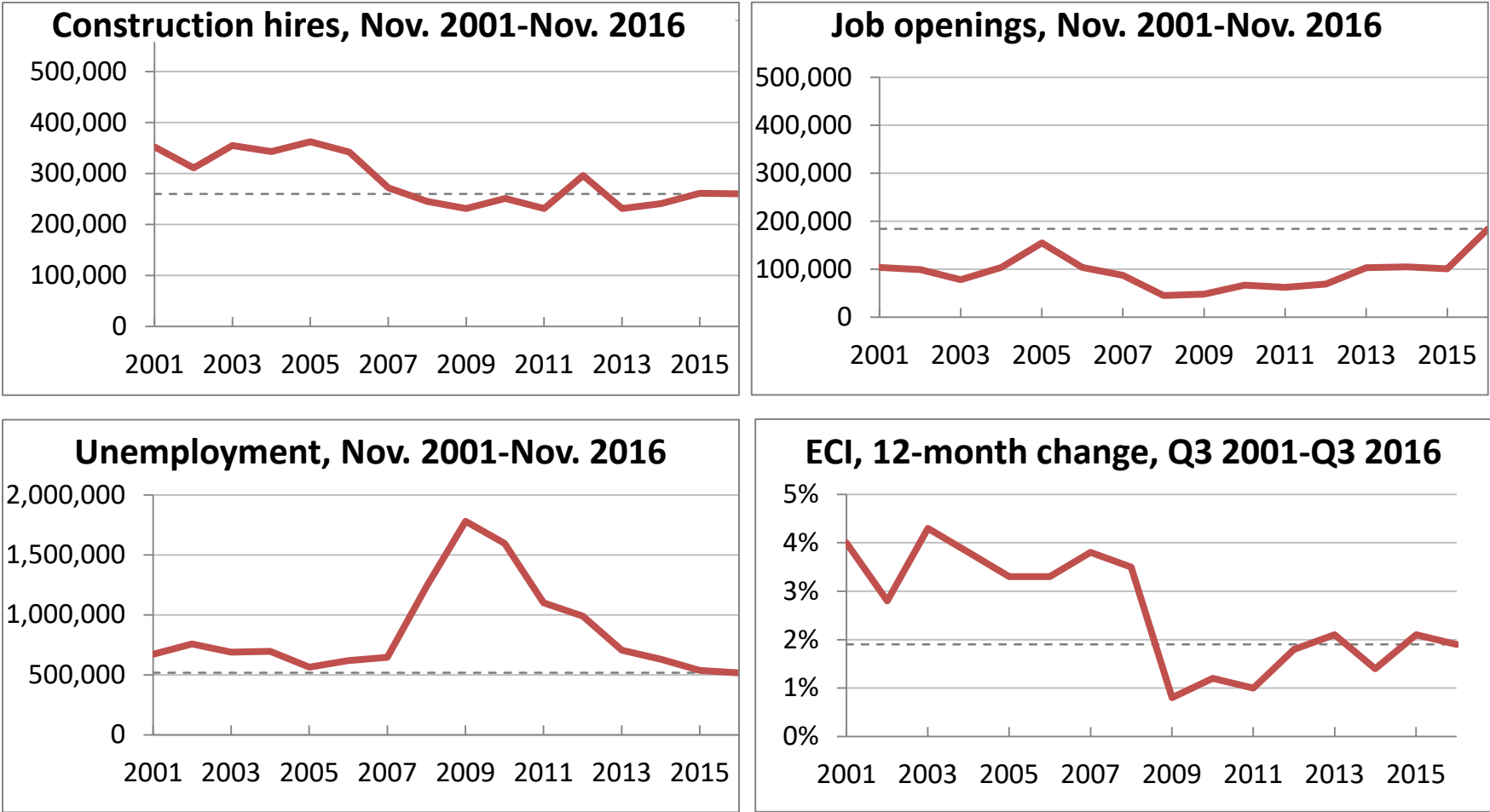


Source: AGC Member Survey, August 2016

How contractors are coping with worker shortages



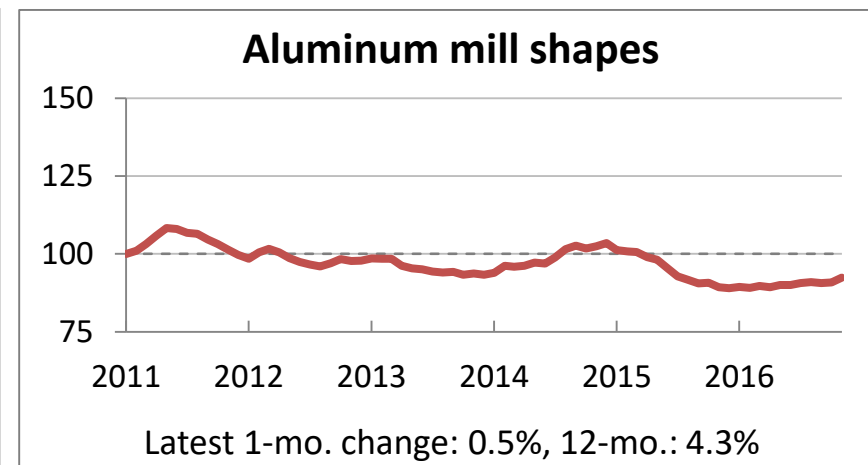
