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# Construction Spending, Labor & Materials Outlook

January 8, 2016

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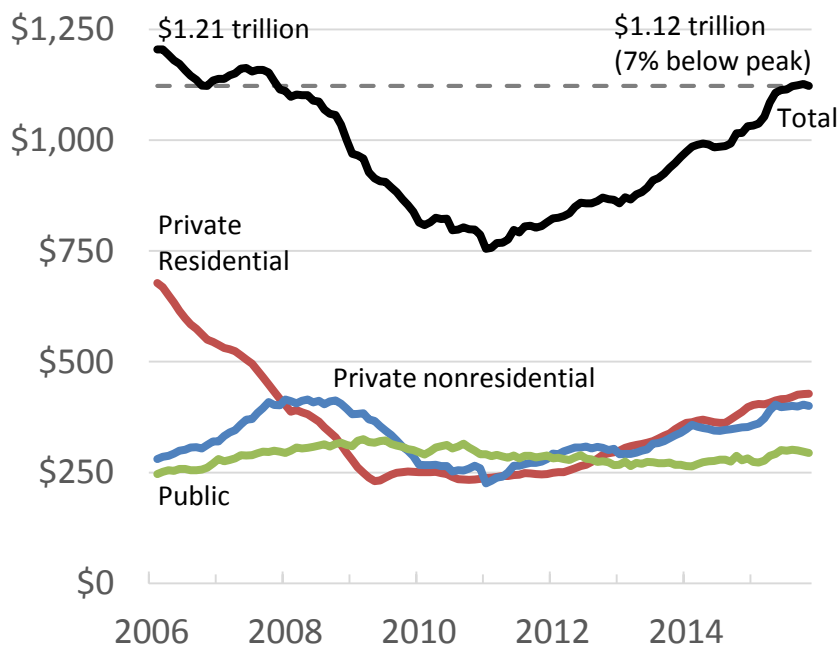
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# Construction spending & employment, 2006-15

**Total spending, Feb. '06 (peak)-Nov. '15**

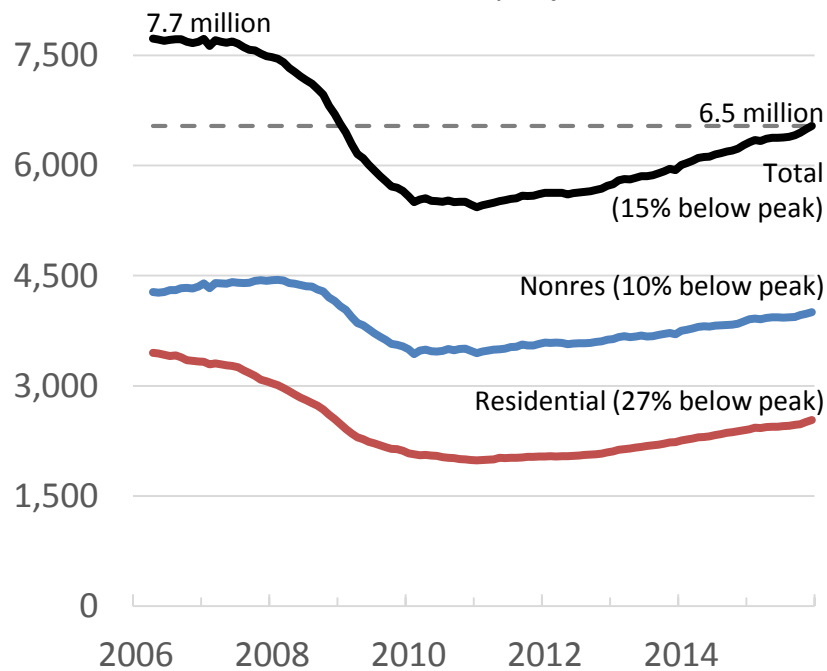
billion \$, seasonally adjusted annual rate (SAAR)



November 2014-November 2015: Total: 10% private res. 11%, private nonres. 14%, public 6%

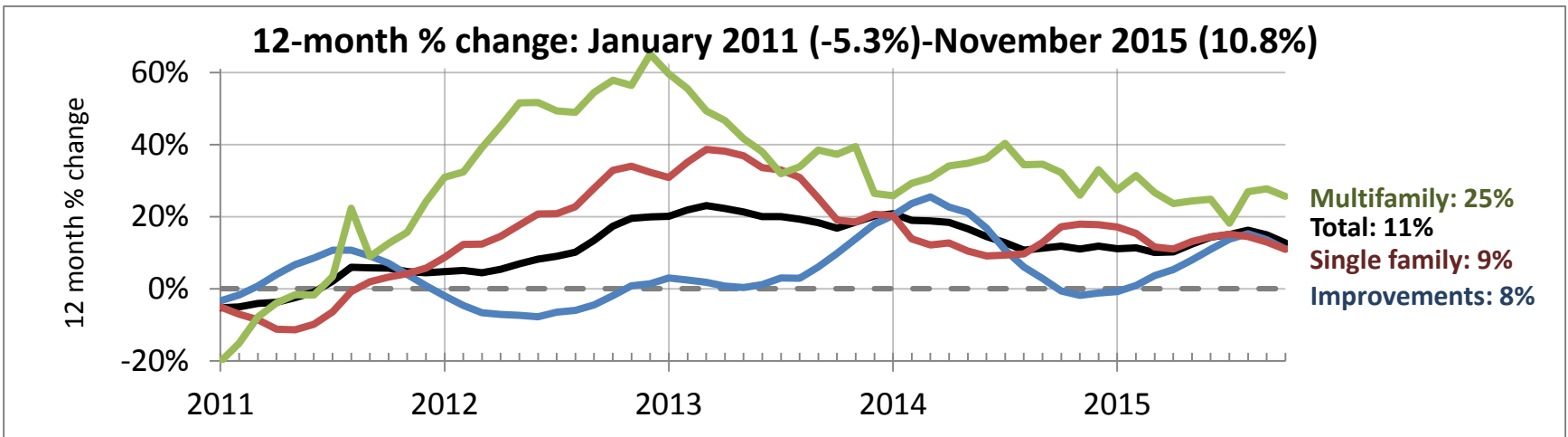
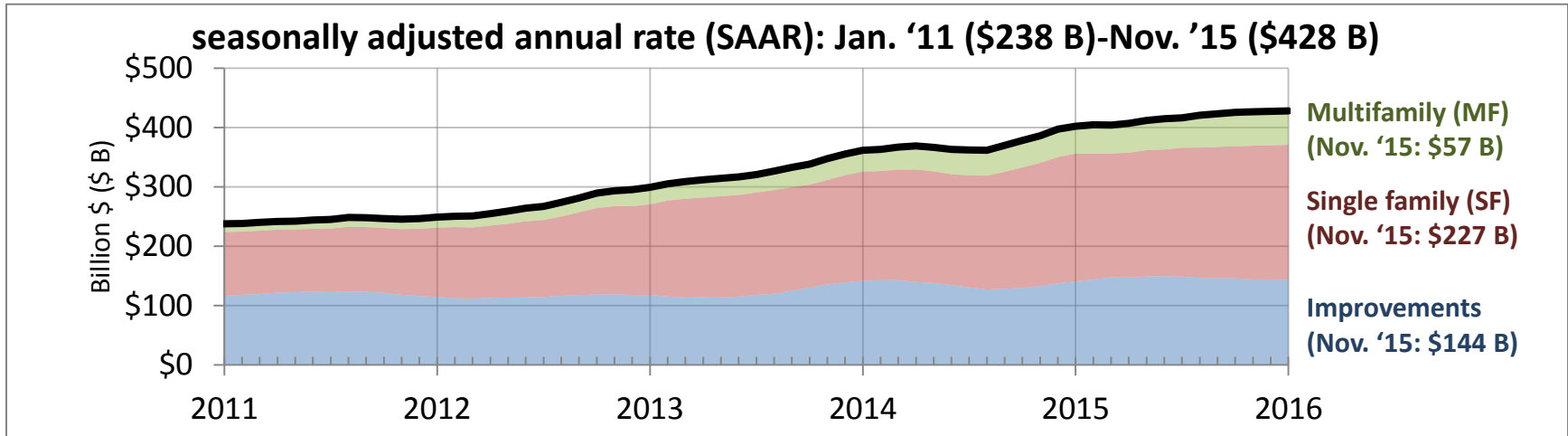
**Total employment, Apr. '06 (peak)-Dec. '15**

