



Construction & Materials Outlook

January 12, 2011

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AGC of America

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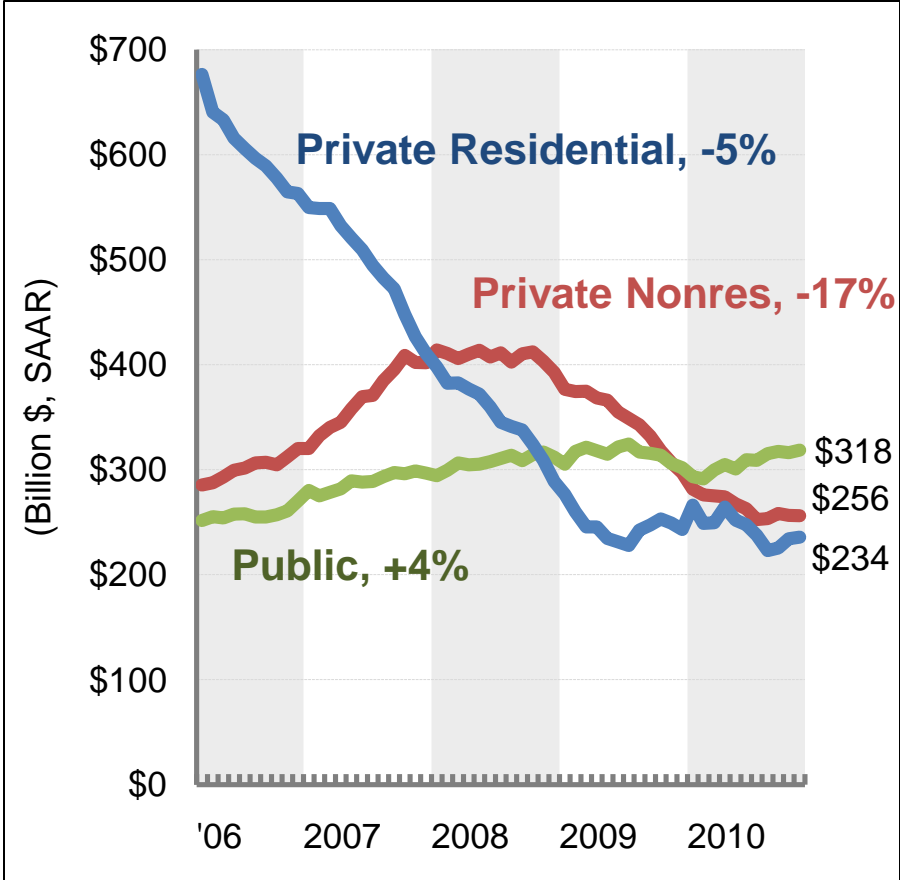
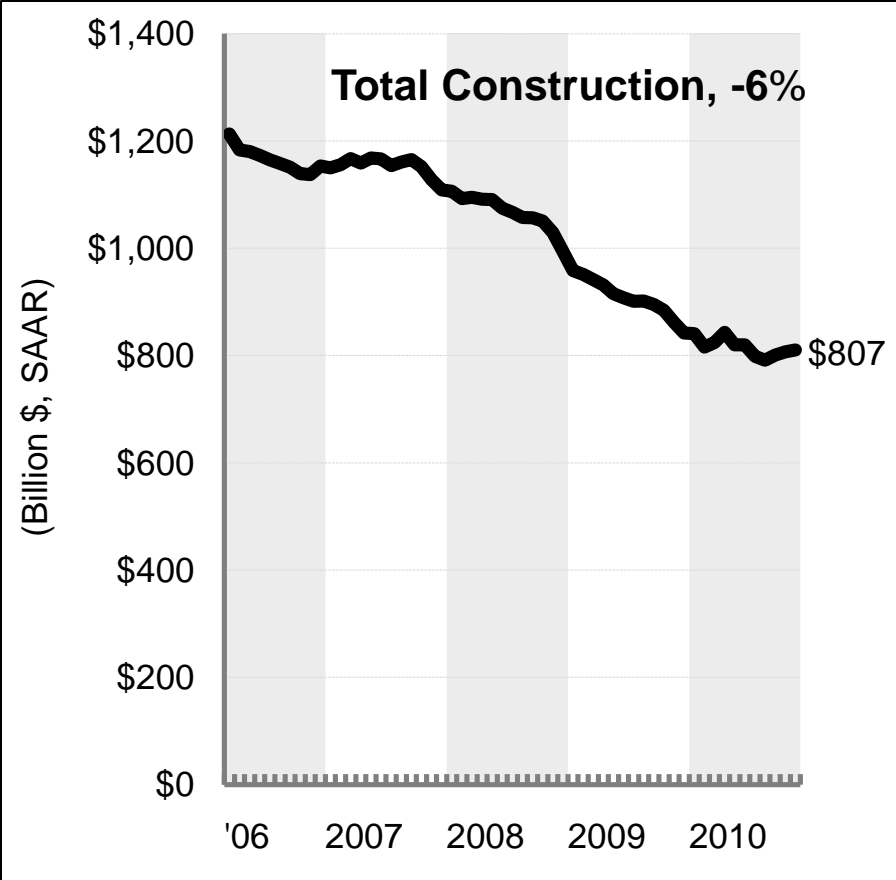
Current economic influences on construction

- GDP, personal income: gradual acceleration
- Continuing problems for office, retail, warehouse
- Loans for developers remain tight-to-unavailable
- State/local spending: infrastructure not a priority
- Federal spending helped but may decline soon
- Price spikes for diesel, copper, possibly steel



