



Construction & Materials Outlook

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Current economic influences

- Muni bond market has improved since September, but not bank lending
- Rising vacancies for office, retail, hotel
- Falling state and local spending
- No job growth, rising unemployment
- Stimulus (details: www.agc.org/stimulus)



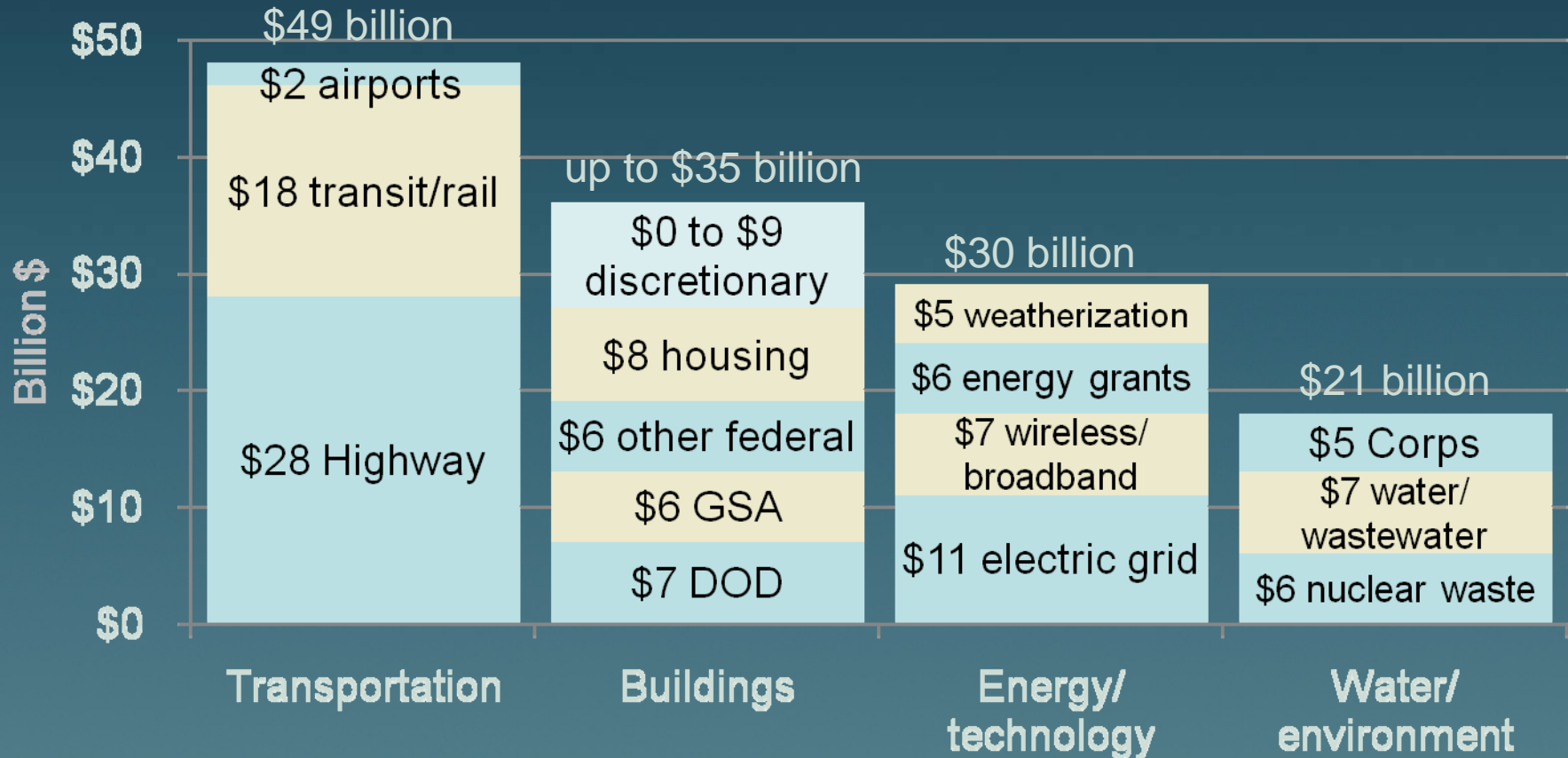
Economic stimulus package

Total of \$787 billion in spending and tax cuts

- **\$308 billion in appropriated spending**
- **\$267 billion in direct spending (refundable portion of tax credits, unemployment benefits, Medicaid reimbursement to states, etc.)**
- **\$212 billion in tax cuts**



