

Economic Outlook for
California
Construction

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Fermanian Business & Economic Institute

Who We Are

- Affiliated with Fermanian Business School in San Diego, California
- Point Loma Nazarene University founded in 1902
- Institute conducts economic analysis, modeling, and forecasting
- Focuses on actionable conclusions for companies, non-profit organizations, and government agencies
- Staffed by ten professionals and assistants
- Core values are quality, objectivity, and

California Construction Economy Topics

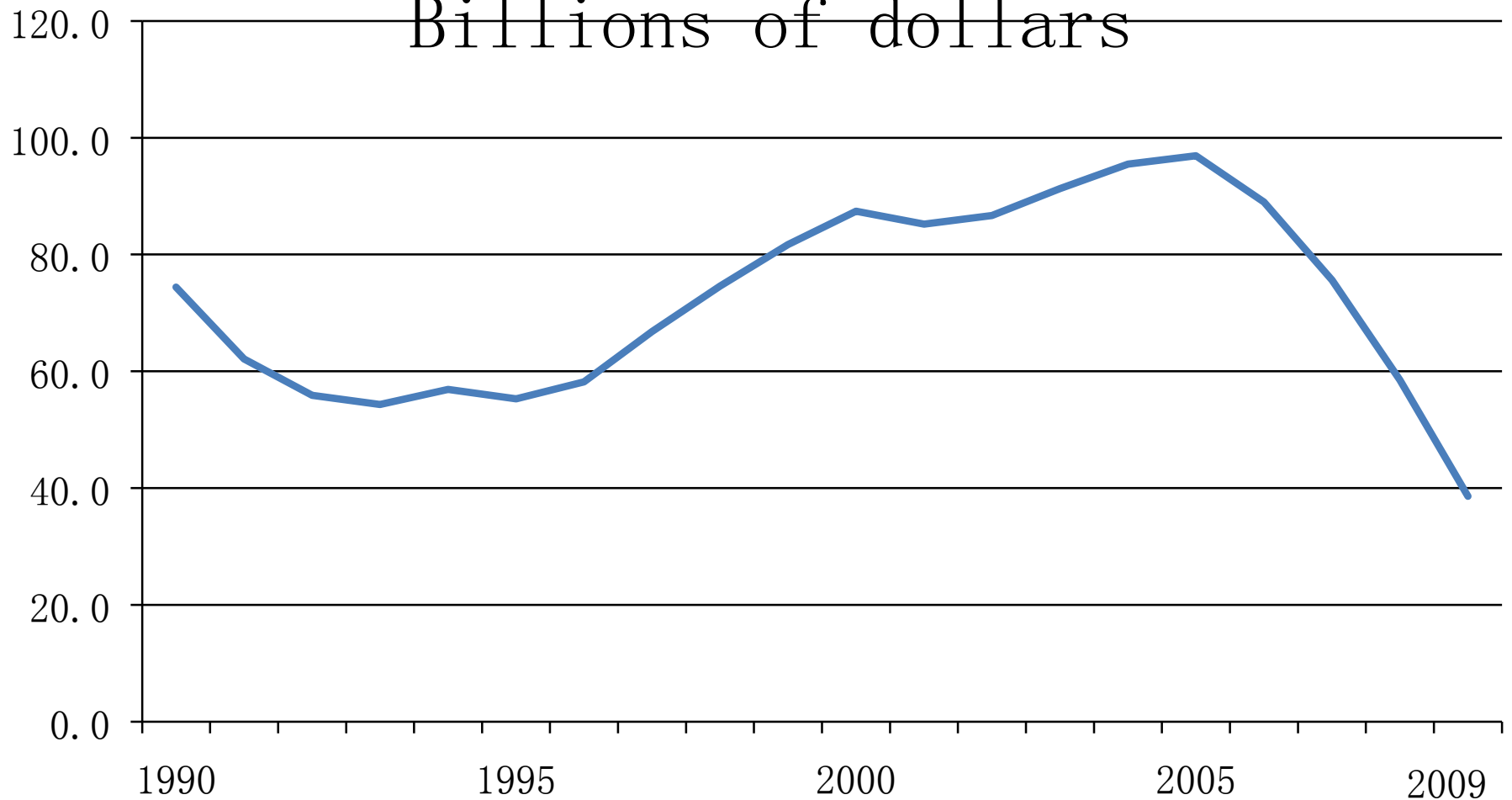
- Perspectives on the last 15 years
- Current situation
- Outlook through 2015
- Conclusions