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

Seasonally adjusted annual rate (SAAR), March 2006-November 2010



Source: Census Bureau construction spending reports

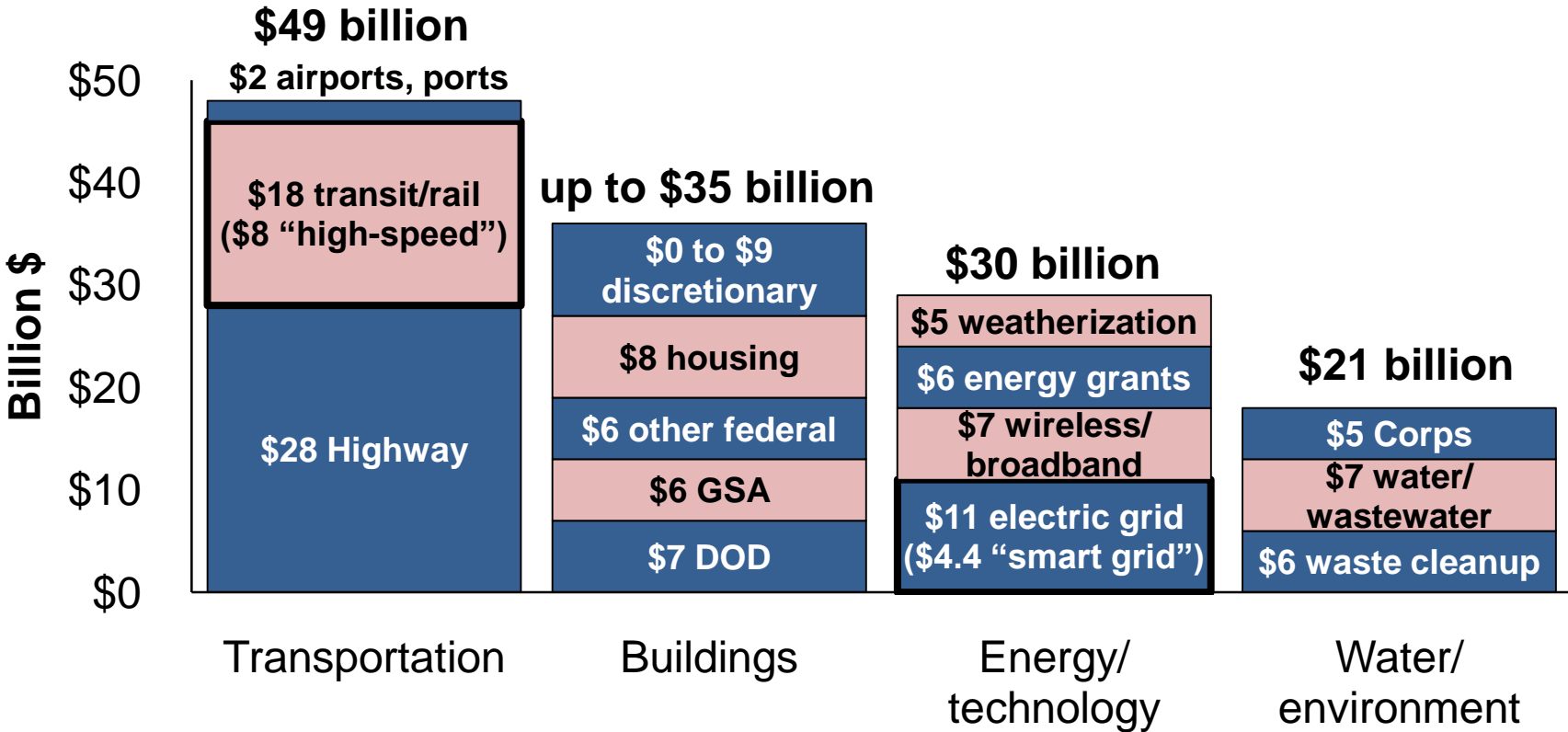


Federal funding sources and outlook

- Stimulus - 61 programs, totaling \$135 billion; at peak now
- Base realignment – at peak now, due to end 9/30/11
- Gulf Coast hurricane work – at peak, due to end 6/1/11
- Highway, airways trust funds – on short-term extension
- Water, wastewater state revolving funds – flat or down



Construction-related stimulus funding (~\$135 bil.)





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

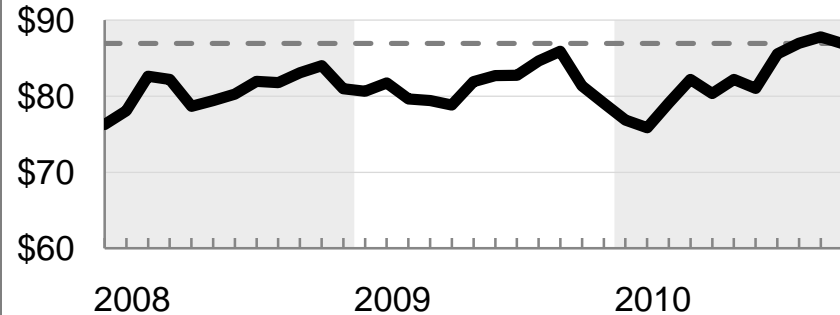
	<u>11/10 Total</u>	<u>Share</u>	<u>11/09-11/10</u>
Nonresidential	\$563 billion	100%	- 7%
Highway and street	87	15	+ 7
Educational	87	15	- 7
Power	86	15	+ 1
Health care	41	7	- 2
Commercial	39	7	- 15
Transportation	39	7	0
Office	37	6	- 19
Manufacturing	34	6	- 35
Sewage and waste disposal	27	5	+ 8
Amusement and recreation	19	3	+ 11
Communication	18	3	- 10
Other (water, public safety; lodging; conservation; religious): 9% of total			



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

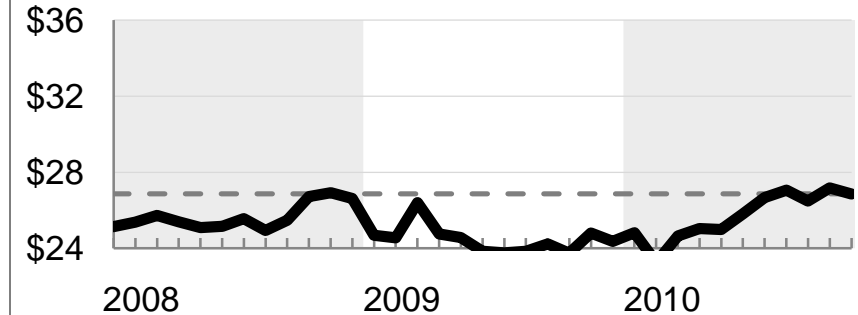
Highways (99.9% public)

Latest 1-mo. change: -1.0%, 12-mo.: 7%



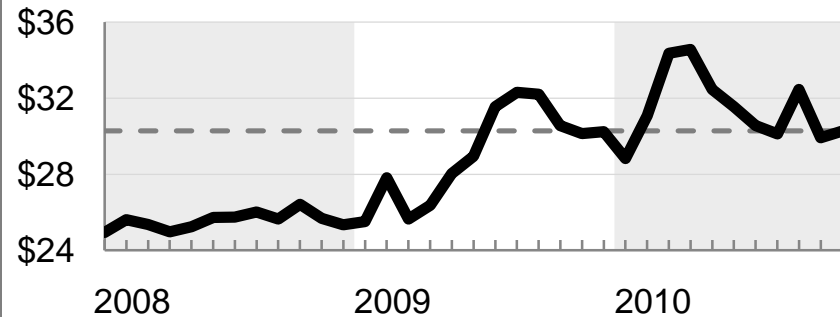
Sewage/waste (98% public)

Latest 1-mo. change: -1.2%, 12-mo.: 8%



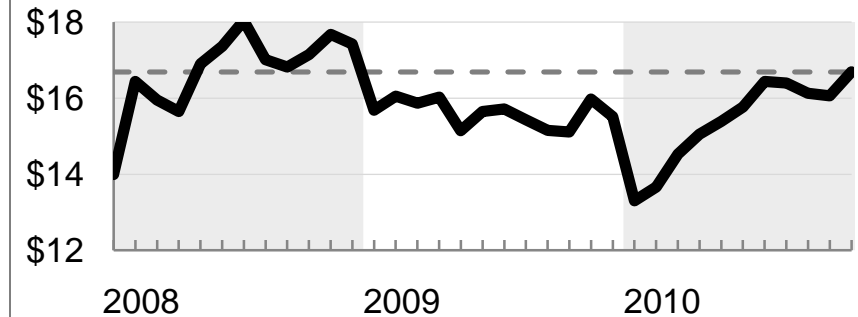
Public transportation facilities

Latest 1-mo. change: 1.2%, 12-mo.: 0%



Water (96% public)

Latest 1-mo. change: 3.9%, 12-mo.: 4%

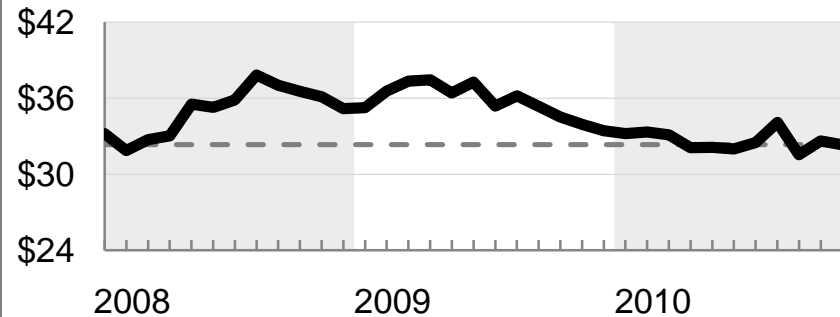




Construction spending: institutional (private + state/local)

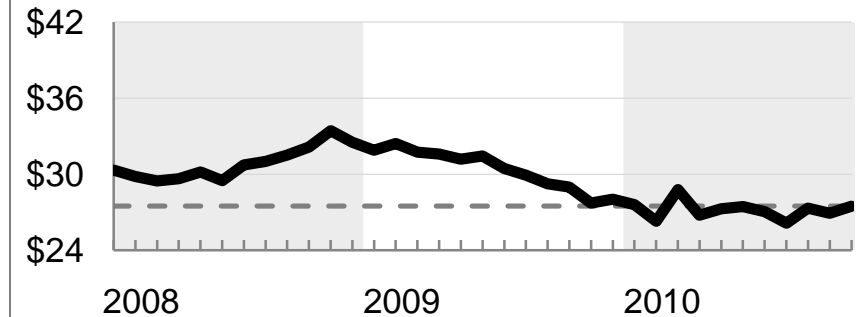
Higher education (24% private)