Construction-related stimulus funding (Total \$135+ billion)





Stimulus tax provisions affecting construction

- 1-year delay (to 2012) in 3% withholding on gov. contracts
- Increased expensing
- Net operating loss: 5 year carryback of NOL for small business (<\$15 mil. in gross receipts)
- Qualified school construction bonds
- “Build America” bonds
- Bonds for “recovery zones,” tribal areas, renewable energy, energy conservation
- Modified renewable energy, conservation credits



Stimulus timing, strings

- **Timing**
 - Highway bid lettings, some projects underway
 - Agencies have announced many projects or grants
- **Conditions**
 - Davis-Bacon
 - Buy American
 - Reporting requirements: jobs, executives' pay
 - No E-Verify requirement or broad-based FAR
 - No project labor agreement mandate, but...



Economic impact of nonresidential construction

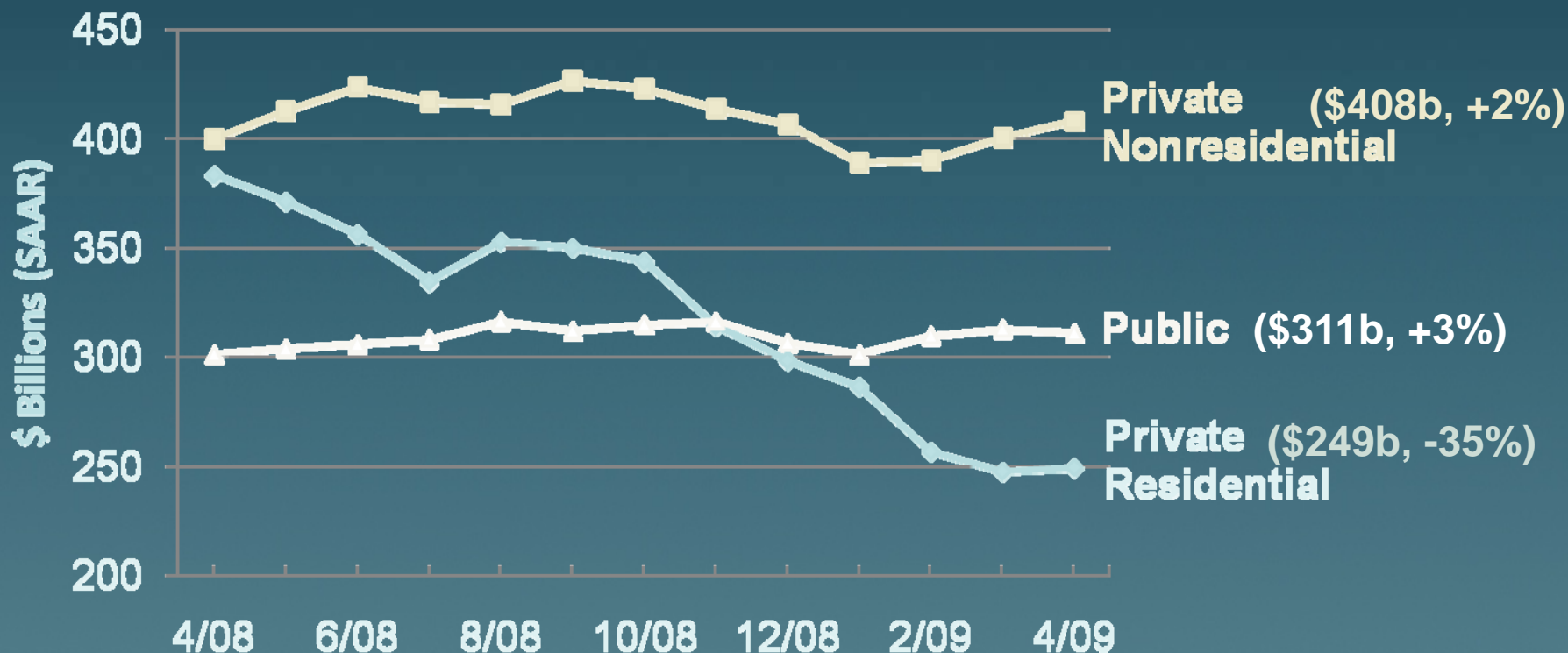
- **Jobs:** 28,500 per \$1 billion
 - 1/3 direct, onsite construction
 - 1/6 indirect supplying industries
 - 1/2 induced by direct, indirect spending
- **GDP:** \$3.4 billion
- **Personal Earnings:** \$1.1 billion