California Construction The Last 15 Years

- Expansion 1994–2005
- Devastating decline during past four years

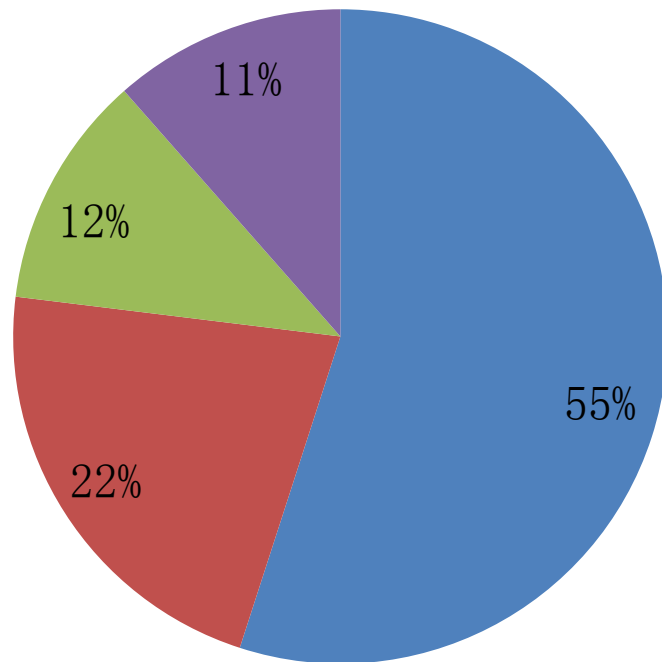
Construction Spending Rises, then Falls Sharply

Billions of dollars



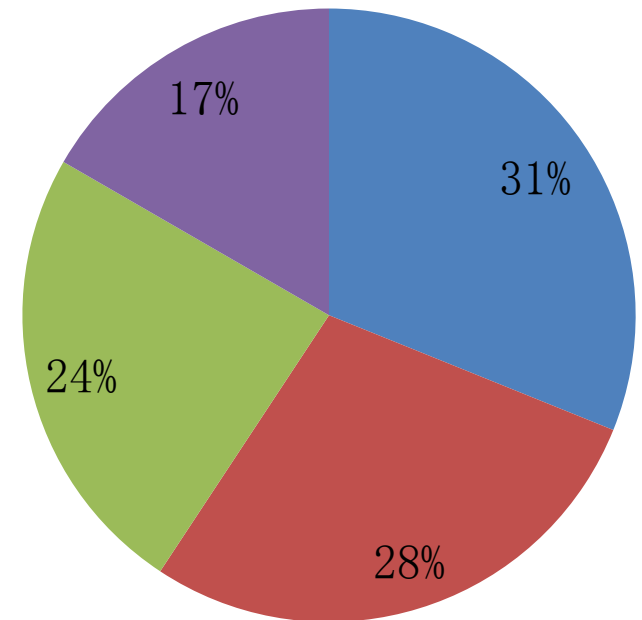
Housing's Share of Construction Spending Shrinks Percent