thousands, seasonally adjusted



December 2014-December 2015: Total: 4.2%, residential 5.7%, nonresidential 3.2%

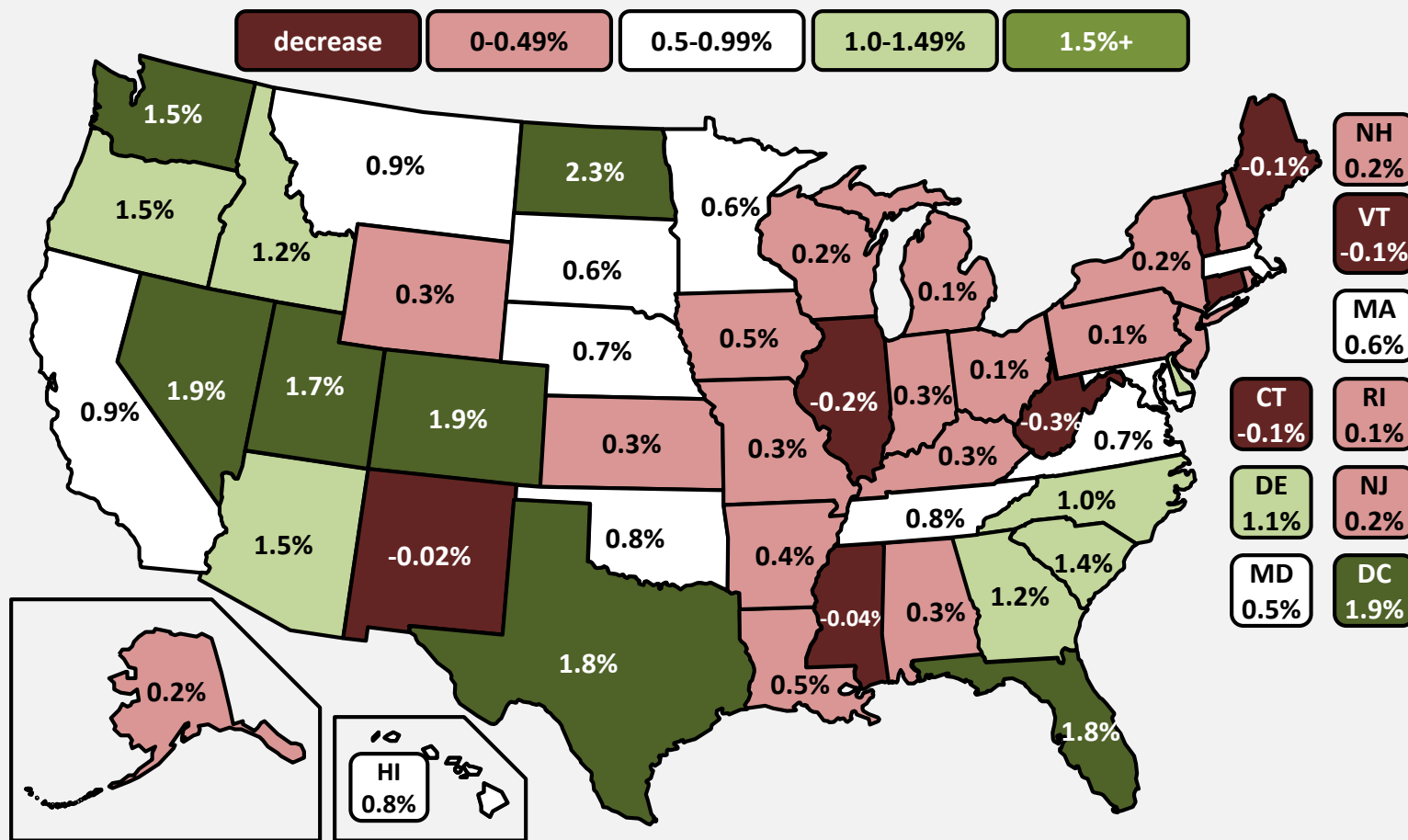
# Private residential spending: MF continues to outpace SF



## 2016 residential spending forecast: 5-9%

- SF: 6-9%; ongoing job gains add to demand; student debt, fears of lock-in, limited supply will cap growth
- MF: 8-12%; upturn should last through 2016
  - low vacancies, high rent growth encourage investors
  - millennials show continued preference for cities
  - nearly all MF construction is rental, not condo
  - public MF is growing but remains tiny (1% of total)
- Improvements: 0-10%; newly corrected Census data shows loose relationship to SF spending

# Population change by state, July 2014-July 2015 (U.S.: 0.79%)



# AGC members' expectations for 2016

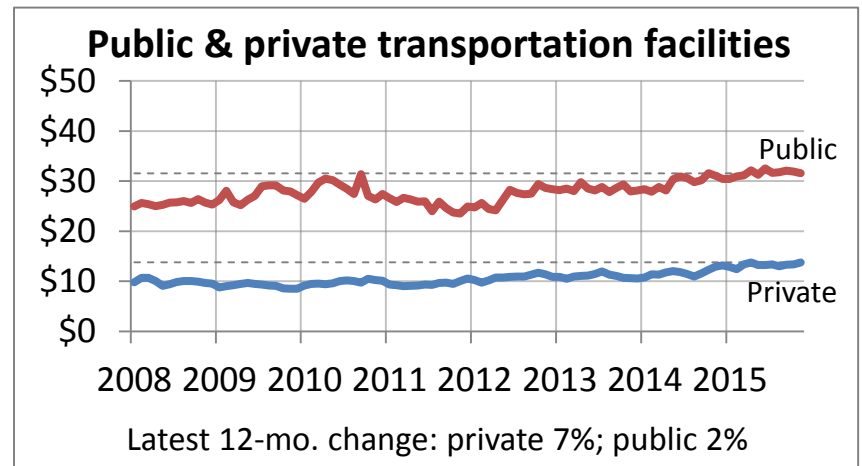
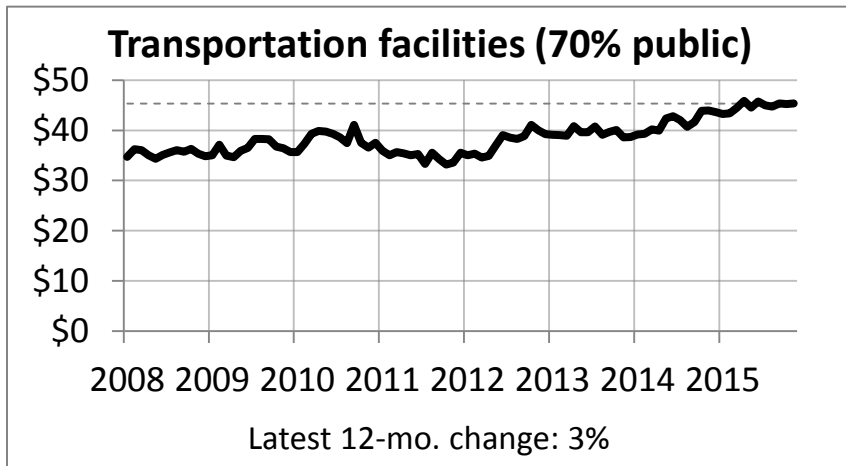
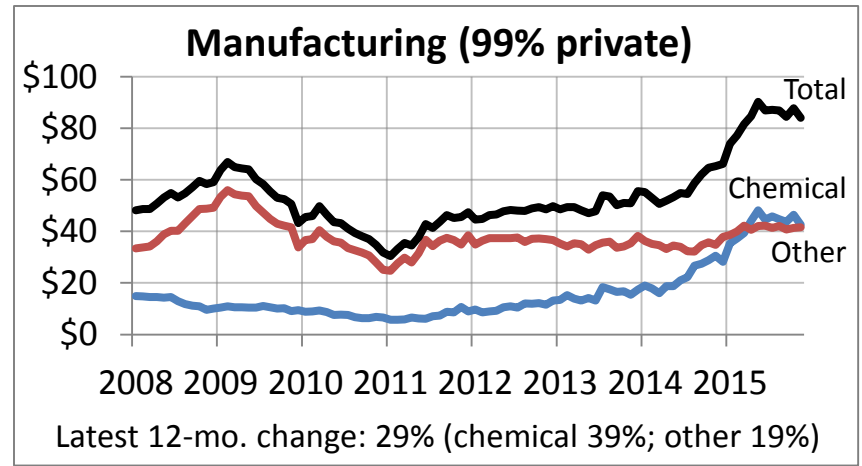
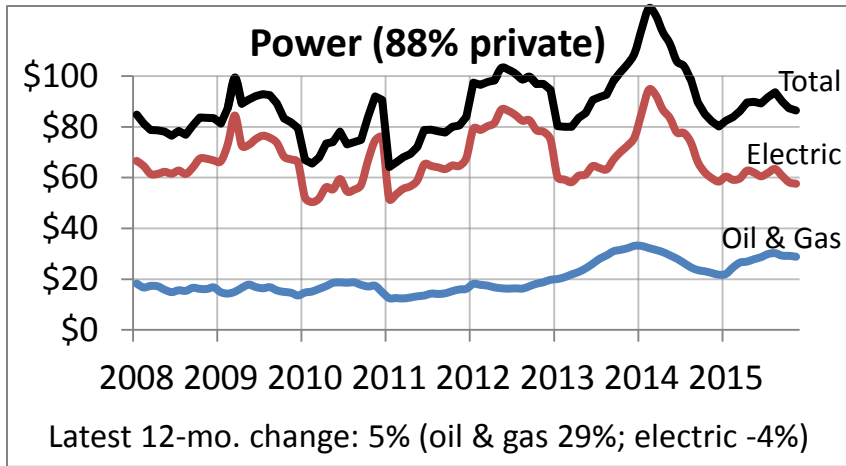
## Net % who expect dollar volume of projects to be higher