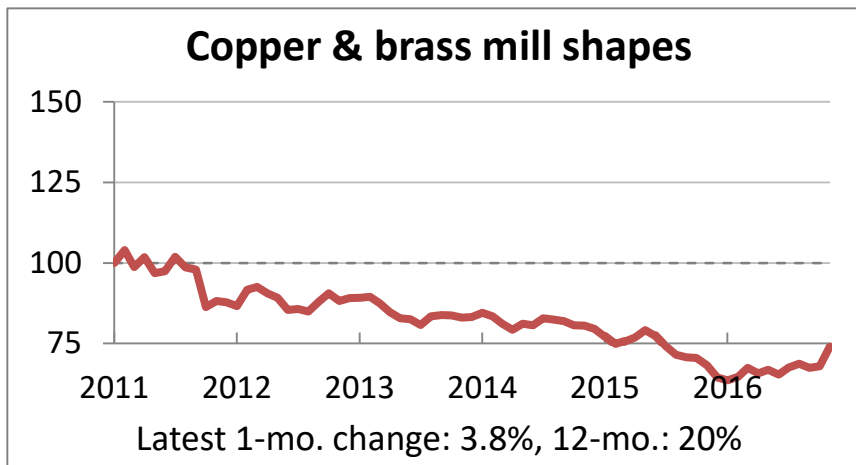
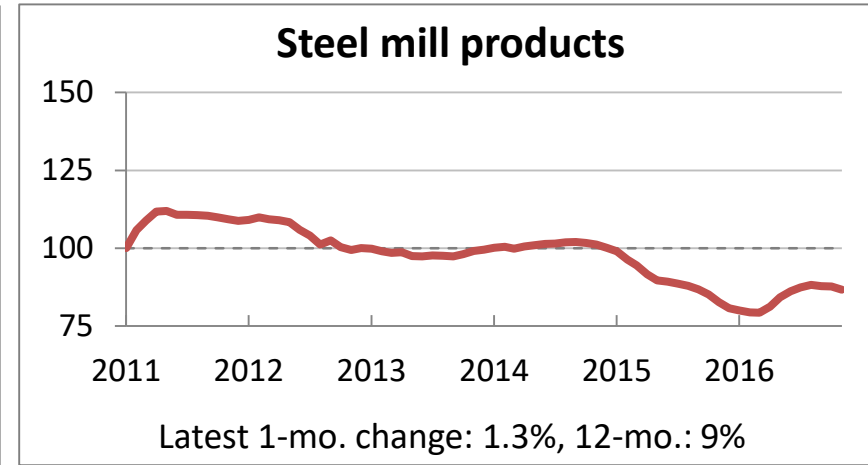
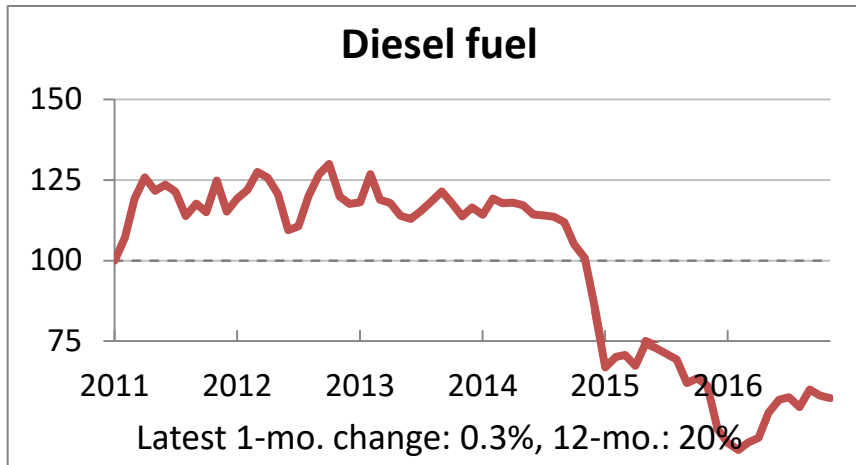
Construction workforce indicators (not seasonally adjusted)