2005



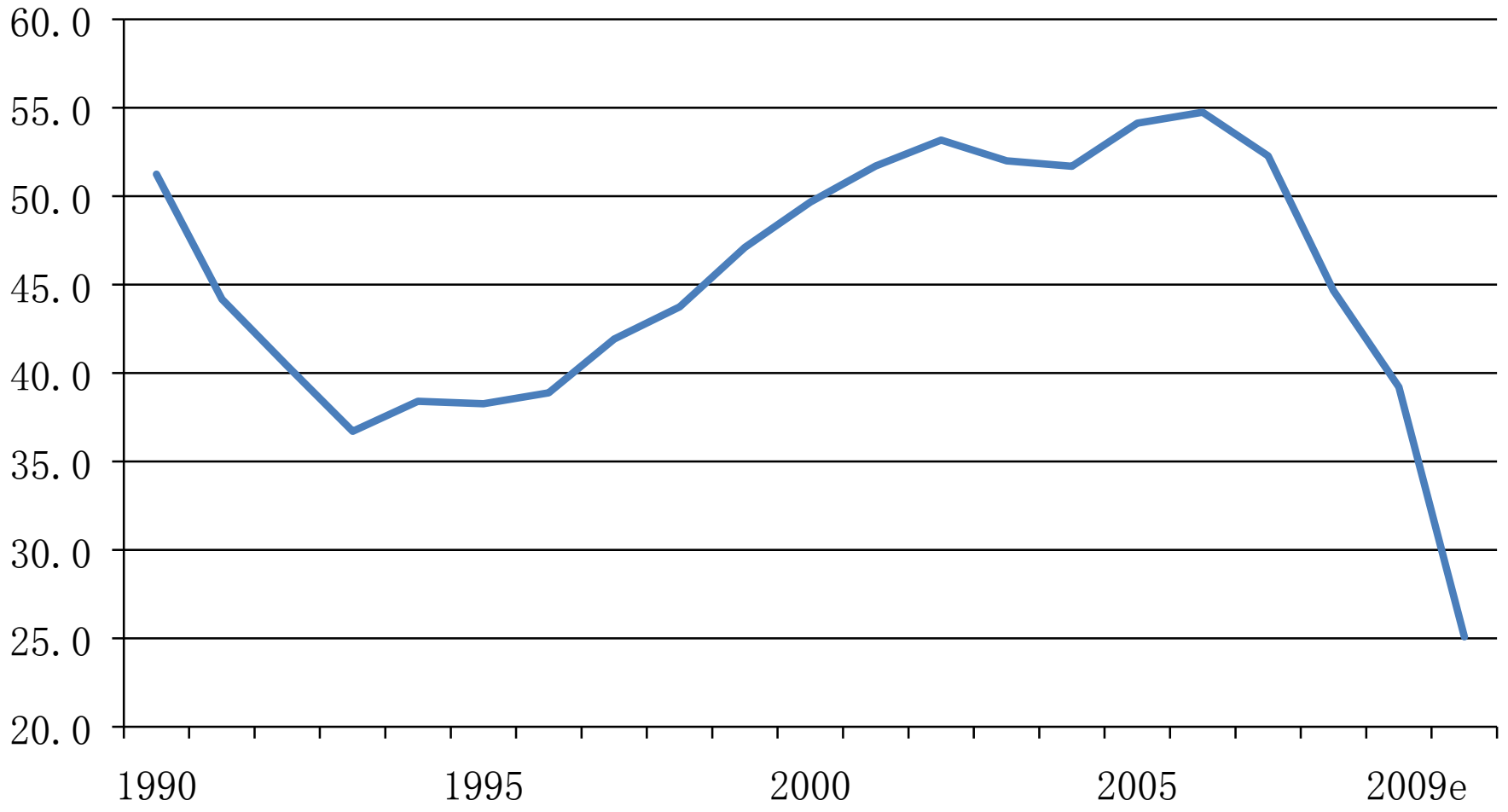
2009

- Total Residential Valuation
- Total Non Residential
- Heavy Cons. Public
- Total Public Buildings