34%	All projects	12%	K-12 school
21%	Retail/warehouse/lodging	12%	Public building
19%	Private office	8%	Water/sewer
19%	Hospital	6%	Highway
14%	Multifamily	3%	Other transportation
13%	Higher education	1%	Power
		-1%	Direct federal construction

## Nonresidential segments: year-to-date, 2016-17 forecast

	<u>Jan.-Nov.</u> <u>YTD 2015</u> <u>vs. 2014</u>	<u>July-Nov. 2015</u> <u>annualized</u>	<u>2016 and 2017</u> <u>(per year)</u>
<b><u>Nonresidential total (public+private)</u></b>	<b><u>9 %</u></b>	<b><u>-2</u></b>	<b><u>4-8%</u></b>
Power (incl. oil & gas structures, pipelines)	-15	-16	0 to 10
Educational	7	8	3 to 5
Highway and street	7	-2	1 to 4
Manufacturing	47	-10	-10 to +10
Commercial (retail, warehouse, farm)	8	14	0 to 10
Office	22	7	5 to 15
Transportation	8	2	0 to 5
Health care	5	1	3 to 8
Sewage and waste disposal	9	-24	
Amusement & recreation	26	-20	
Lodging	31	8	-10 to +15
Other (communication; water; public safety; conservation; religious): 8% of total	0	6	

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

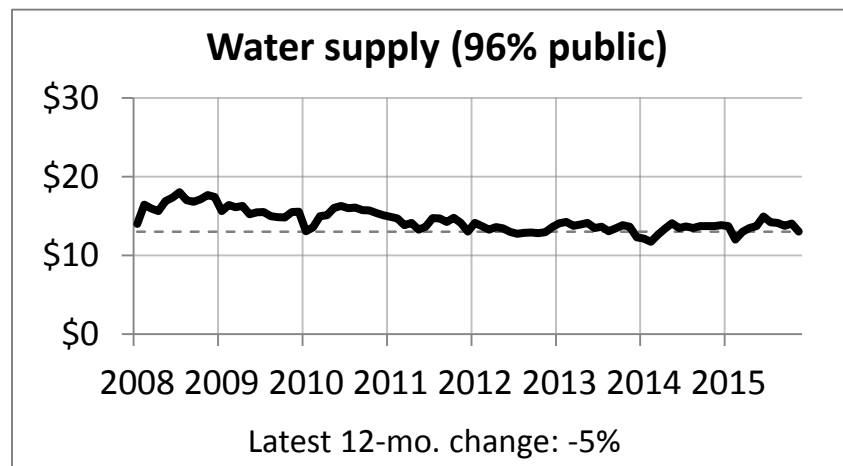
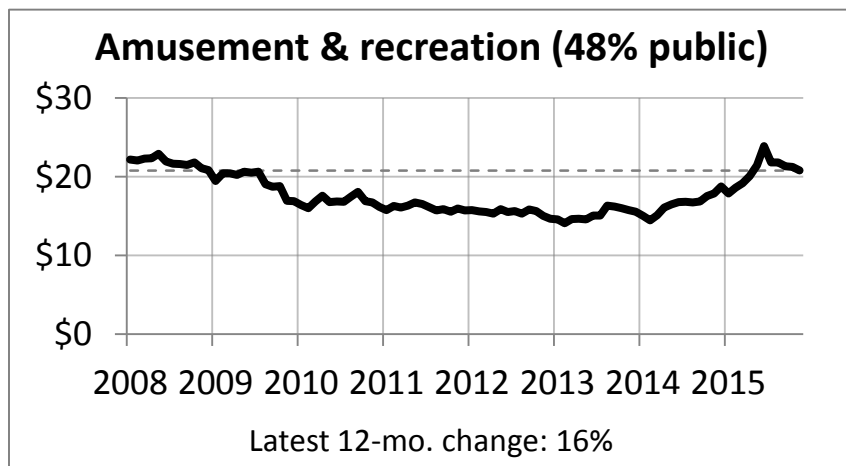
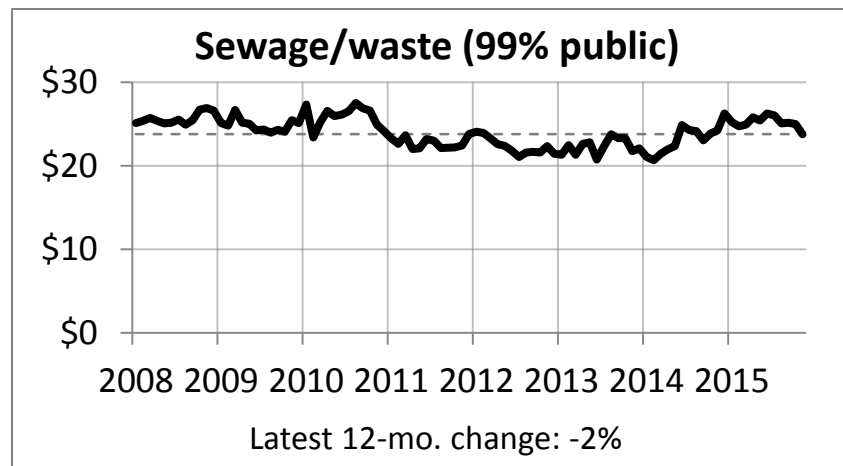
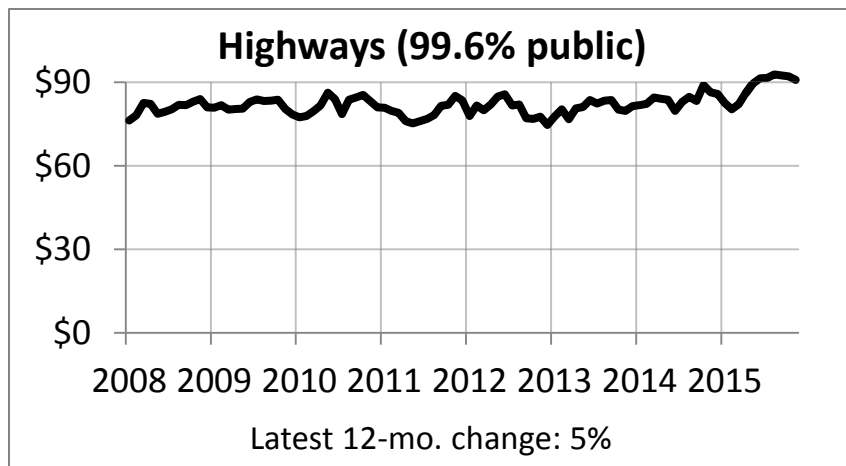




## Key points: power, mfg., transportation

- Cutbacks in coal-fired plants, oil & gas fields have hit bottom; surge in gas-fired plants, pipelines into '18
- Mfg growth led by chemicals (petrochemical plants, ethane crackers, LNG) and transportation equipment (cars, light & heavy trucks, jets, railcars, barges); cuts in plants tied to farming, mining or exports
- Private (mainly rail) investment in transportation will slow; flat funding for public airports, ports, transit