The shifting construction market

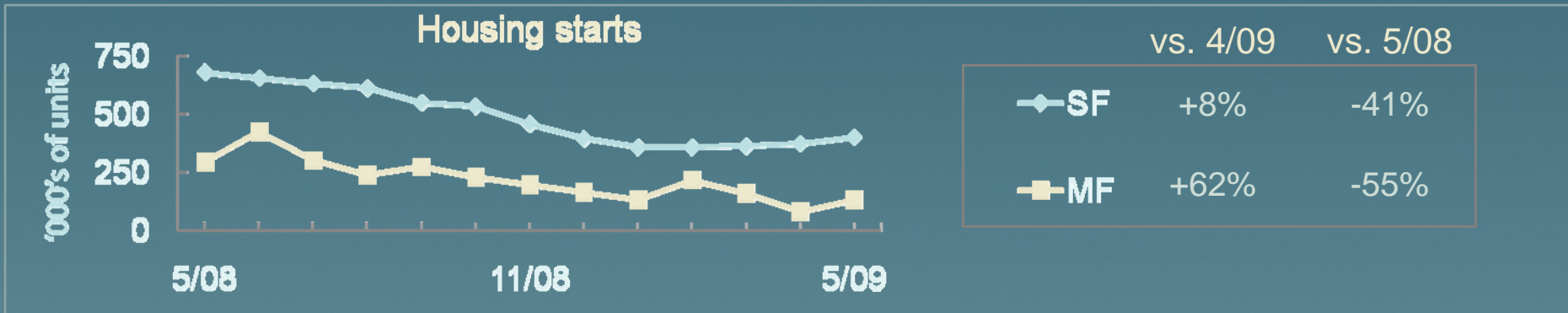
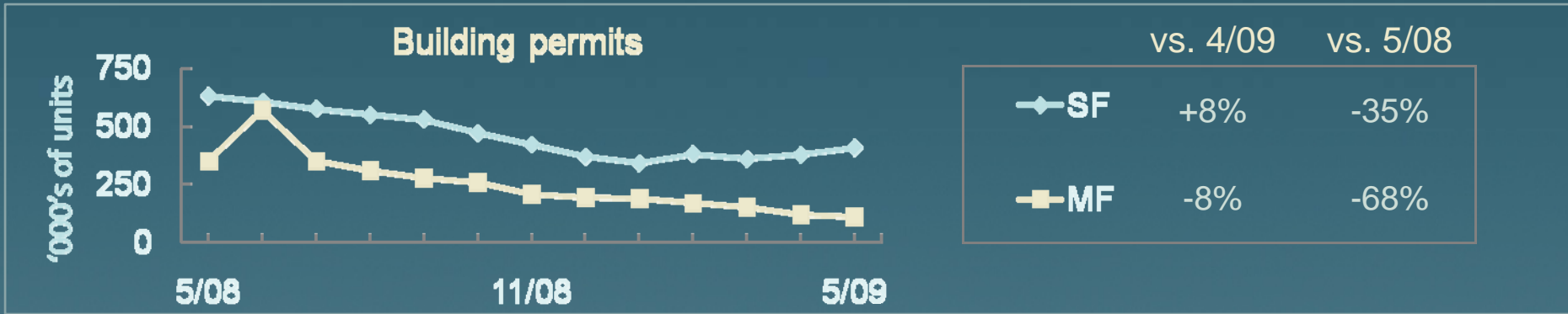
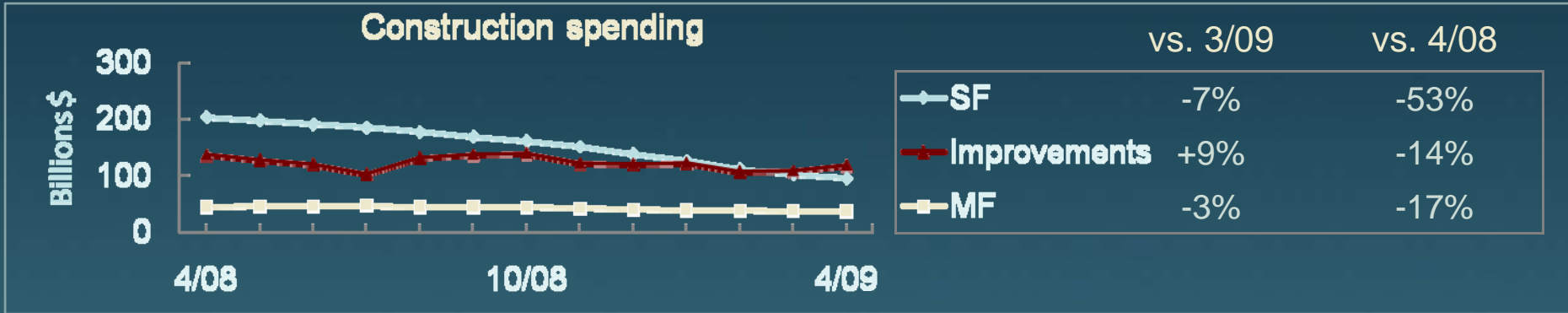
(construction spending, seasonally adjusted annual rate)