California's Construction GSP Expands, then Contracts

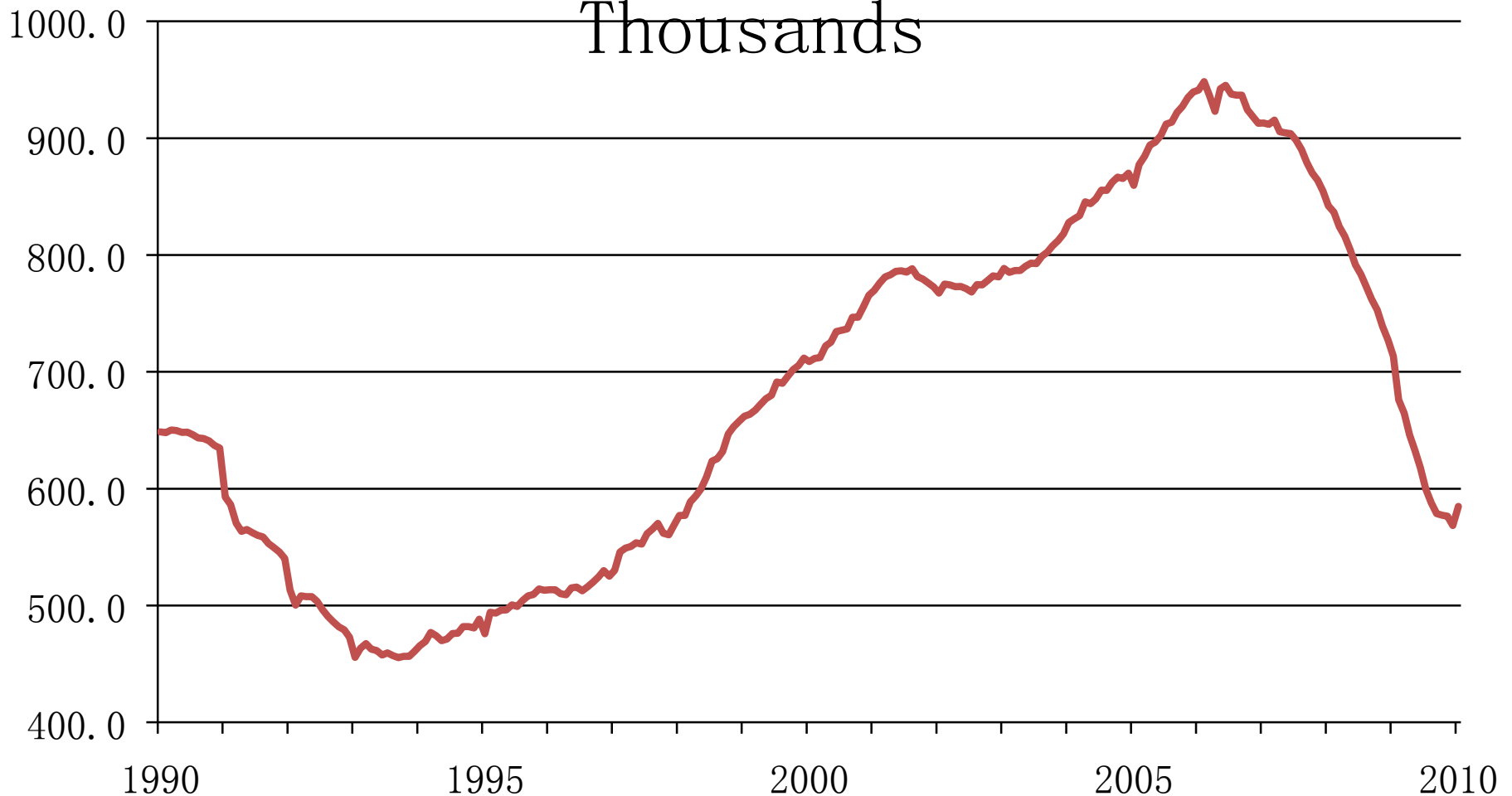
Billions of dollars



California Construction Current Situation

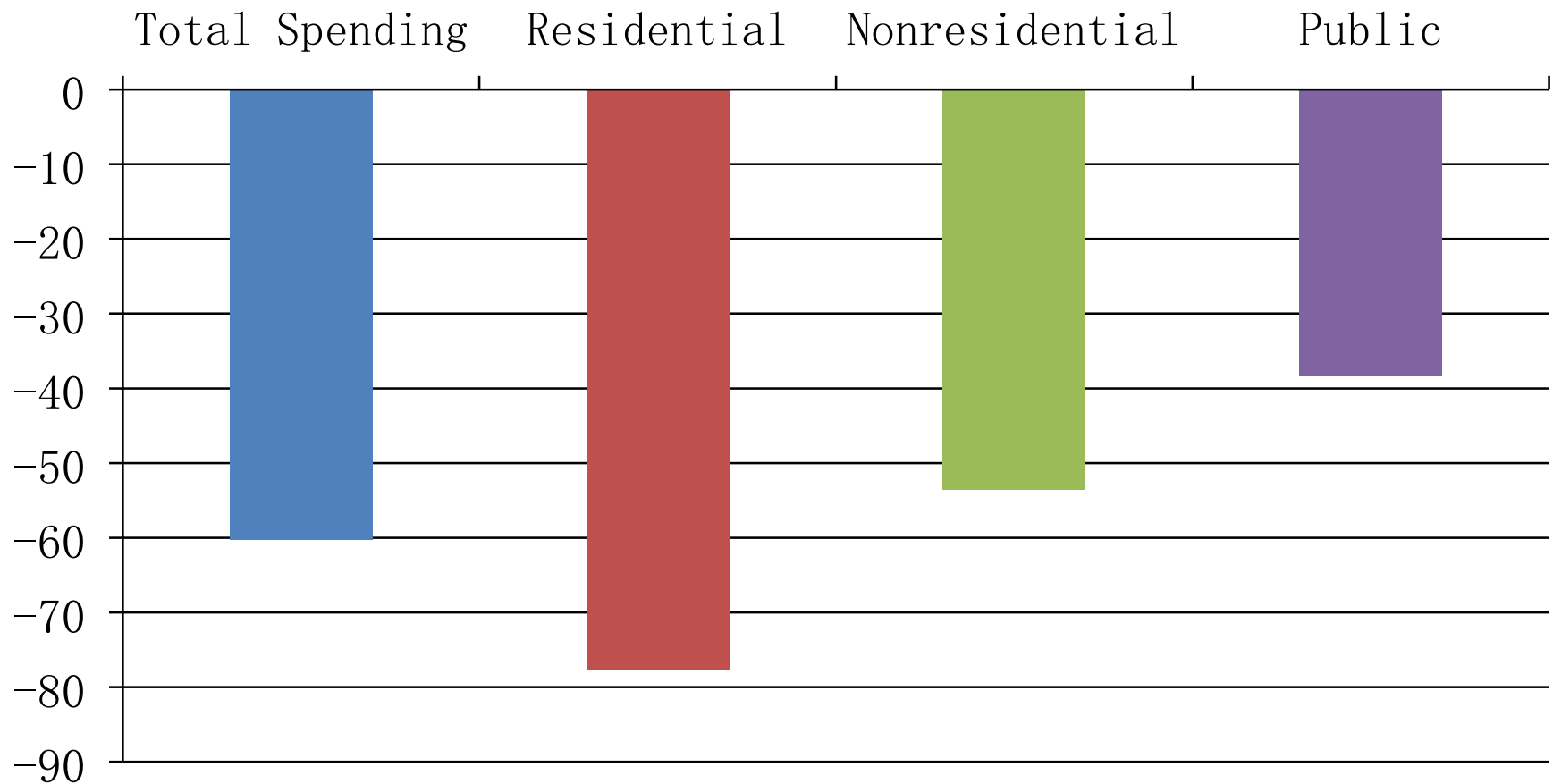
- 364,000 jobs lost in four years
- All segments down sharply
- Housing bottoming; nonresidential still dropping; public building weak