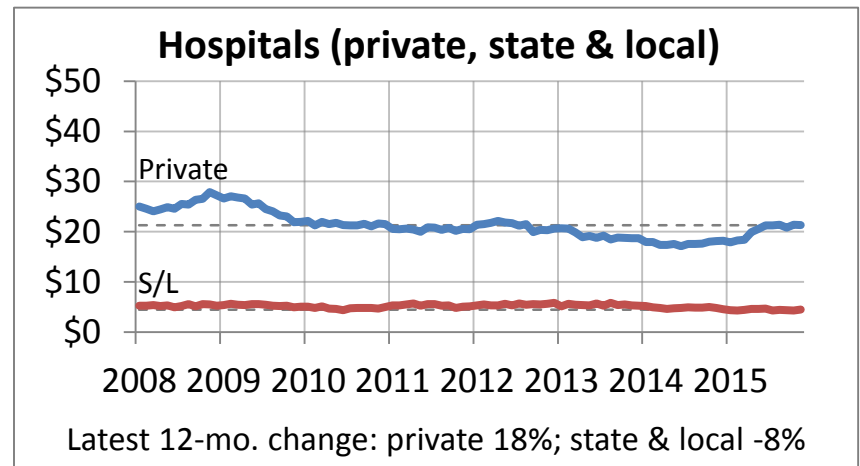
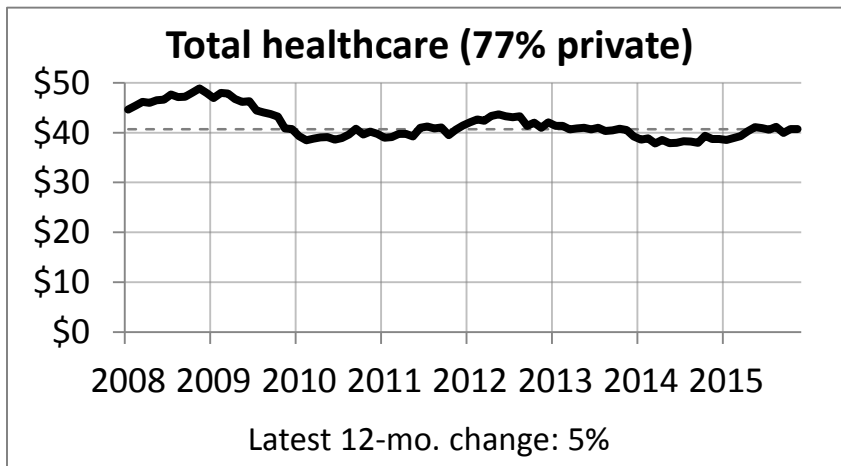
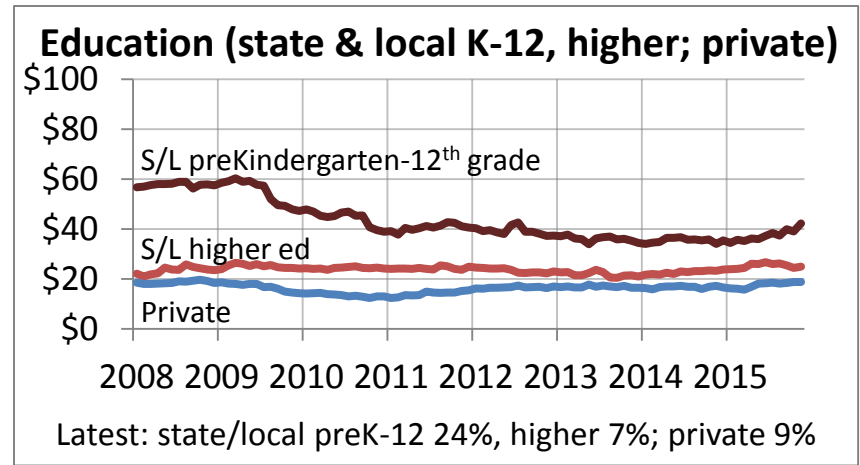
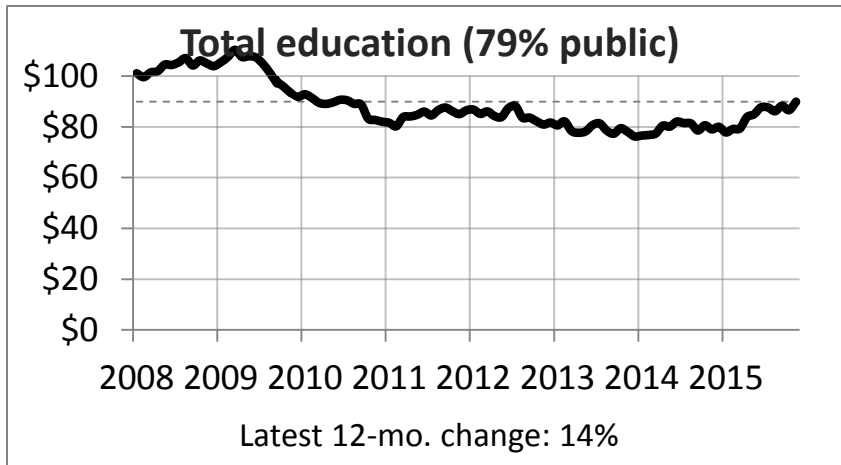
# Construction spending: public works (billion \$, SAAR)



## Key points: roads, recreation, sewer/water

- Only slight rise in federal highway funding even with long-term bill; gradual pick-up in state funding & P3s
- Amusement & recreation spending is very “lumpy” — a few big stadiums at irregular intervals; but funding for local, state, federal parks keeps eroding
- Eastern & Midwestern cities under orders to make long-term upgrades to sewer systems that should boost spending; water utilities hurt by drought, conservation

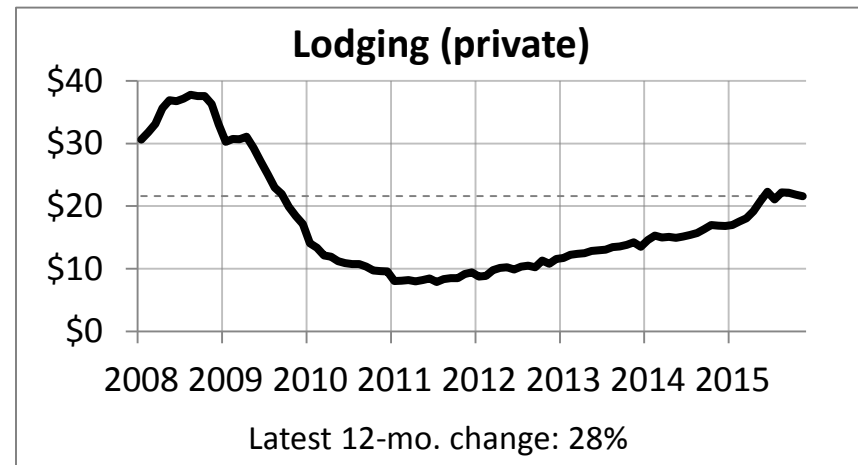
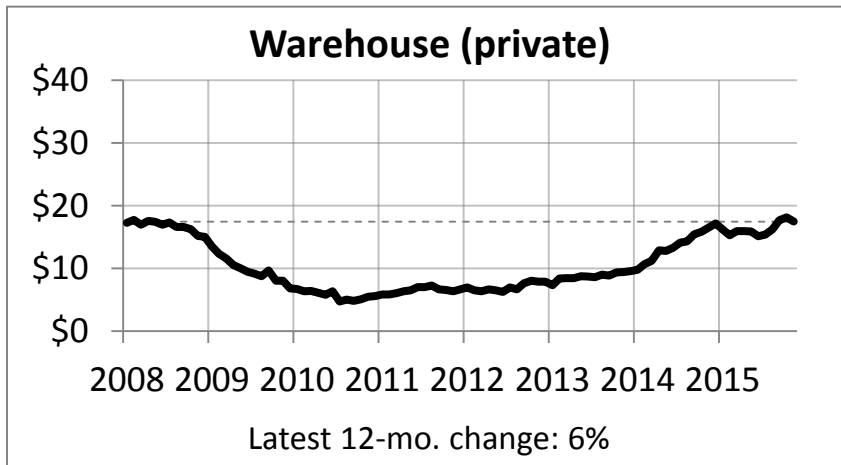
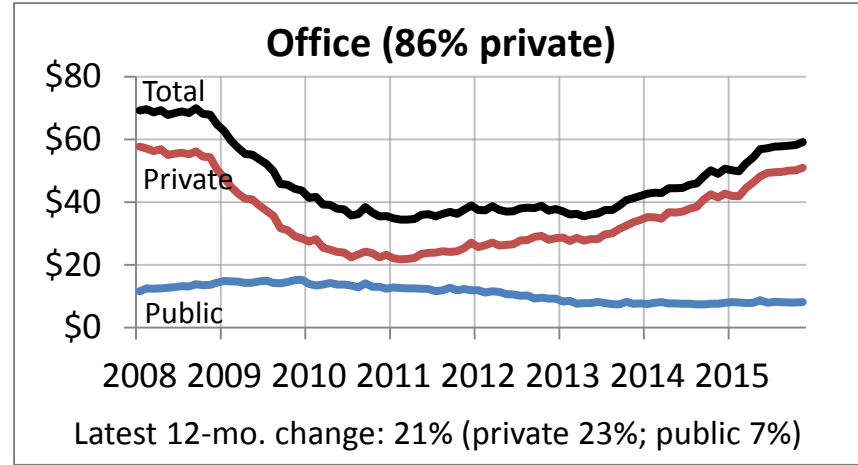
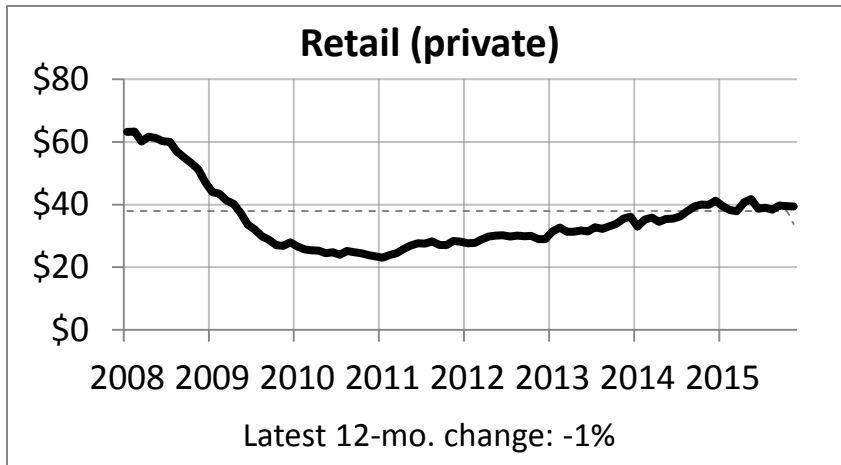
# Construction spending: institutional (private + state/local)