April 2009: \$969 billion, 12-month change: -11%





Single-family (SF) vs. multifamily (MF)





Housing outlook

- **SF: starts, permits in May hit 6-mo highs; totals should begin to top year-ago figures in late '09**
- **MF: No improvement likely until '11**
 - Rental demand hurt by job losses among would-be renters
 - Supply swelled by owners who are trying to rent out houses and condos
 - Banks remain unwilling to lend to developers



Nonres totals, share, 1- & 12-month change

	4/09 Total	Share	vs. 3/09	vs. 4/08
Nonresidential total	\$712 billion	100%	+ 1%	+ 3%
Educational	107	15	- 2	+ 3
Manufacturing	89	13	+ 4	+ 70
Power	83	12	+ 7	+ 26
Highway and street	79	11	+ 1	0
Commercial	69	10	- 3	- 24
Office	64	9	- 1	- 10
Health care	47	7	0	+ 4
Transportation	34	5	+ 2	- 4
Lodging	33	5	+ 2	- 9
Sewage and waste disposal	26	4	- 2	+ 4
Amusement and recreation	21	3	0	- 10
Other (communication; water; public safety; relig.; conservation): 9% of total				



Construction spending: industrial, heavy

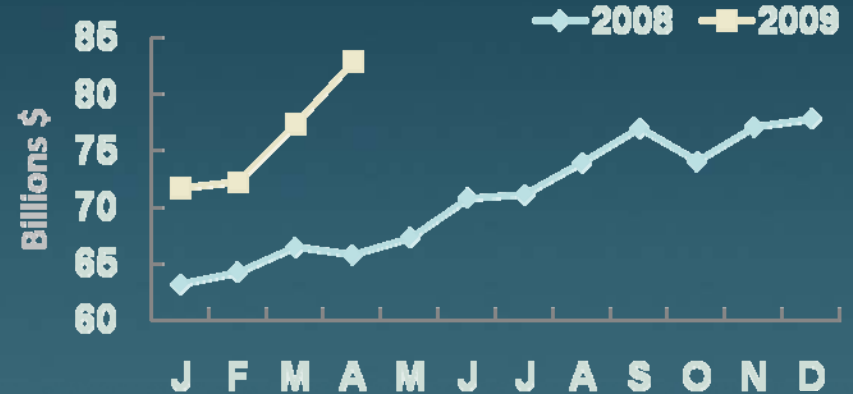
Manufacturing

1-month: 3.8%
 12-month: 70.3%



Power

1-month: 7.2%
 12-month: 25.9%



Sewage/Waste Disposal

1-month: -2.2%
 12-month: 4.3%



Transportation

1-month: 1.8%
 12-month: -4.1%

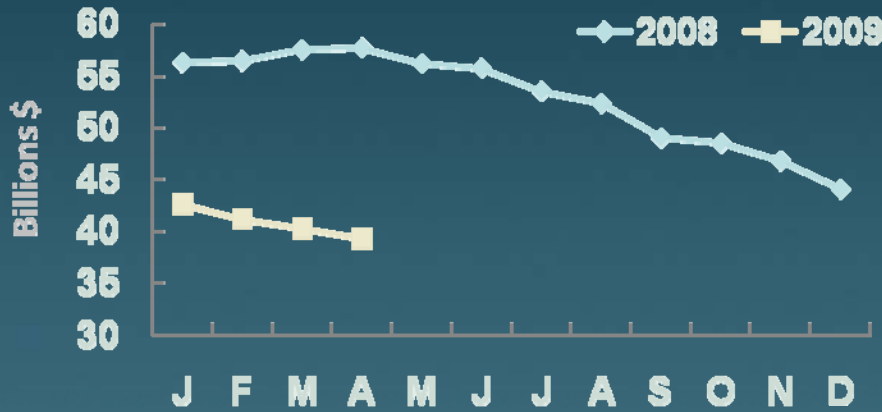




Construction spending: developer-financed

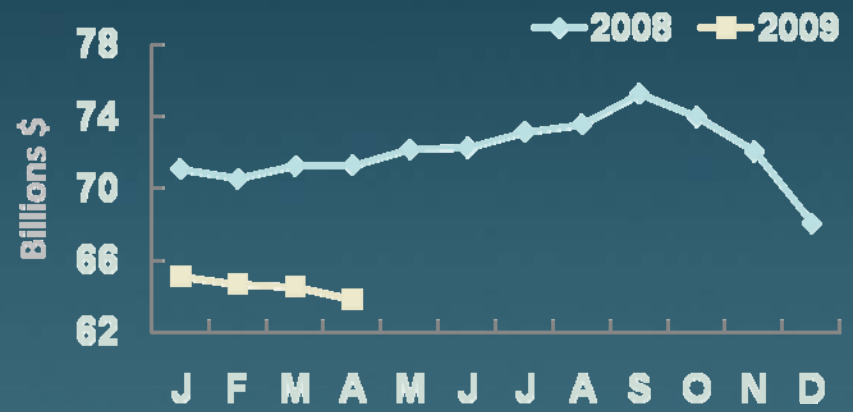
Nonautomotive Retail

1-month: -2.5%
 12-month: -31.9%



Office

1-month: -1.1%
 12-month: -10.5%



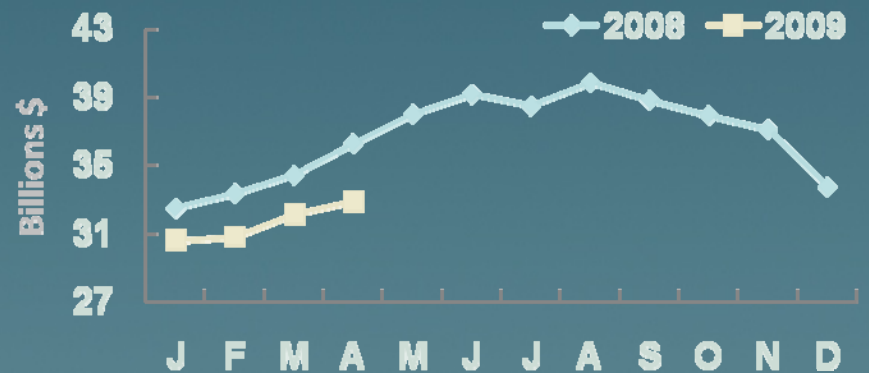
Warehouses

1-month: -3.8%
 12-month: -28.3%



Lodging

1-month: 2.4%
 12-month: -9.4%

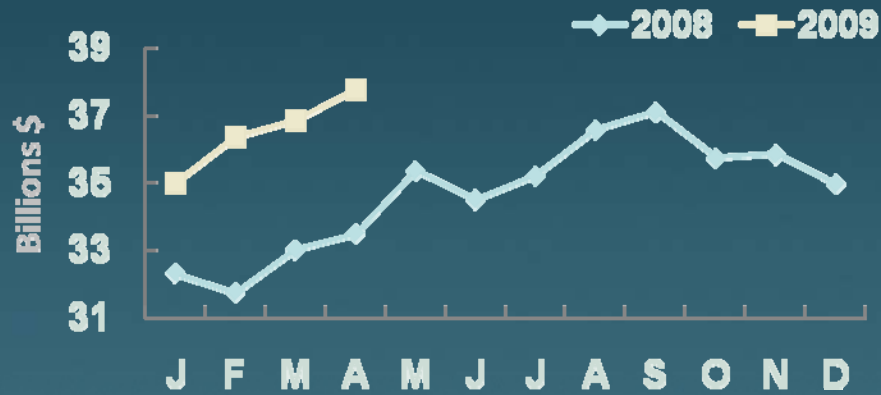




Construction spending: institutional

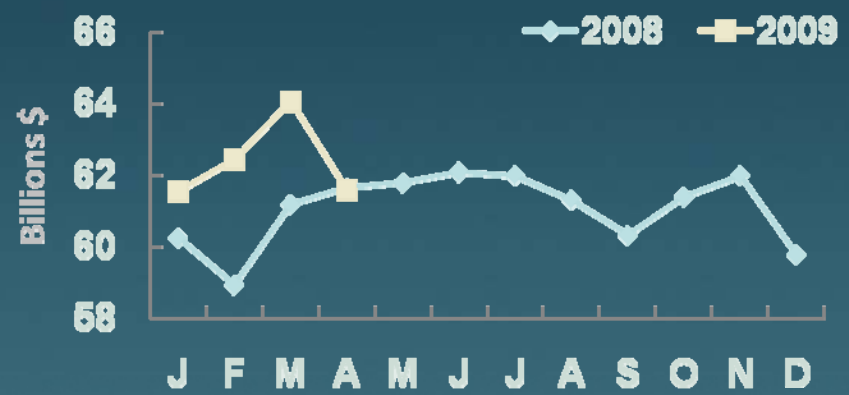
Higher Ed.