Latest 1-mo. change: -1.0%, 12-mo.: -5%



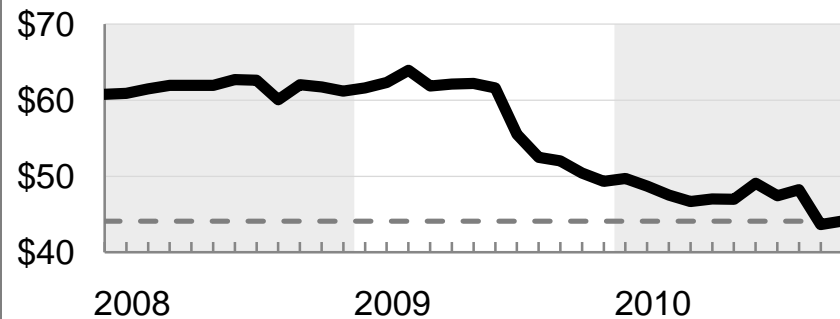
Hospitals (84% private)

Latest 1-mo. change: 2.1%, 12-mo.: -1%



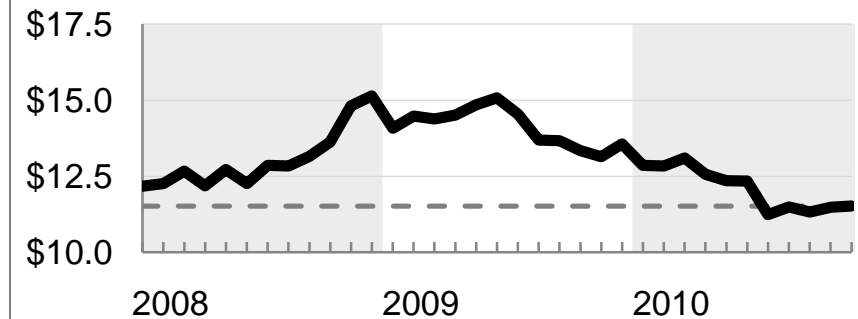
PreK-12 ed. (6% private)

Latest 1-mo. change: 1.0%, 12-mo.: -13%



Public safety

Latest 1-mo. change: 0.3%, 12-mo.: -12%

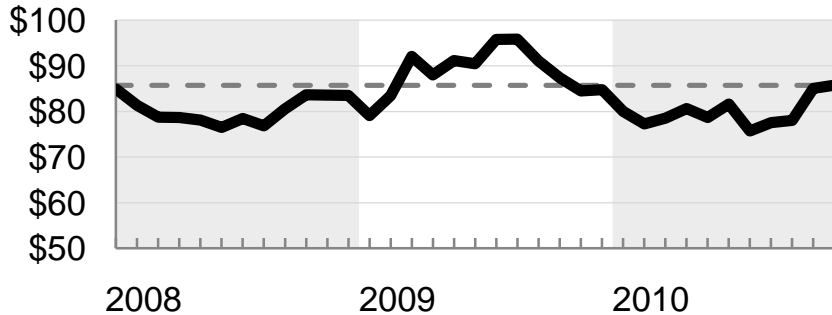




Construction spending: industrial, heavy (billion \$, SAAR)

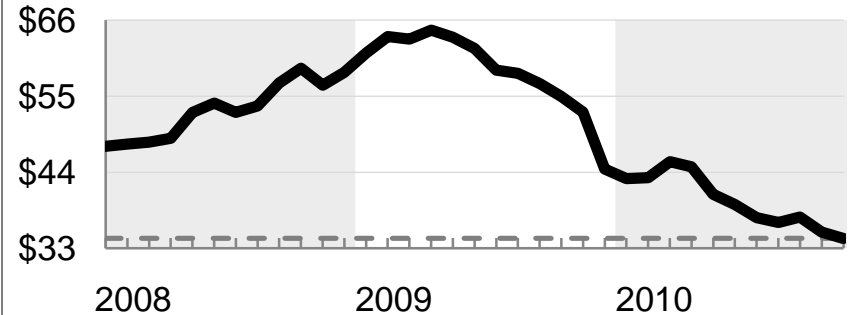
Power (83% private)

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



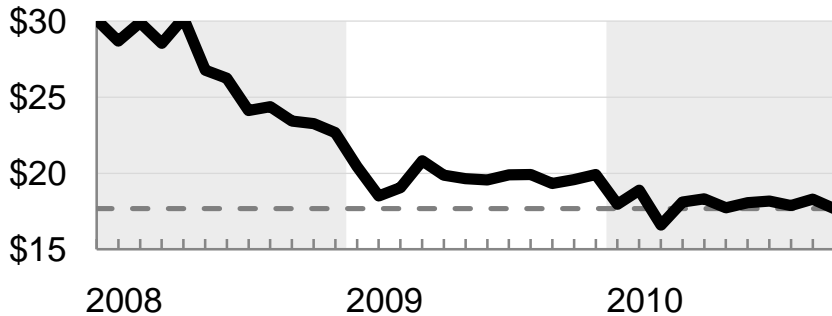
Manufacturing (98% private)

Latest 1-mo. change: -2.6%, 12-mo.: -35%



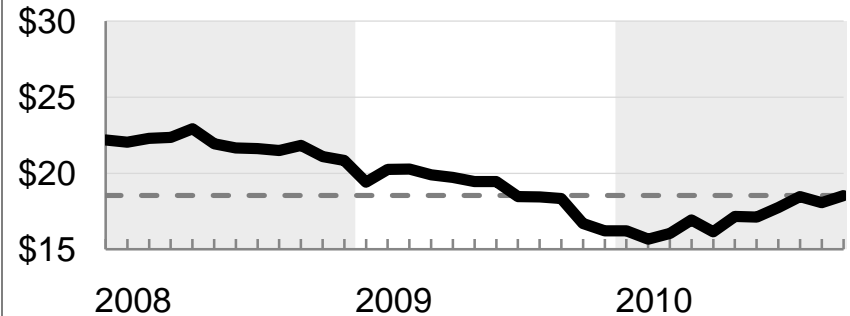
Communication (99% private)

Latest 1-mo. change: -3.4%, 12-mo.: -10%



Amusement & recreation (38% private)

Latest 1-mo. change: 2.6%, 12-mo.: 11%

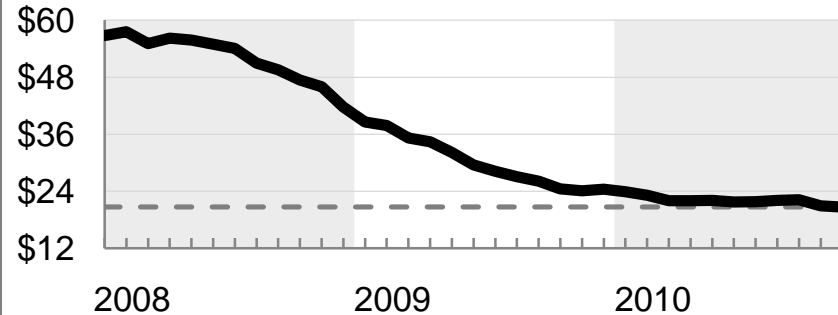




Construction spending: developer-financed (billion \$, SAAR)