## Key points: education & health care

- Higher-ed enrollment is shrinking, so colleges need fewer dorms & classrooms; apts. (MF) replacing dorms (ed.)
- PreK-12 enrollment is flat; more children staying in cities and filling underused or charter schools, so construction no longer matches population growth
- Hospitals face more competition from standalone urgent care, outpatient surgery, clinics in stores; more investment in small facilities, short stays

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



# Key points: retail, warehouse, office, hotel

- Retail now tied to mixed-use buildings & renovations, not standalone stores or shopping centers; consumer pivot to online buying will continue
- Warehouse market largely built out for now but may heat up if Panama Canal changes distribution lanes
- Employment sets records each month but office space per employee keeps shrinking; growth mainly in cities & renovations, not suburban office parks
- Ongoing RevPAR gains still driving hotel growth but market is vulnerable to sudden reversals

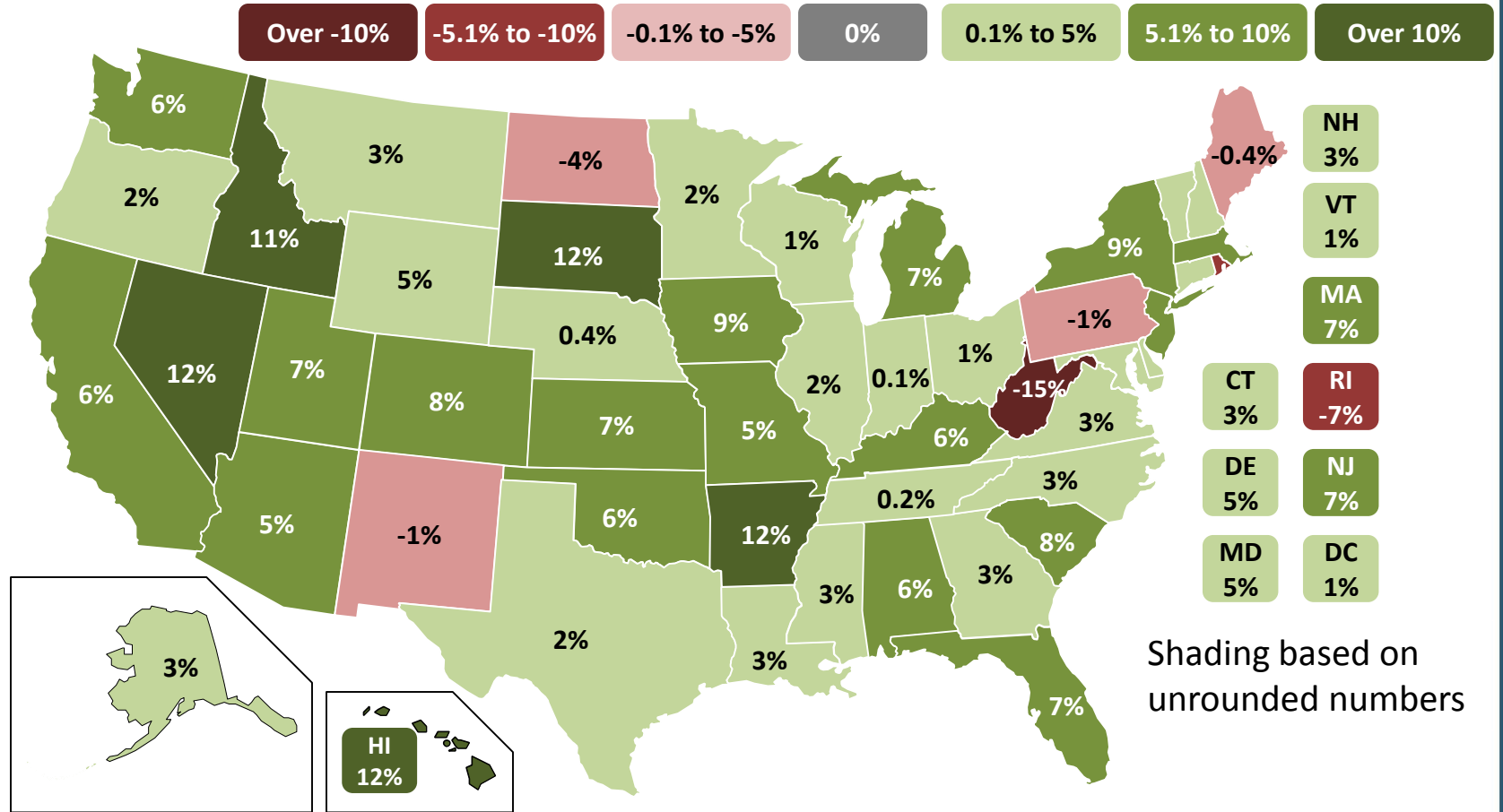
# Major locations for data centers





# State construction employment change (U.S.: 4.2%)

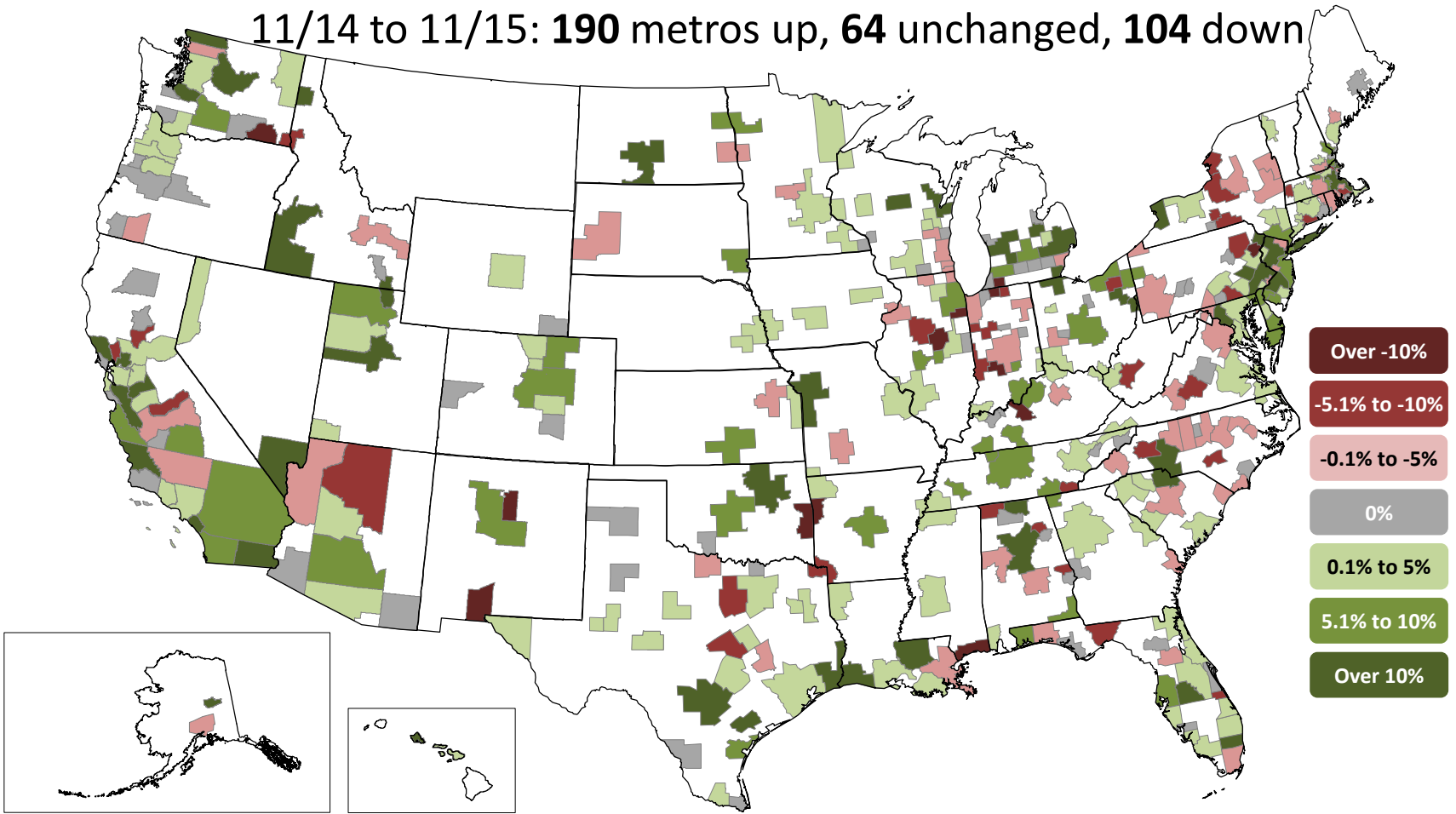
11/14 to 11/15: **44** states + DC **up**, **6** **down**