1-month: 2.5%
 12-month: 12.7%



Primary/Secondary Ed.

1-month: -3.9%
 12-month: -0.1%



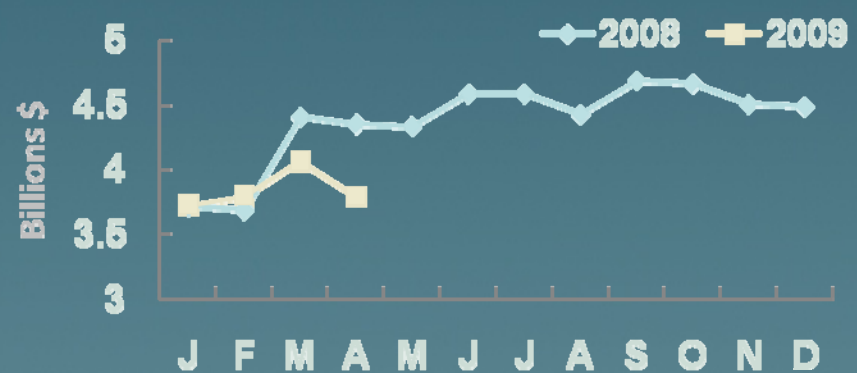
Hospitals

1-month: 1.8%
 12-month: 12.0%



Special Care

1-month: -6.8%
 12-month: -13.0%





Public construction (seas. adj. annual rate)

	4/09 Total \$311 billion	State/Local \$288 billion	Federal \$23 billion
Educational	89	87	2
Highway and street	79	78	1
Sewage and waste disposal	26	25	
Transportation	24	22	2
Office	16	11	5
Water supply	15	14	
Public safety	13	10	3
Power	12	11	1
Amusement and recreation	12	11	
Other (health care; residential; conservation; commercial): \$25 billion			