California Suffers Severe Construction Job Loss



All Major Building Segments Post Steep Spending Drops

Percent change from prior peaks to 2009

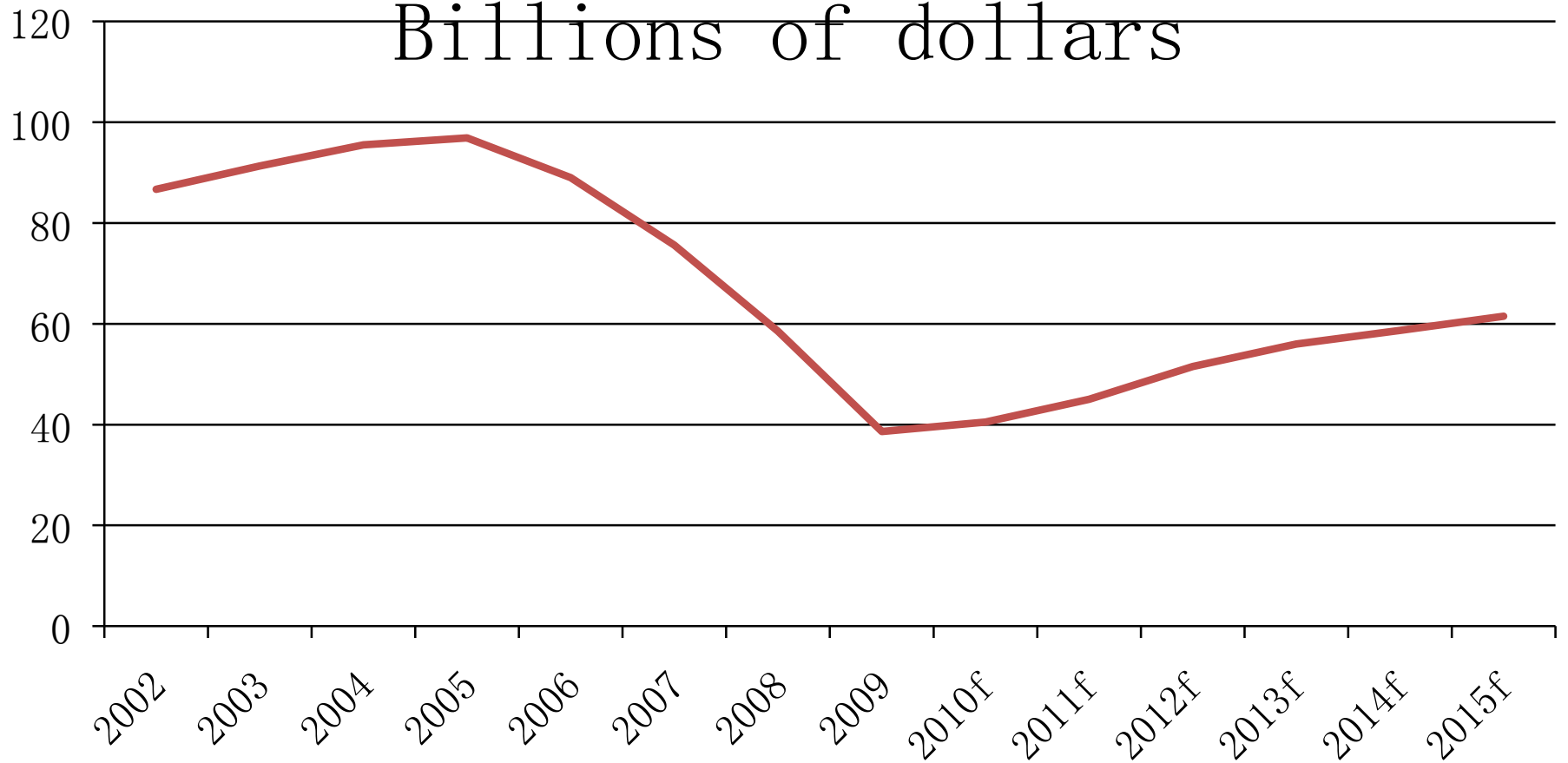


California Construction Outlook

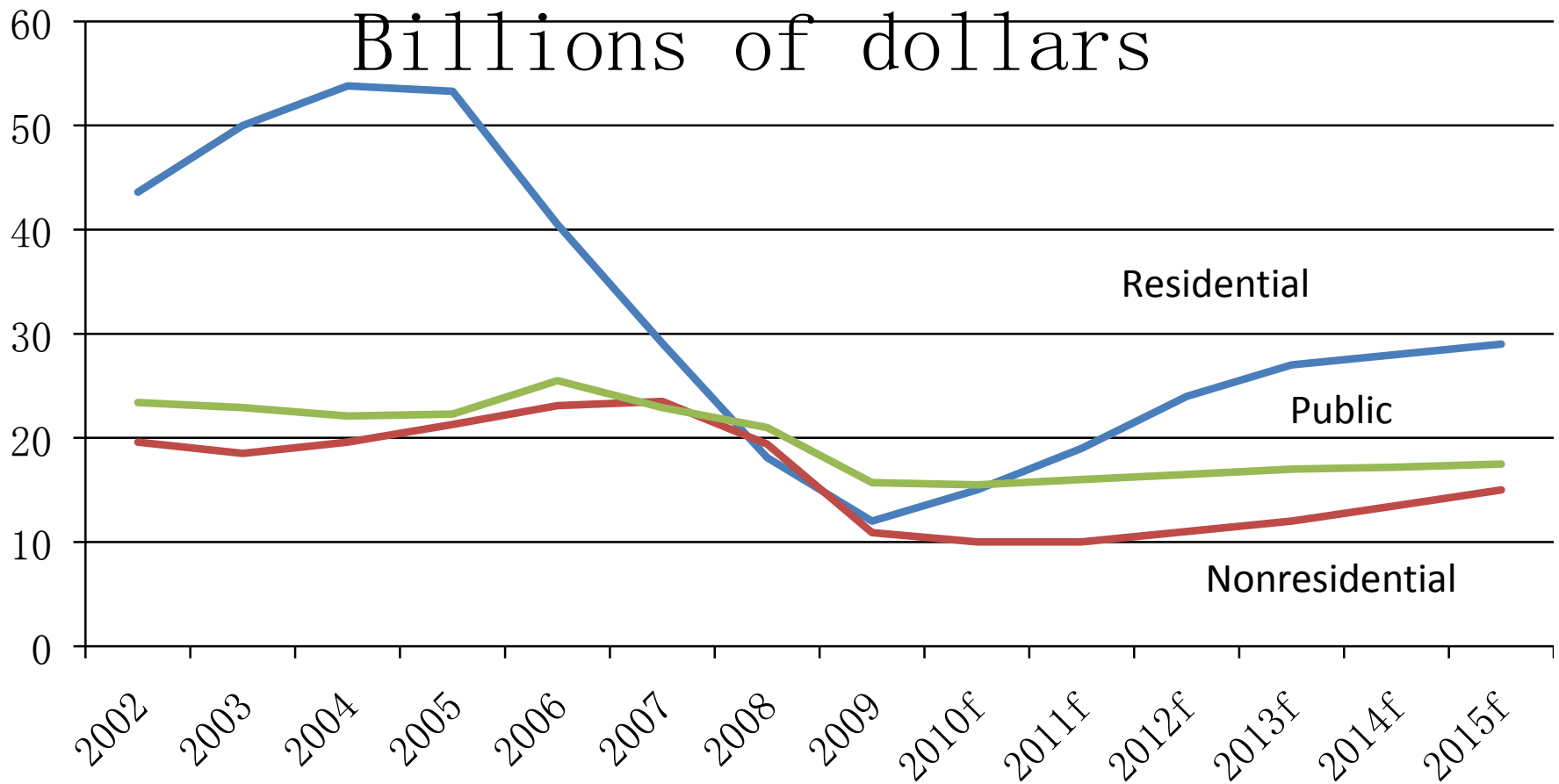
- Housing: Upturn, but Constrained—overhang of foreclosed homes and limited finance
- Nonresidential: Recovery Delayed Until 2012—Cyclical lags and refinancing problems
- Public: Relatively Flat—fiscal pressures on federal, state, and local governments