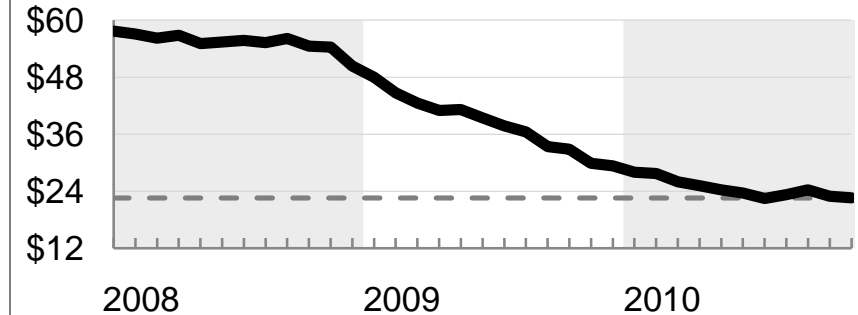
Nonautomotive retail

Latest 1-mo. change: -1.3%, 12-mo.: -14%



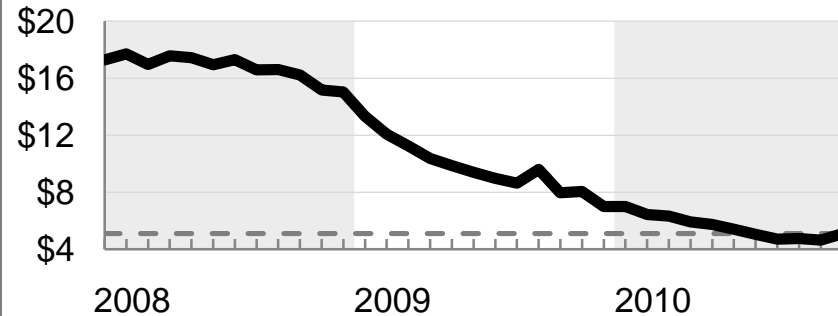
Office (private)

Latest 1-mo. change: -1.7%, 12-mo.: -24%



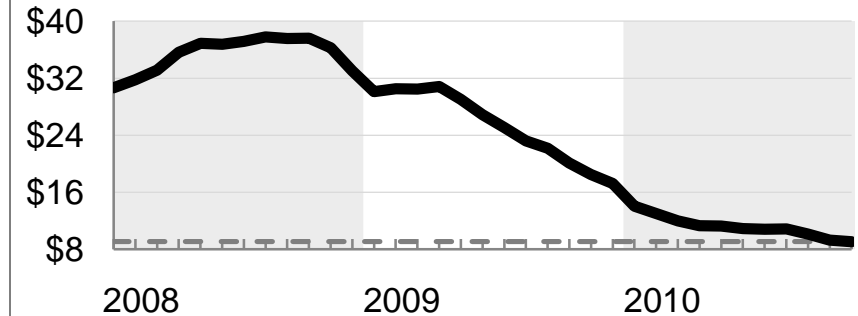
Warehouses

Latest 1-mo. change: 9.7%, 12-mo.: -37%



Lodging (private)

Latest 1-mo. change: -2.3%, 12-mo.: -51%





Economic impact of nonresidential construction

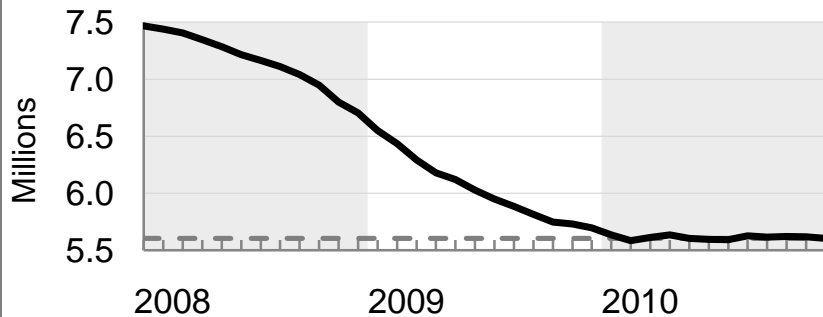
- **Jobs: 28,500 per \$1 billion**
 - 1/3 direct, onsite construction
 - 1/6 indirect (quarries, mfg., services)
 - 1/2 “induced” by spending from higher earnings of construction, indirect workers and owners
- **GDP: \$3.4 billion**
- **Personal earnings: \$1.1 billion**