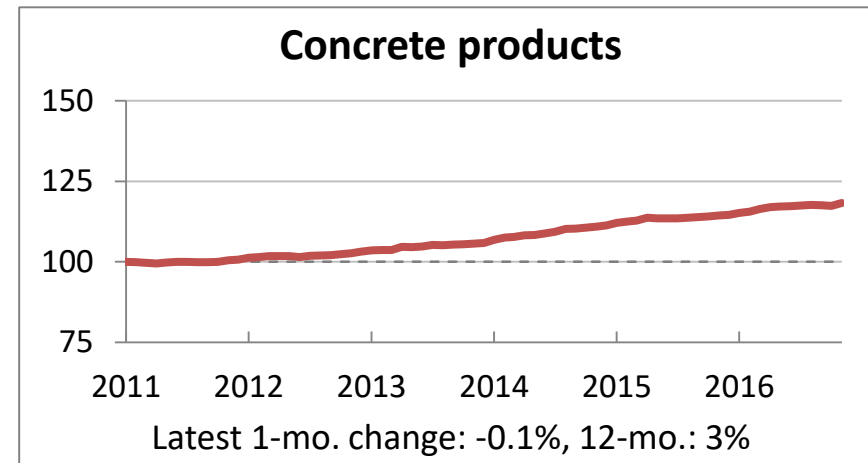
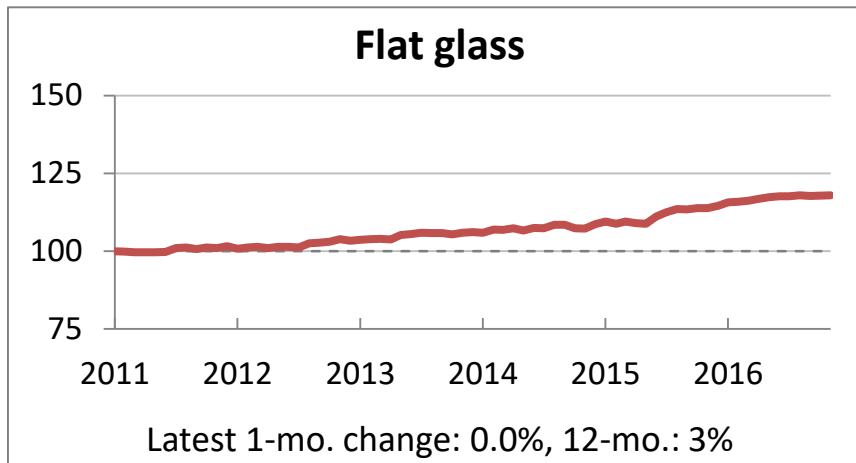
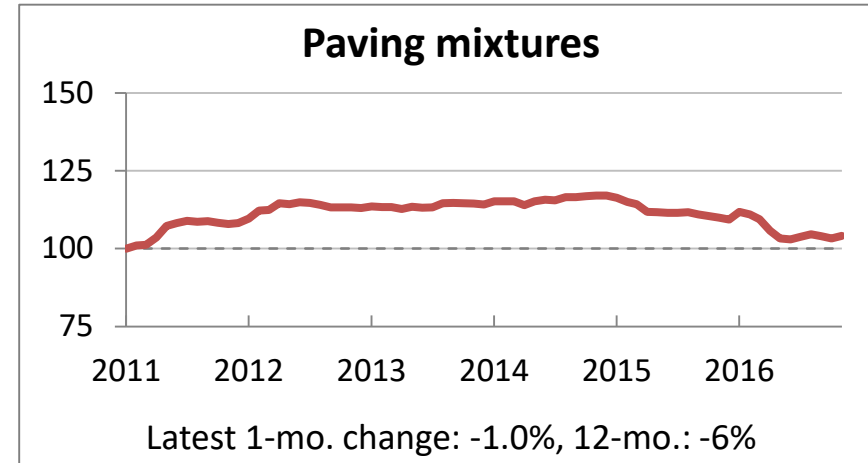
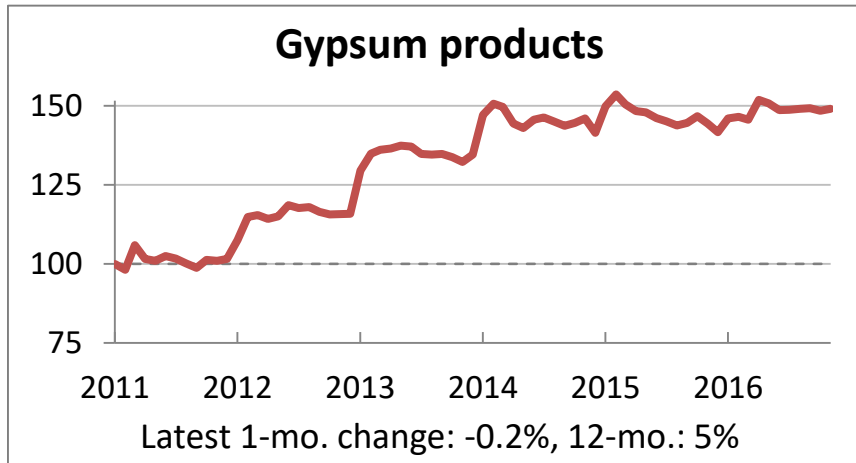
Source: Bureau of Labor Statistics



Producer price indexes for key inputs, 1/11-12/16 (Jan. 2011=100)



Producer price indexes for key inputs, 1/11-11/16 (Jan. 2011=100)



2015-16 summary, 2017 forecast

	2015 actual	2016 yr-to- date	2017 forecast
Total spending	11%	4%	2-7%
Private – residential	17%	5%	5-10%
– nonresidential	8%	8%	2-7%
Public	5%	-1%	0-3%
Goods & serv. inputs PPI	-2%	2%	2-4%
Employment cost index	2.2%	1.9%	3-4%

Source: actuals: Census, BLS; forecasts: Author's estimates

AGC economic resources

(email simonsonk@agc.org)

- *The Data DIGest*: weekly 1-page email (subscribe at <http://store.agc.org>)
- monthly press releases: spending; PPI; national, state, metro employment
- state and metro data, fact sheets: www.agc.org/learn/construction-data



Sept. 24-Oct. 2, 2009
Vol. 9, No. 33

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

[Download the one-page Data DIGest](#)

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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