Total Construction Spending Recovers, but Only to Two-Thirds 2002-06 Level

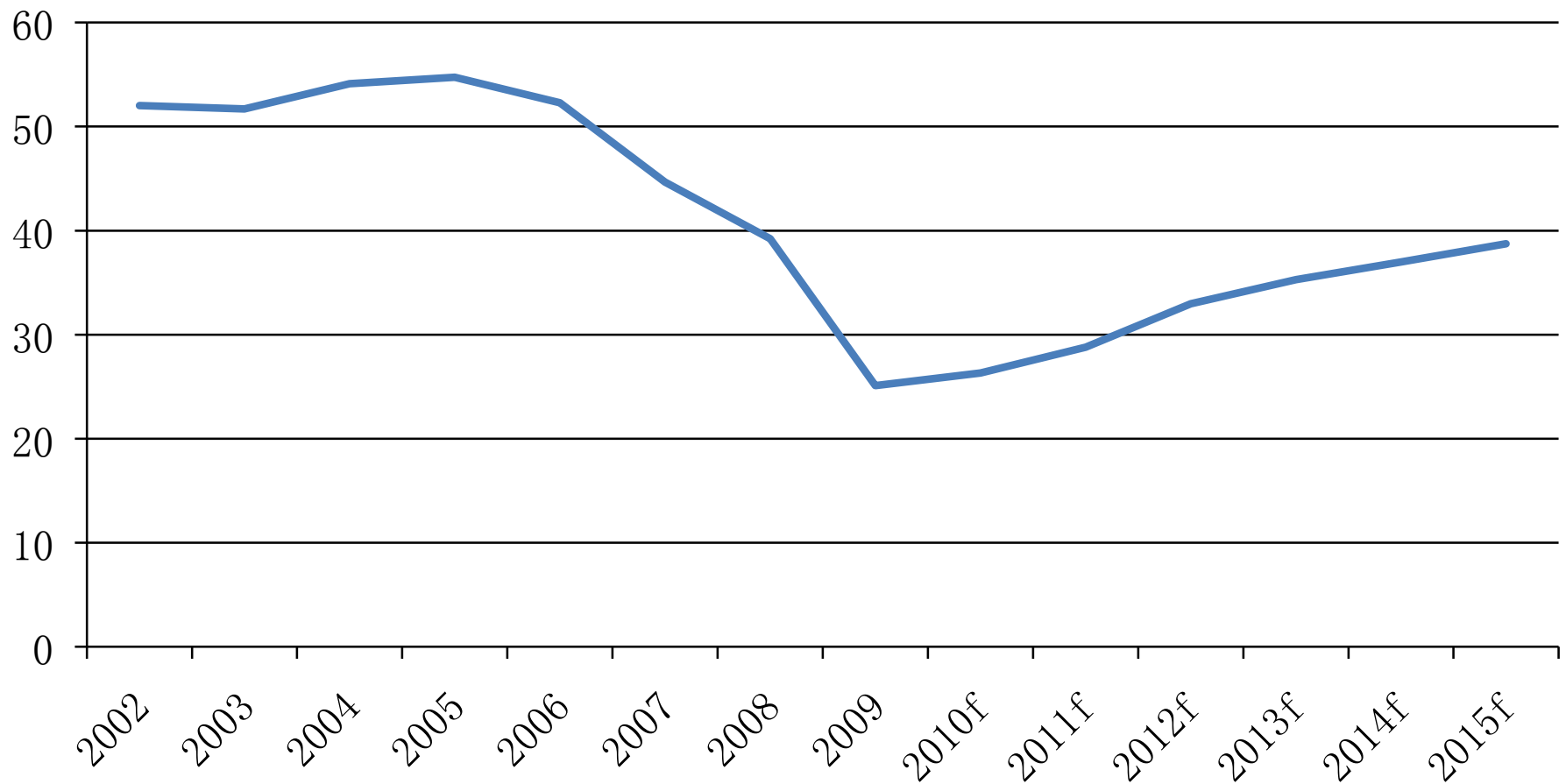
Billions of dollars



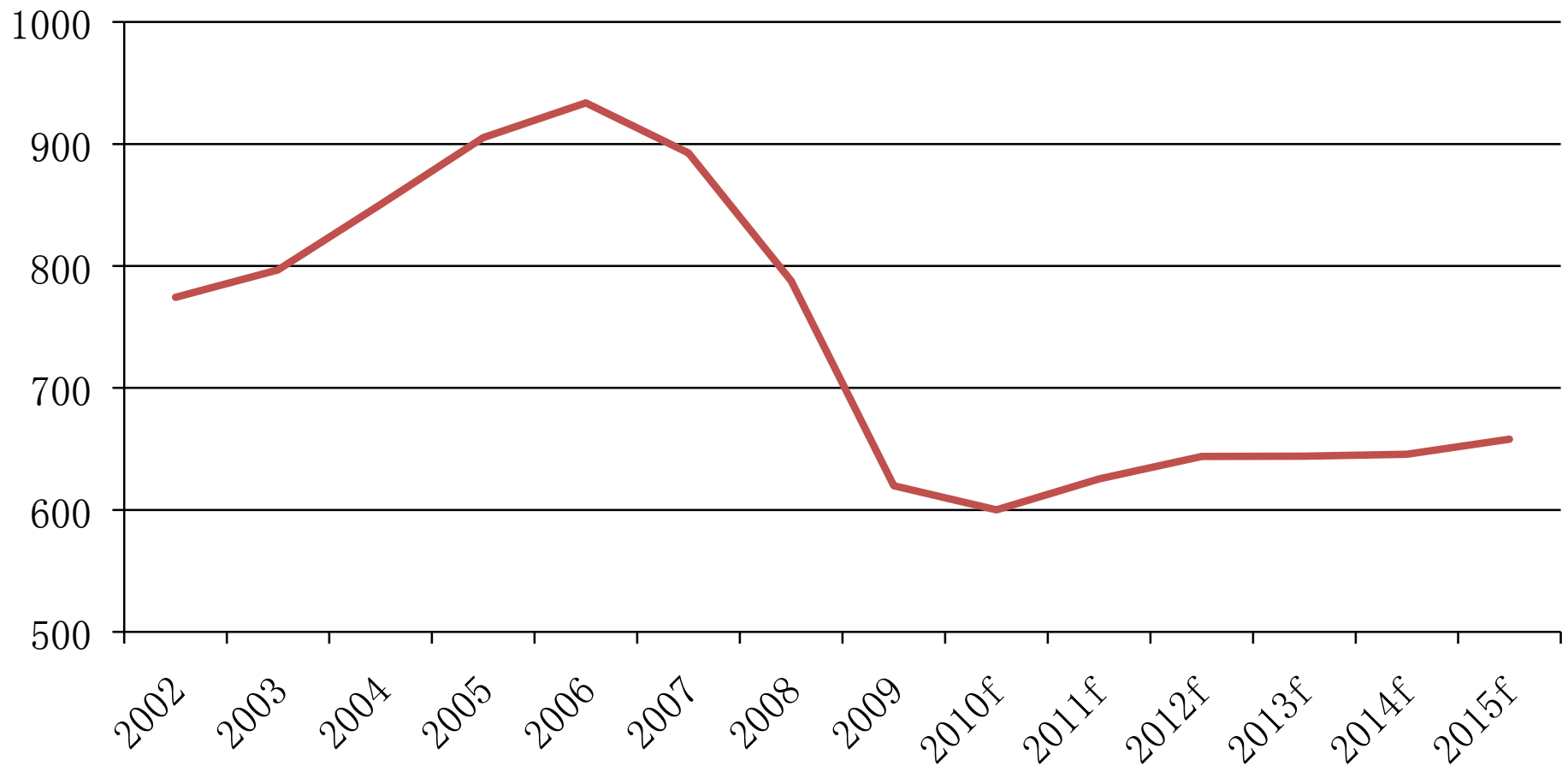
Construction Spending Segments Move Higher, but All Below 2002-06 Levels



California's Construction GSP in 2015 Still Off 30% from 2005 Peak Billions of dollars



Construction 2015 Employment Down 250,000 Jobs from 2005 Peak Thousands



Recap—California's Construction Industry

- Massive Swings During Past 15 Years
- All Segments Are Down Sharply
- Housing Will Lead the Recovery
- By 2015, Industry Still a Shadow of Its 2002–06 Levels

Conclusions/Recommendations

- The Goal: Achieve Air Quality Standards and Restore a Healthy Economy
- Side Effect of a Weakened Economy: Less Air Pollution
- Delaying Rule Two Years, and Optimally until 2015 Would:
 - Give firms needed breathing room
 - Enable investments in new generation of equipment available by 2015