Construction and total private employment, 2008-Dec. 2010

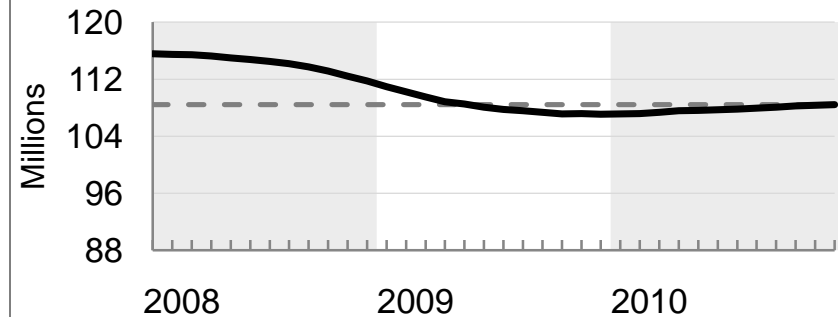
Total construction

Latest 1-mo. change: -0.3%, 12-mo.: -1.6%



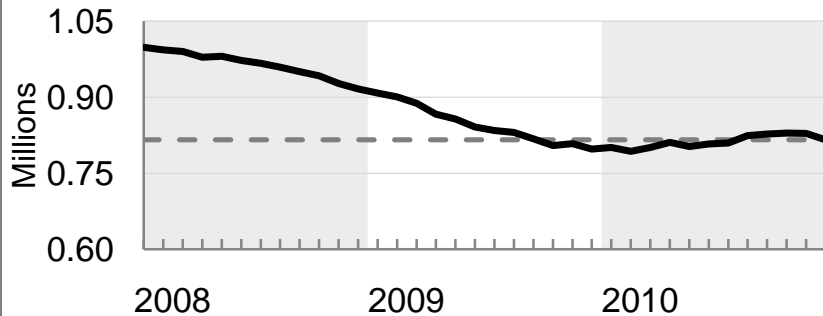
Total private

Latest 1-mo. change: 0.3%, 12-mo.: 1.3%



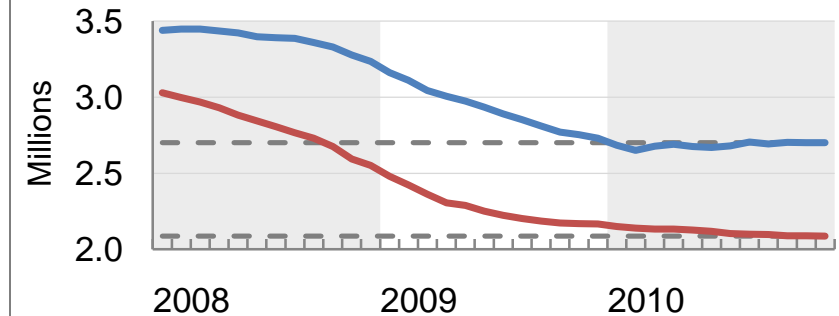
Heavy & civil engineering construction

Latest 1-mo. change: -1.5%, 12-mo.: 2.3%



Building + specialty trade contractors

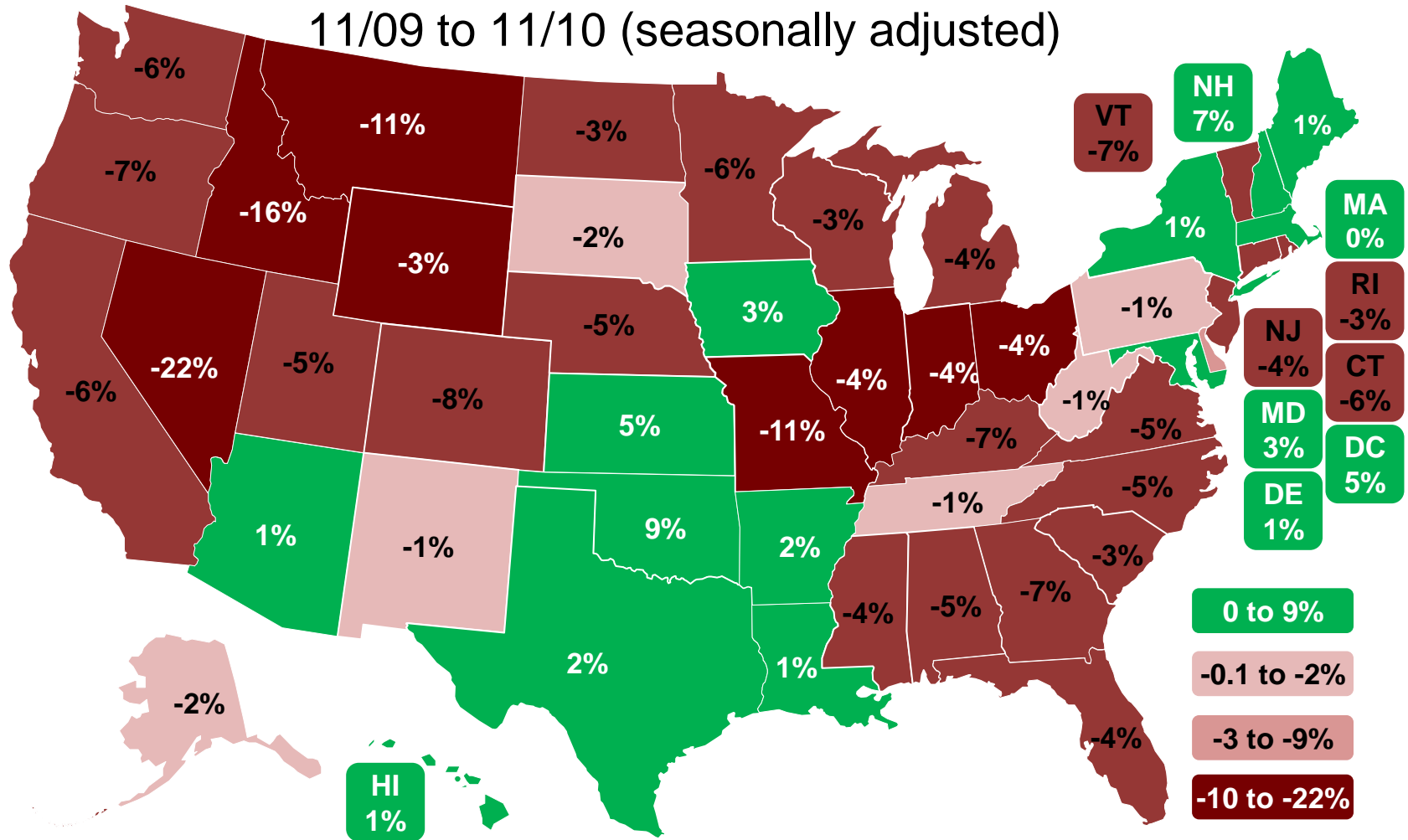
Nonresidential, Residential





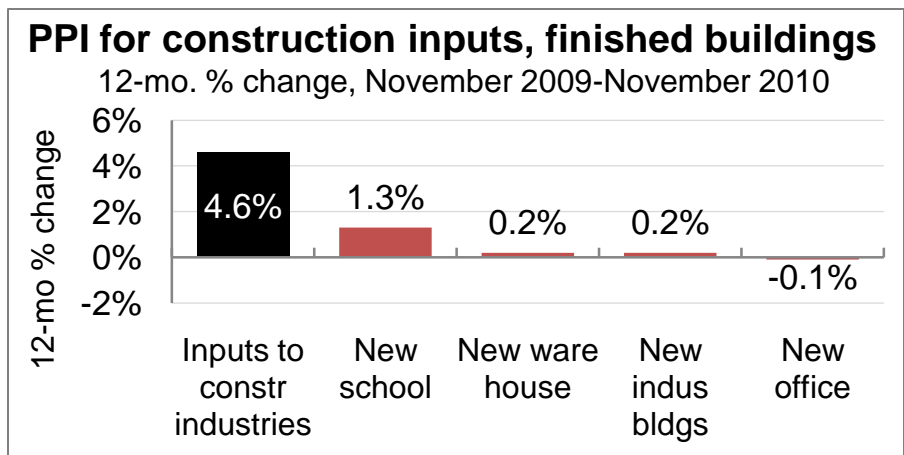
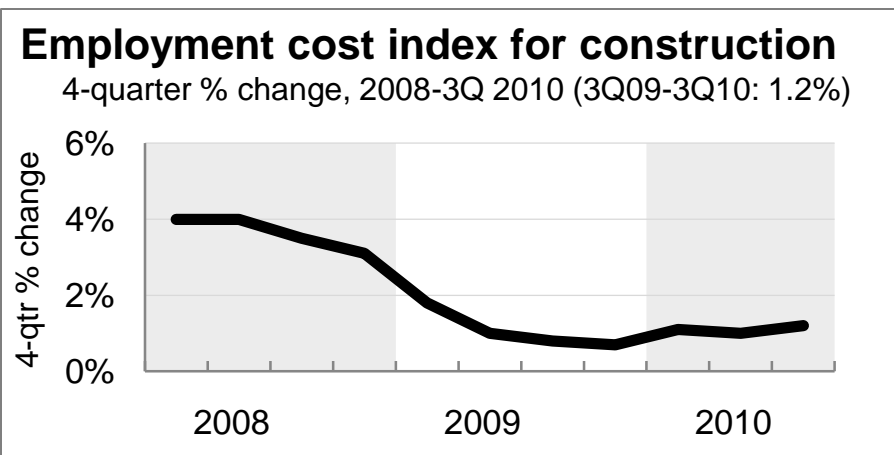
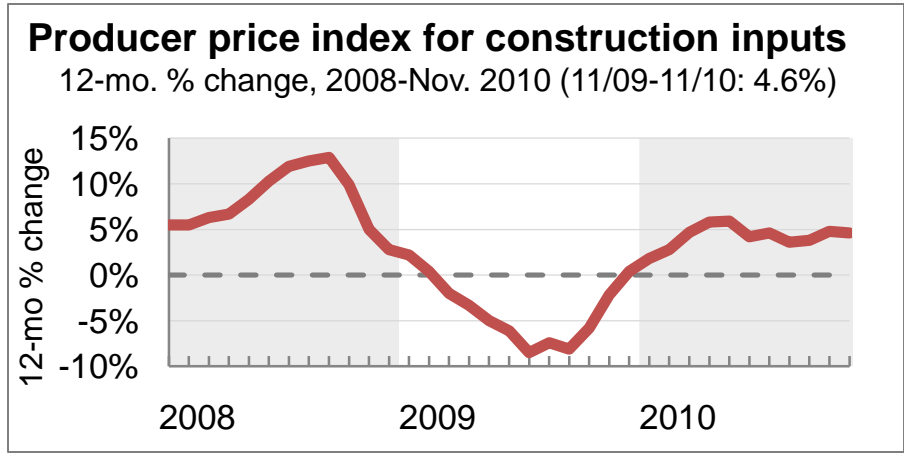
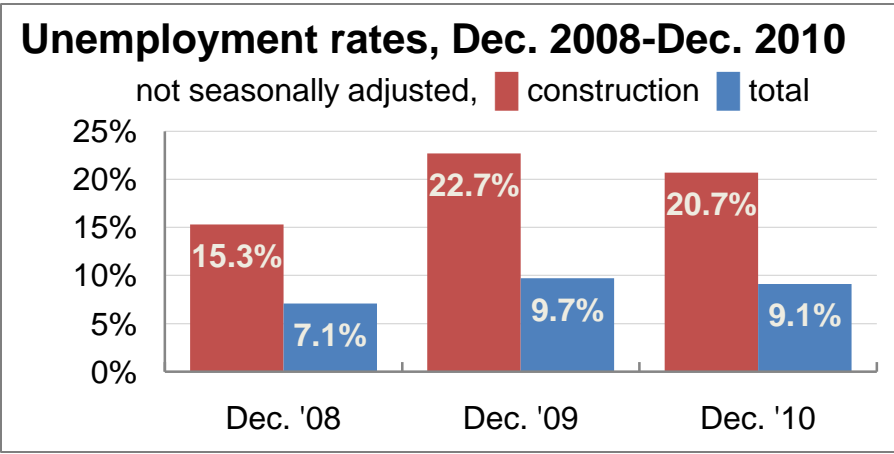
State Construction Employment Change (U.S.: -2%)