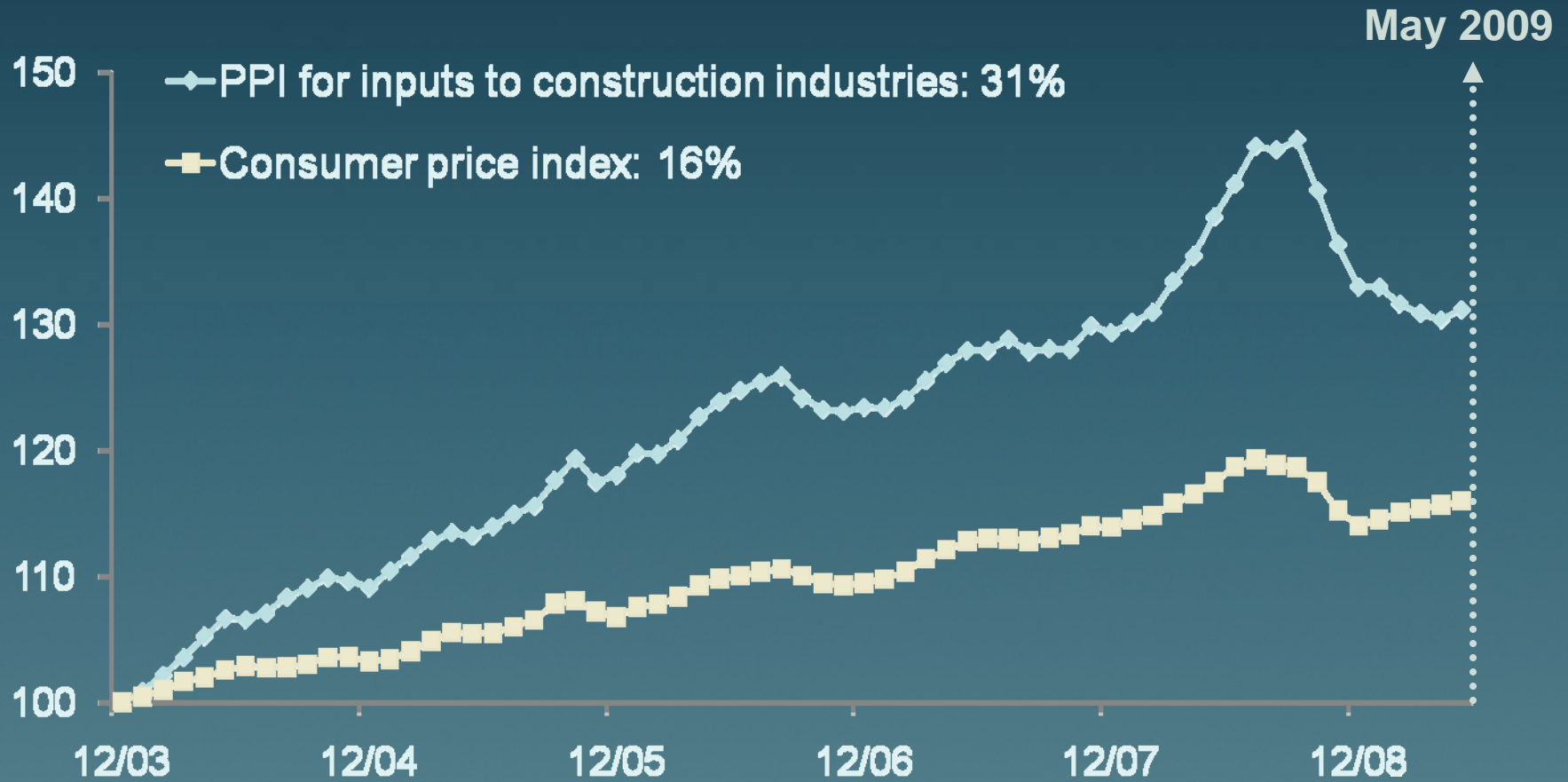


Spending outlook for 2009

	Actual 2008	Jan-Apr '09/'08	Forecast 2009
Residential	- 27%	-34%	- 2 to +2%
Nonresidential	+11%	+1%	- 3 to - 9%
Total	- 6%	-11%	- 1 to - 7%



Change in producer prices for construction vs. consumer prices, 2003 - 2009 (December 2003 = 100)





Outlook for materials in '09 compared to '08

- Lower average prices: diesel, copper, steel, aluminum
- Possible increases: concrete, gypsum
- Year-over-year PPI change: -4% to 0%
- A limited-time sale...