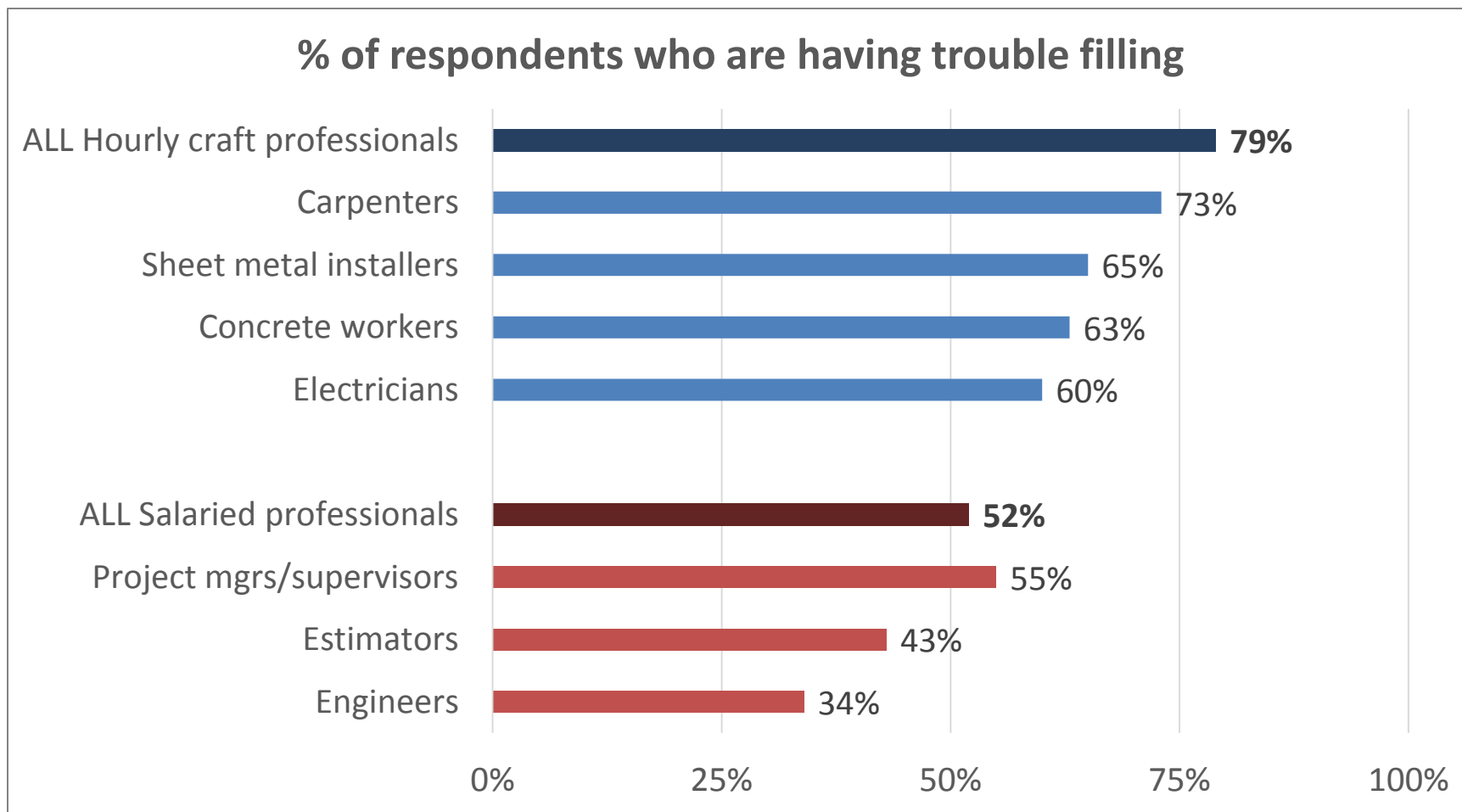
Shading based on unrounded numbers

# Metro construction employment change

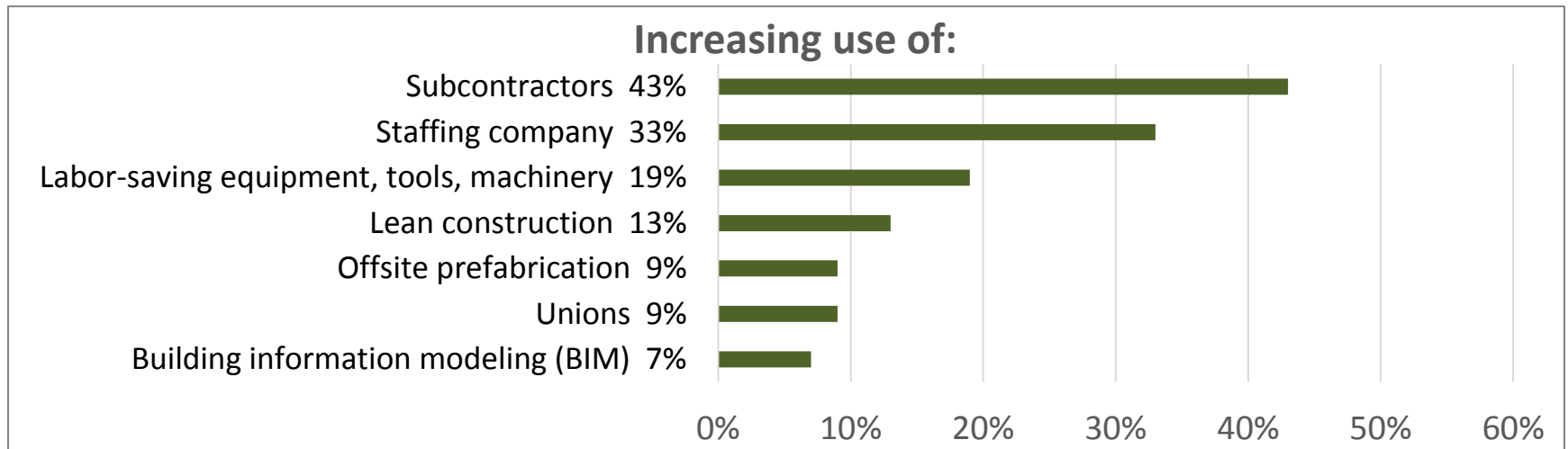
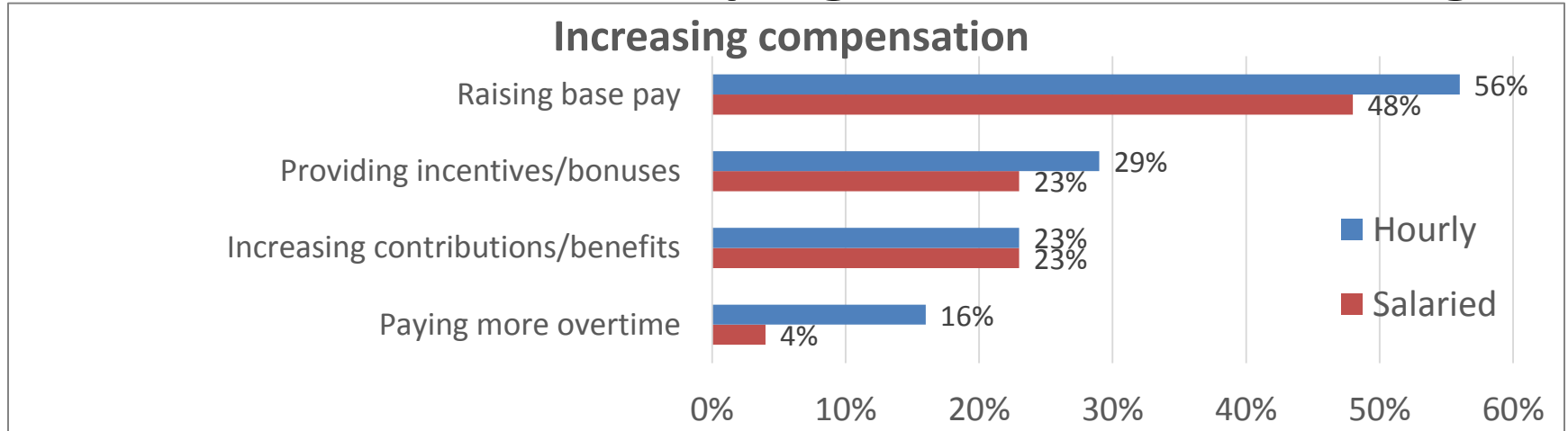
11/14 to 11/15: **190** metros up, **64** unchanged, **104** down