11/09 to 11/10 (seasonally adjusted)





Construction employment, wages, costs and output prices

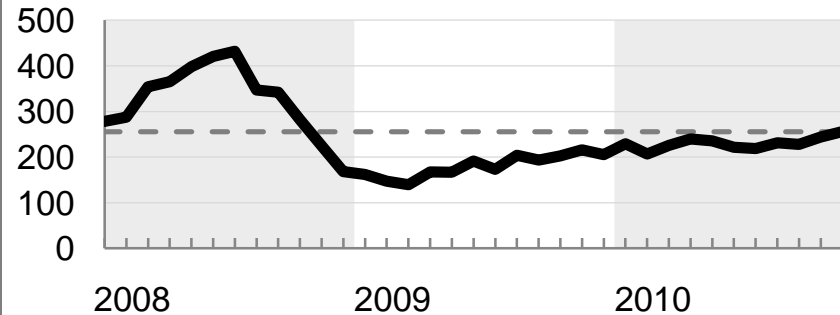




Producer price indexes, 1/08-11/10

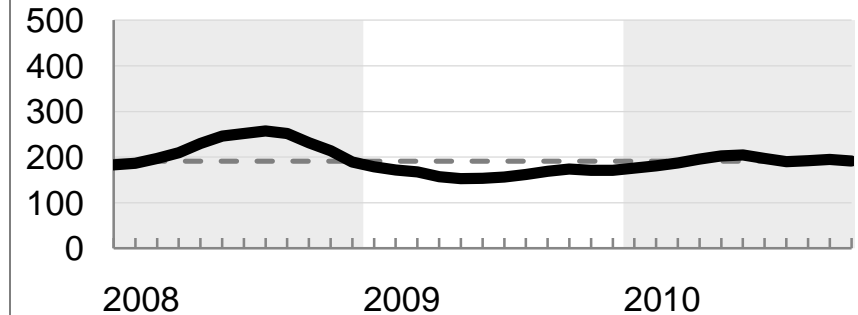
No. 2 diesel fuel

Latest 1-mo. change: 4.8%, 12-mo.: 18.5%



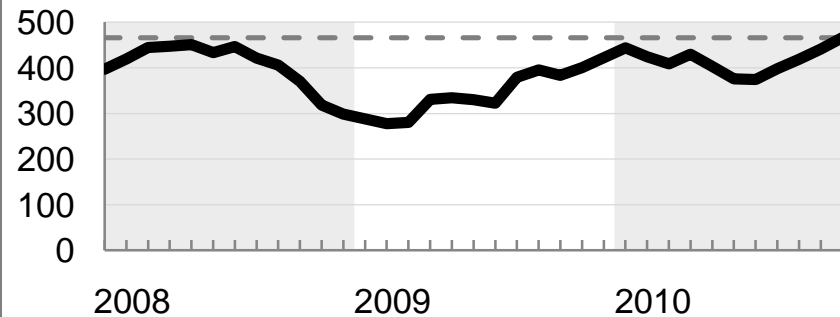
Steel mill products

Latest 1-mo. change: -1.7%, 12-mo.: 12.1%



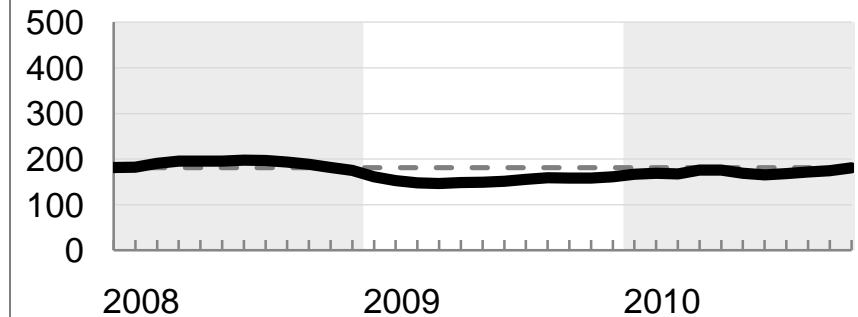
Copper & brass mill shapes

Latest 1-mo. change: 5.6%, 12-mo.: 16.4%



Aluminum mill shapes

Latest 1-mo. change: 3.5%, 12-mo.: 14.3%

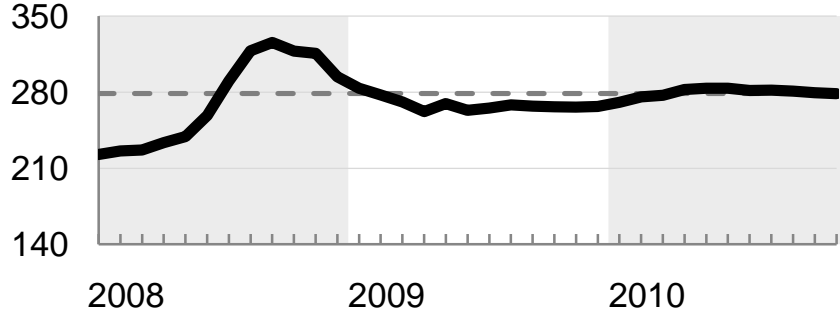




Producer price indexes, 1/08-11/10

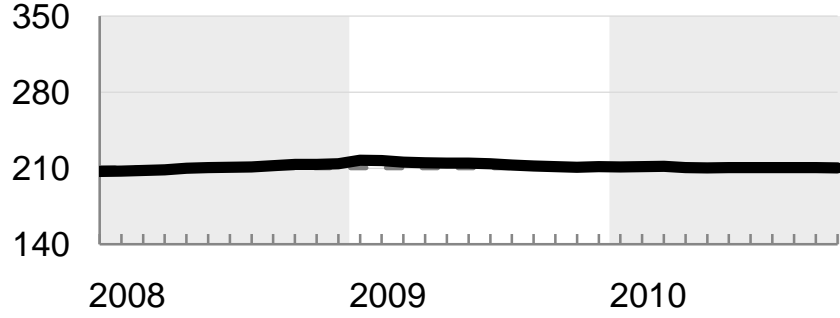
Asphalt paving mixtures & blocks

Latest 1-mo. change: -0.3%, 12-mo.: 4.6%



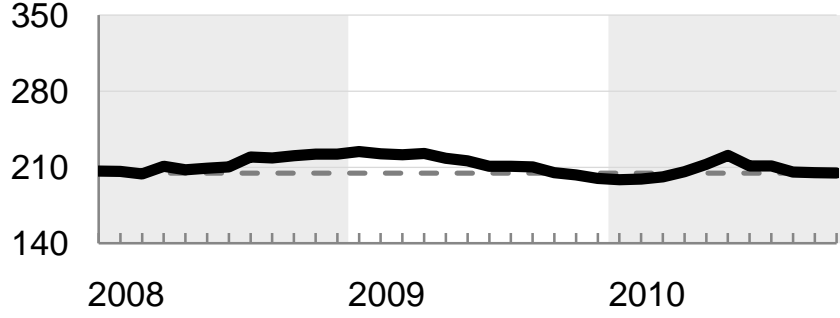
Concrete products

Latest 1-mo. change: 0.0%, 12-mo.: -0.3%



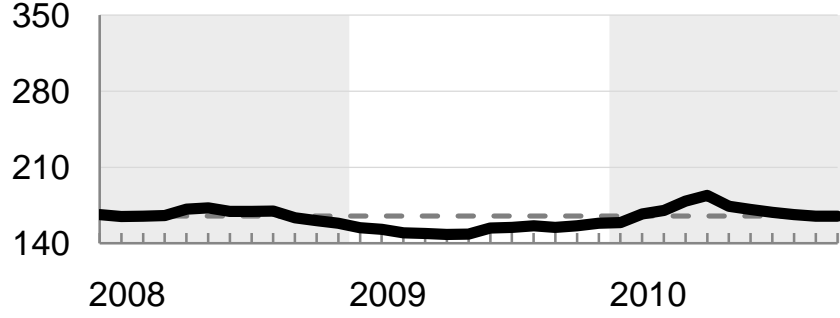
Gypsum products

Latest 1-mo. change: -0.2%, 12-mo.: 0.8%



Lumber and plywood

Latest 1-mo. change: 0.1%, 12-mo.: 5.8%



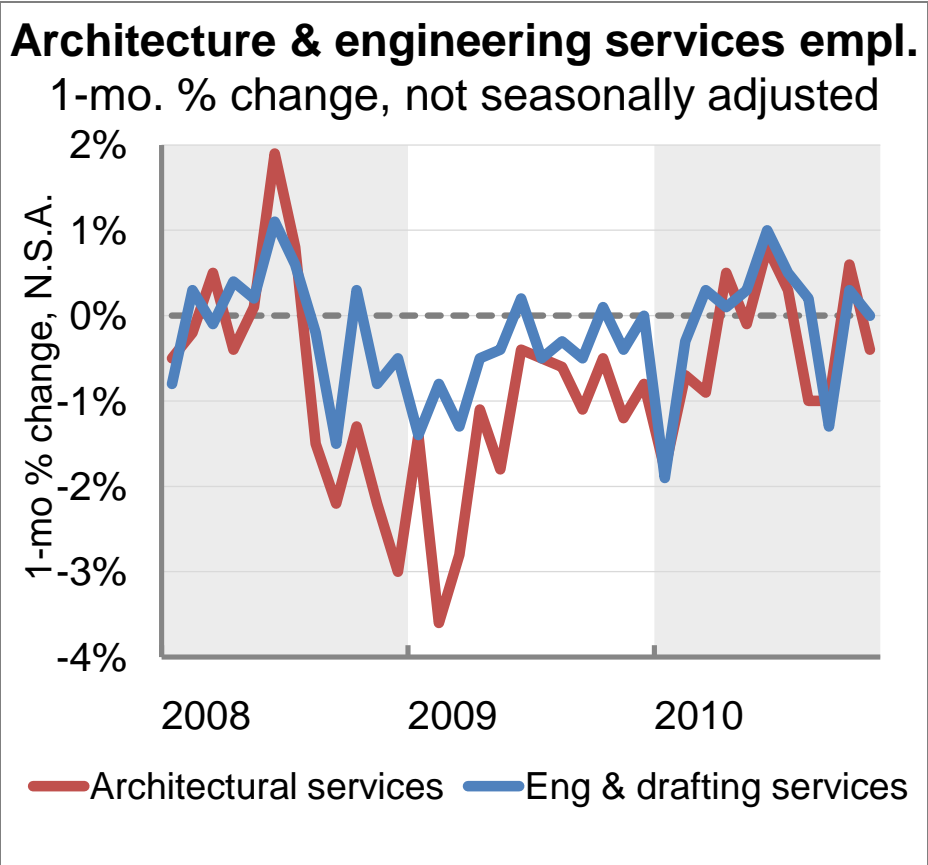
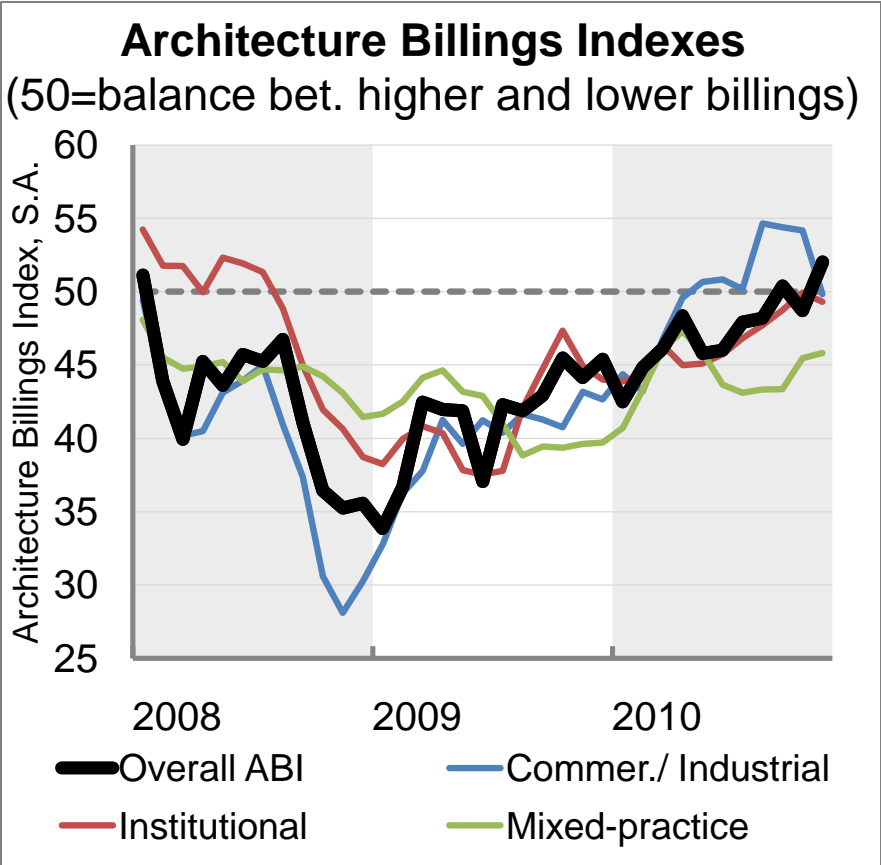