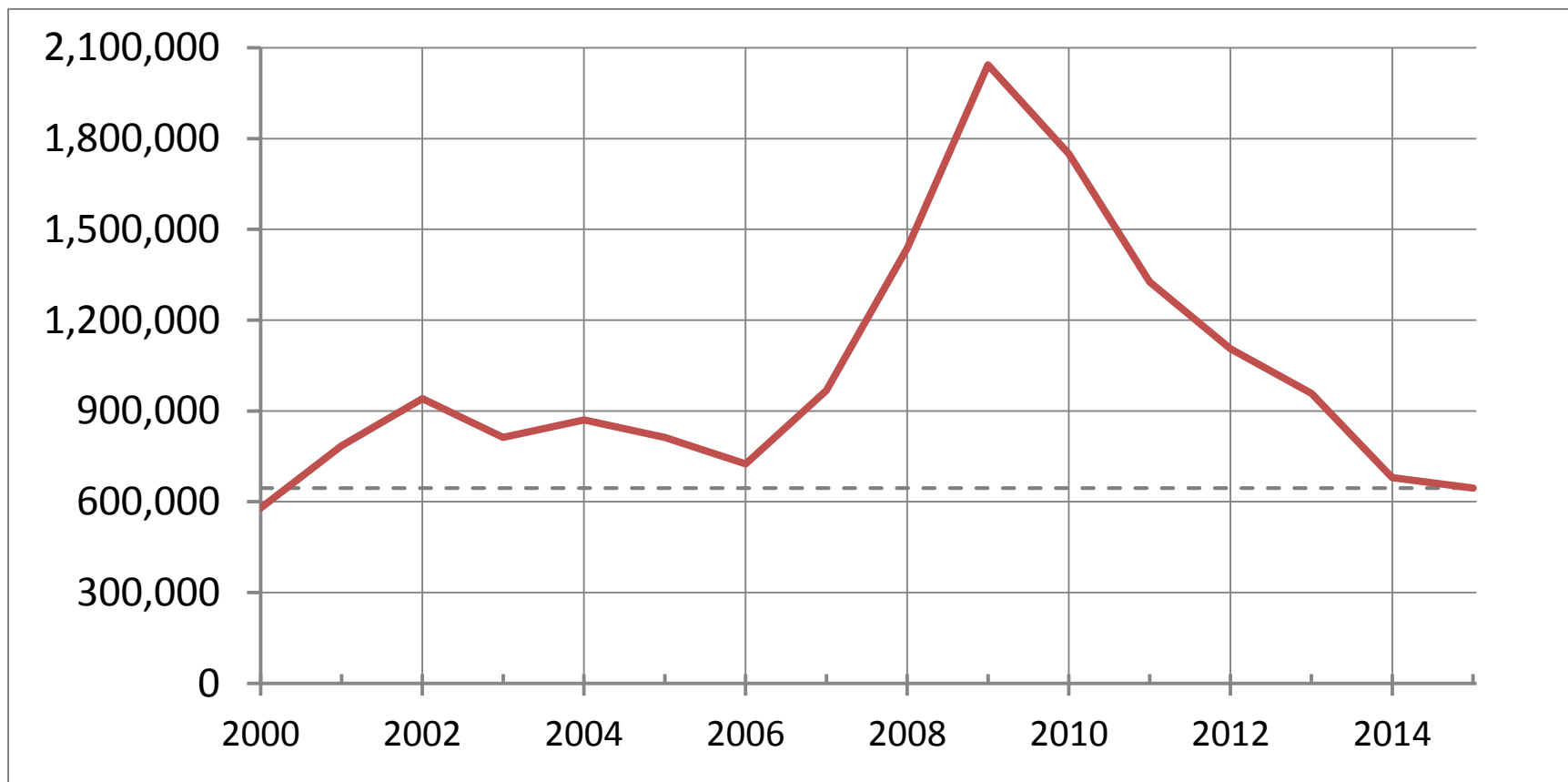
# Hardest positions to fill



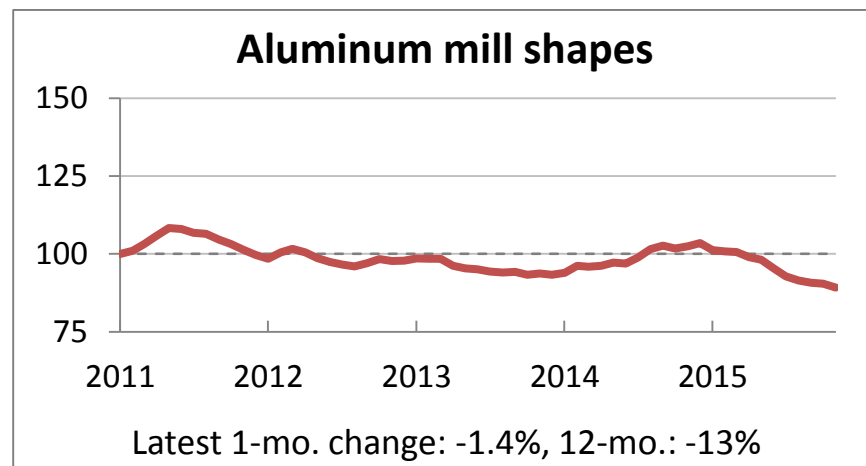
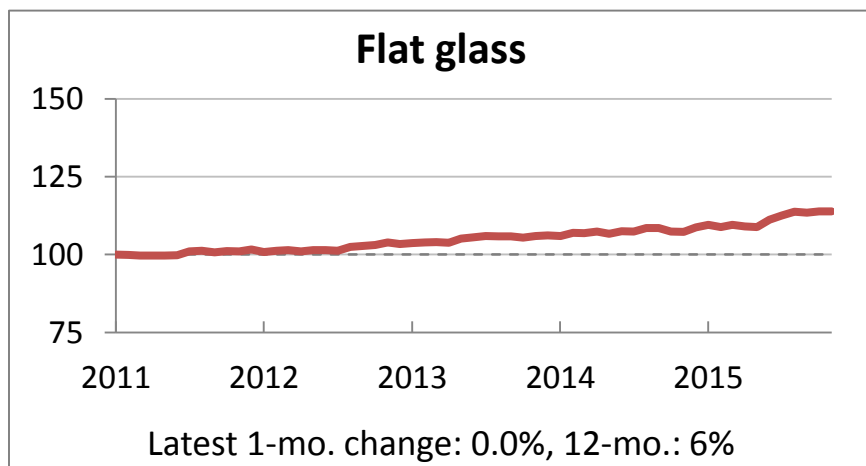
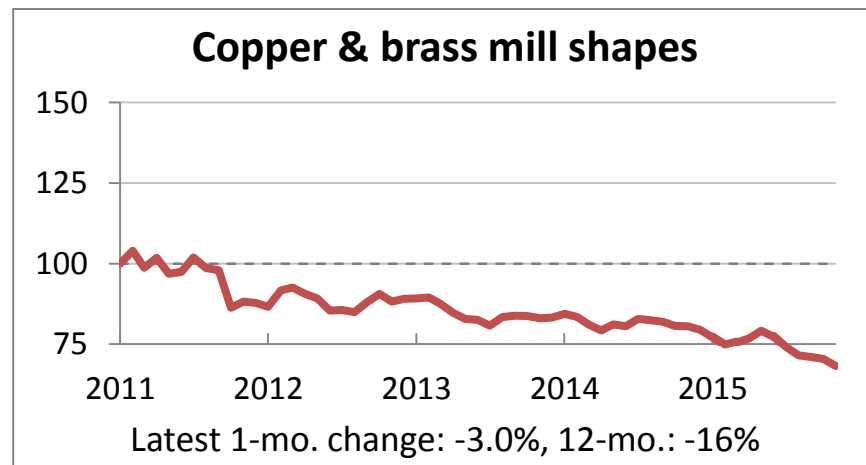
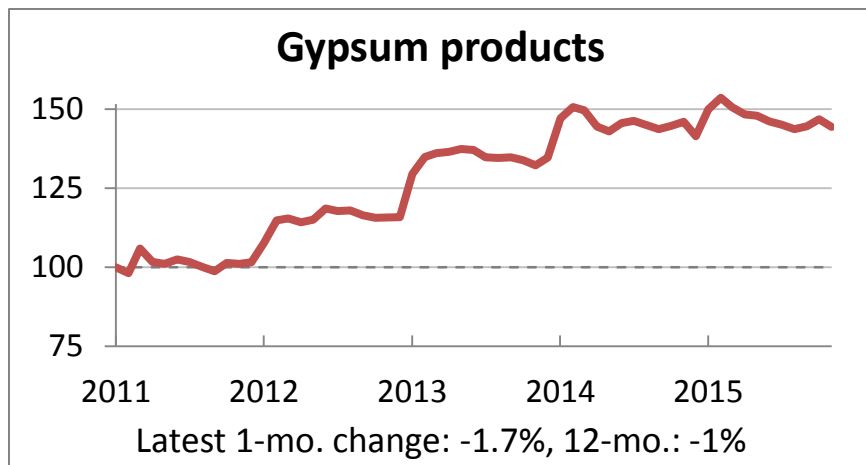
# How contractors are coping with worker shortages