Outlook for materials

- **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 8% PPI increases**



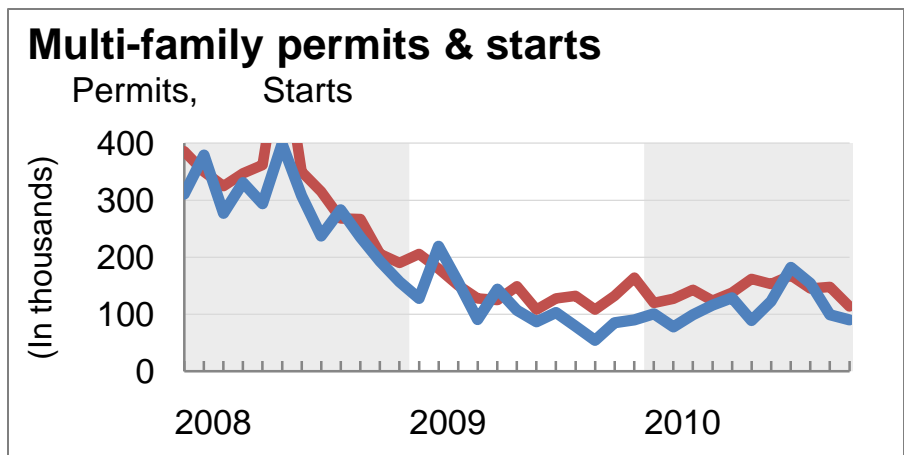
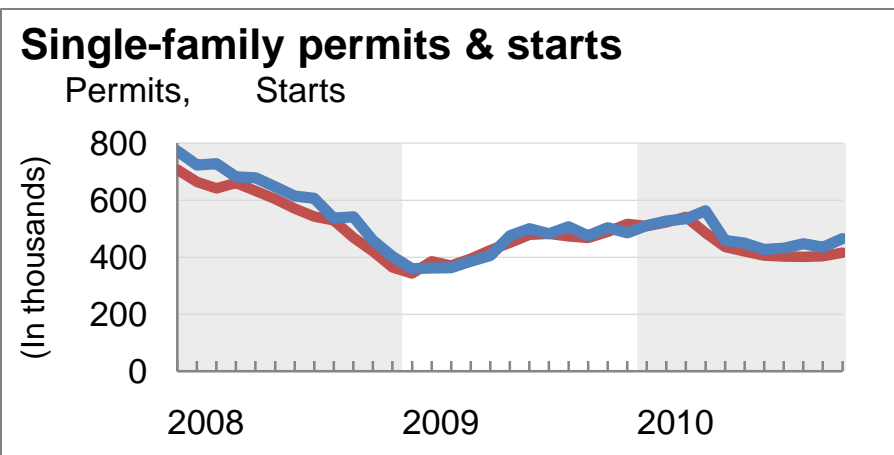
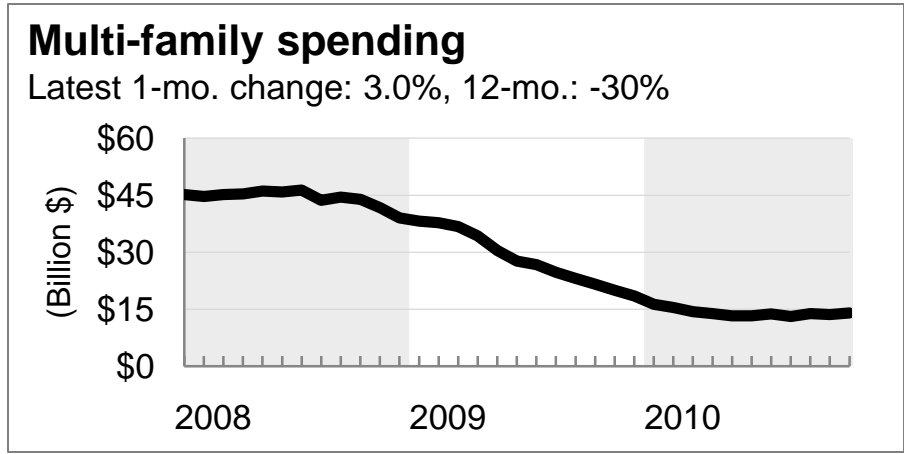
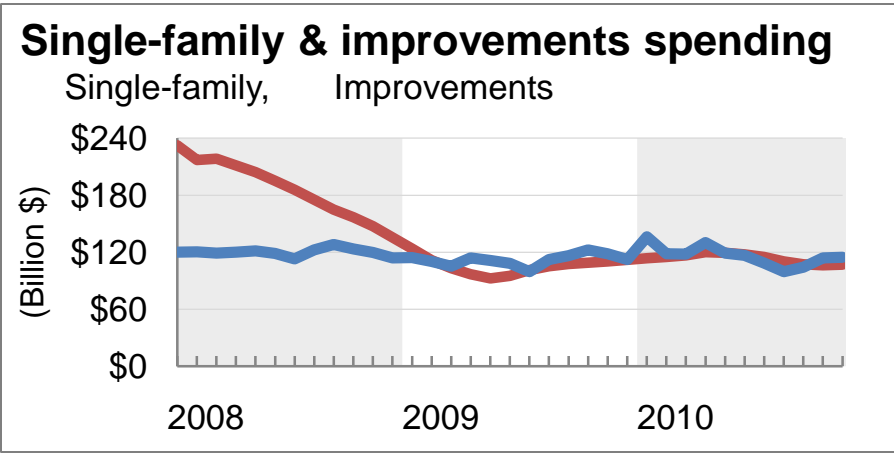
Predictors of construction demand



Source: American Institute of Architects (billings) , BLS (employment)



Single- vs. multi-family, 2008-10, seasonally adjusted annual rate (SAAR)



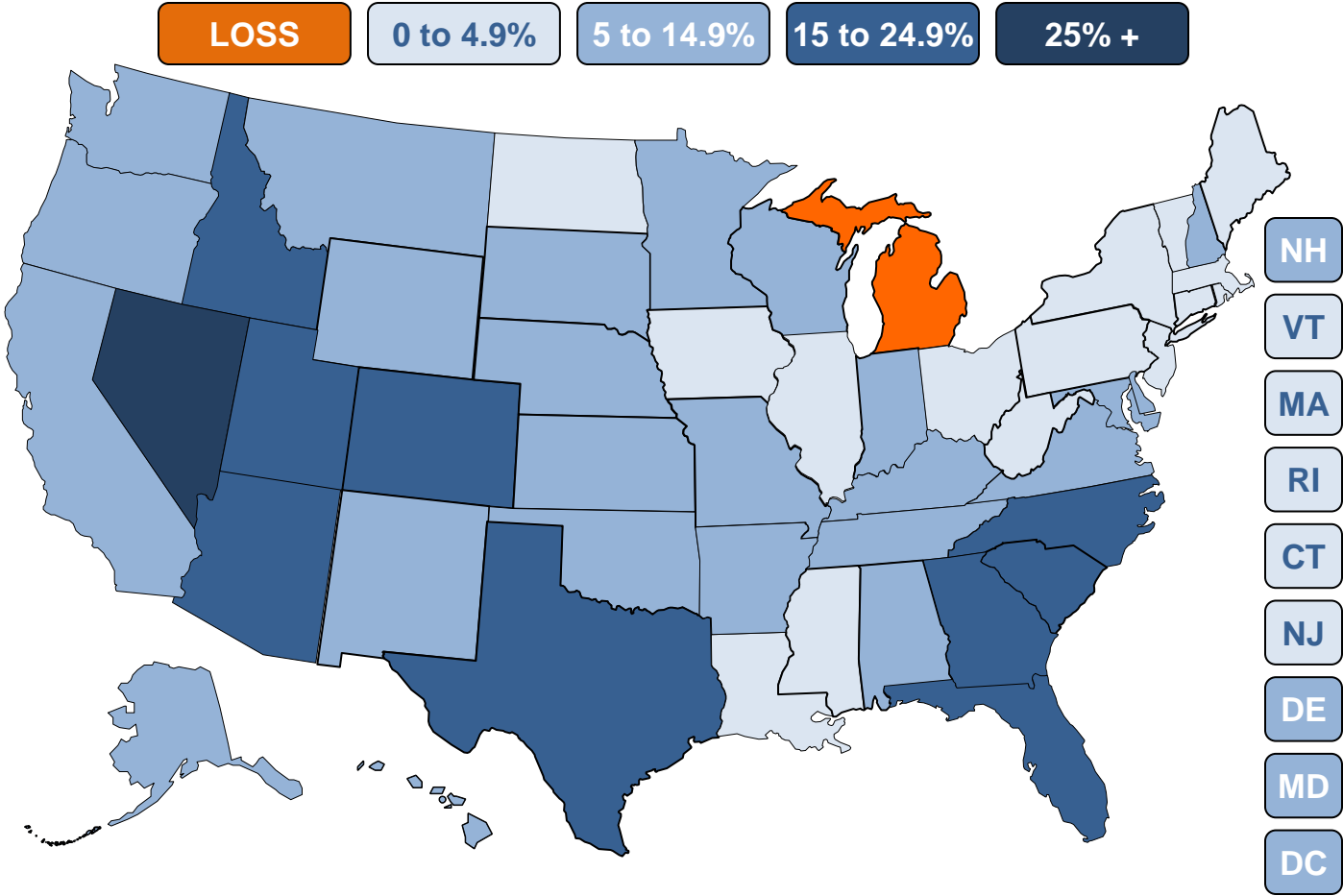


Housing outlook

- **SF:** starts, permits should rise gradually in '11
- **MF:** Upturn has begun, should accelerate in '11
 - Rental demand should rise as more people get jobs or move to military base realignment sites
 - Condo market continues to have large overhang
 - Banks remain unwilling to lend to developers



Population change by state, 2000-10 (U.S. total: 9.7%)





Summary for 2011

- Nonres spending: 0 to +5% (less stimulus; weak state-local; more retail, hotel, higher ed, hospitals)
- Res: +5 to +10% (SF up a bit, MF accelerating)
- Total construction spending: +3 to +7%
- Materials costs: +3% to +8%
- Labor costs: +2.5% or less

AGC economic resources (email simonsonk@agc.org)

- *The Data DIGest*: weekly 1-page email (sign up: www.agc.org/datadigest)
- PPI tables: emailed monthly
- State and metro data, fact sheets
- Stimulus info: www.agc.org/stimulus
- Webinars (next: 3/2 with AIA, Reed)
- Feedback on stimulus, credit, costs



Data DIGest

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

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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