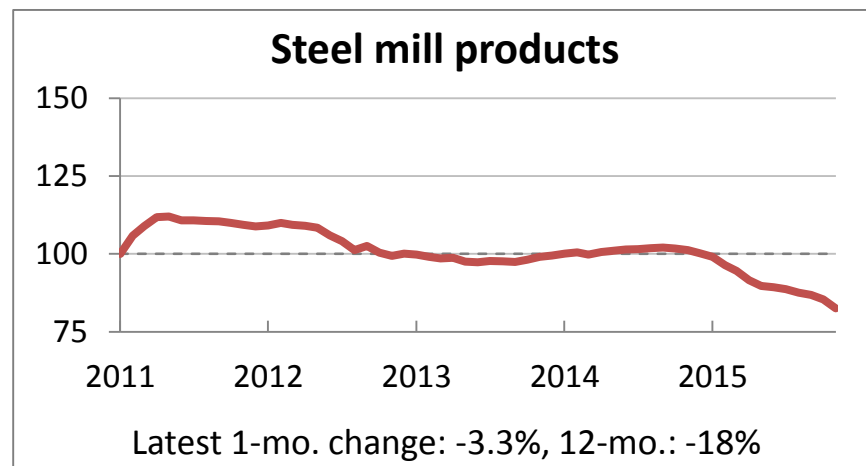
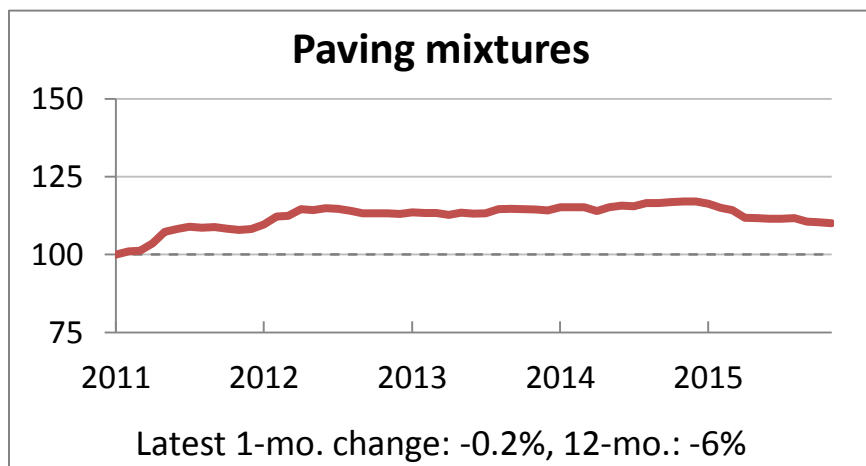
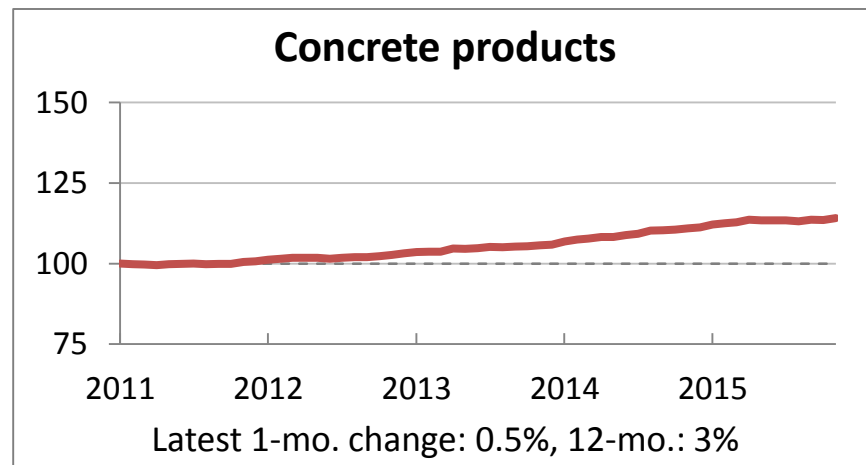
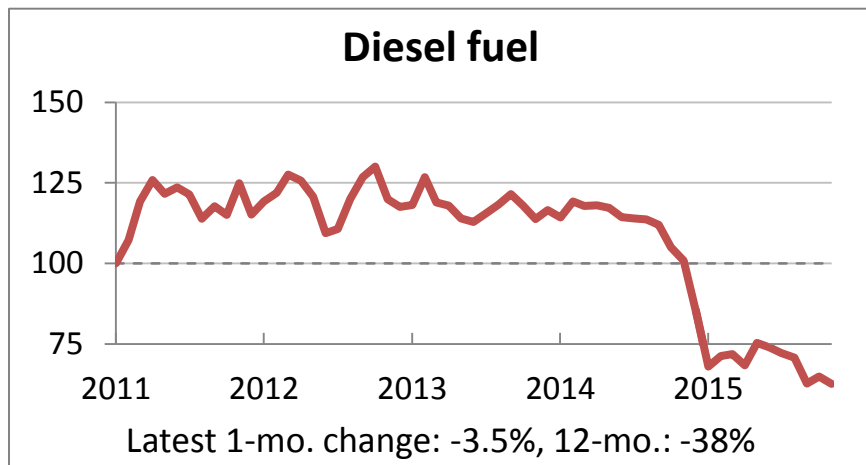
# Unemployed construction workers, Dec. 2000-Dec. 2015 (not seasonally adjusted)



## Producer price indexes for key inputs, 1/11-11/15 (Jan. 2011=100)



## Producer price indexes for key inputs, 1/11-11/15 (Jan. 2011=100)



# Summary for 2014, 2015-17 forecast

	<b>2014 actual</b>	<b>2015 forecast</b>	<b>2016-17 annual average forecast</b>
Total spending	10%	10-12%	6-10%
Private – residential	14%	10-12%	5-10%
– nonresidential	11%	11-13%	5-10%
Public	2%	5-7%	2-5%
Materials PPI	-0.9%	-3 to -5%	0-2%
Employment cost index	1.8%	2-2.5%	3-4.5%



# AGC economic resources

(email [simonsonk@agc.org](mailto: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](http://www.agc.org/learn/construction-data)
- webinars



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 1.5% 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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