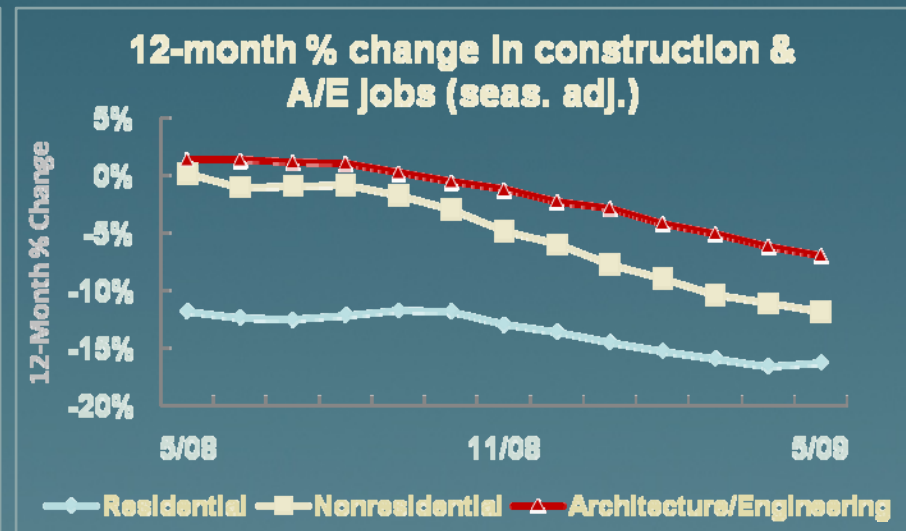
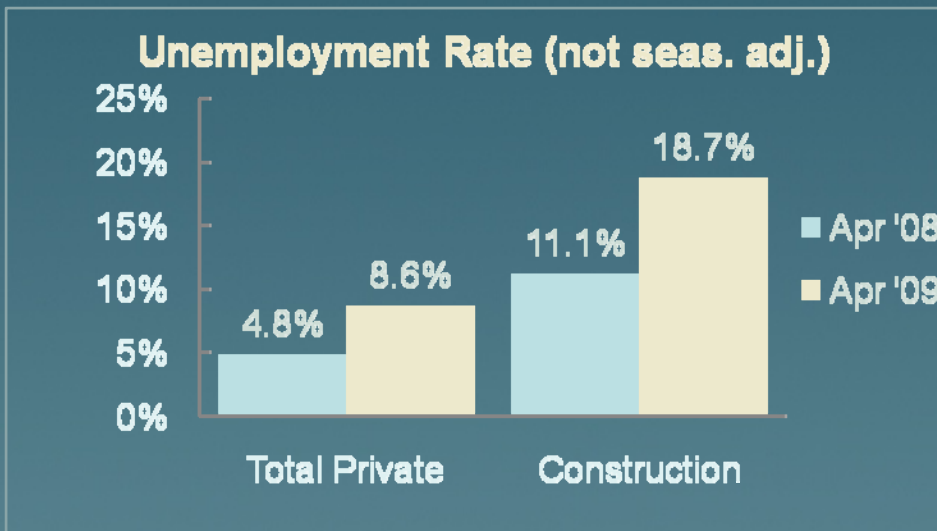
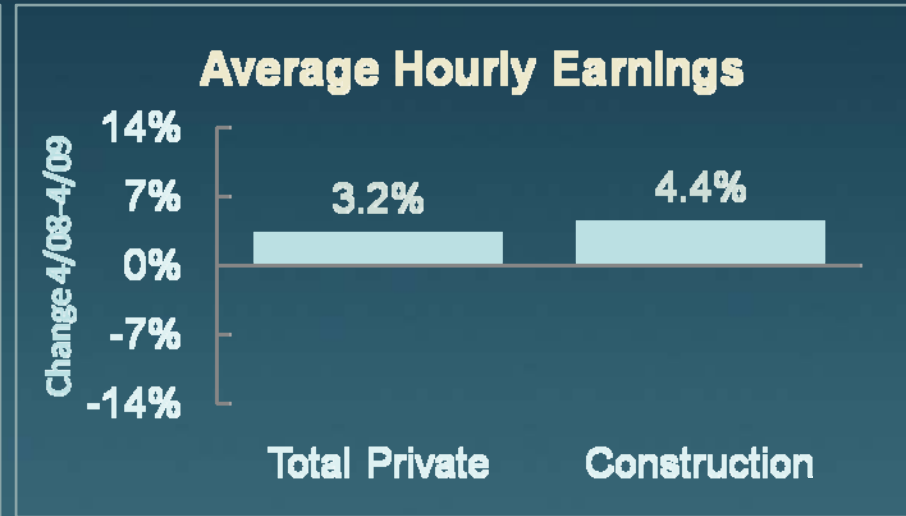
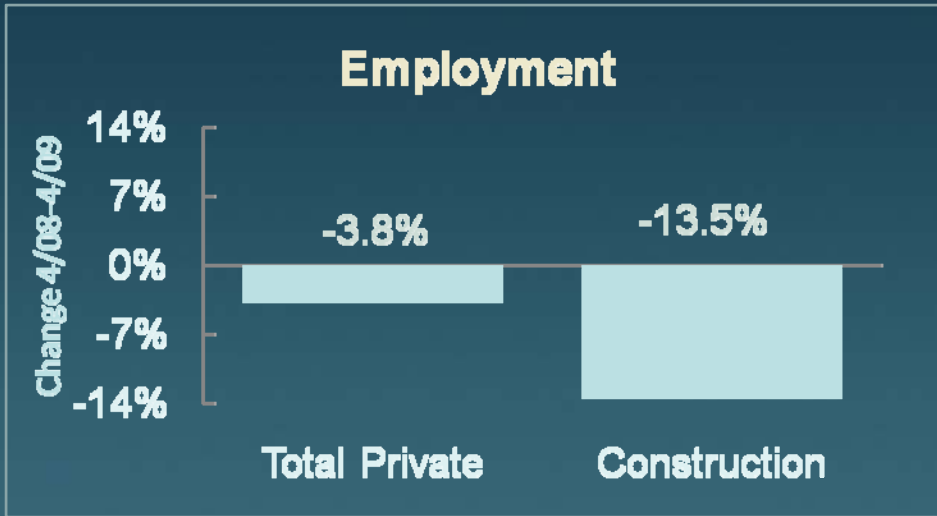


Outlook for materials (beyond 2009)

- **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 6 to 8% PPI increases, higher spikes**

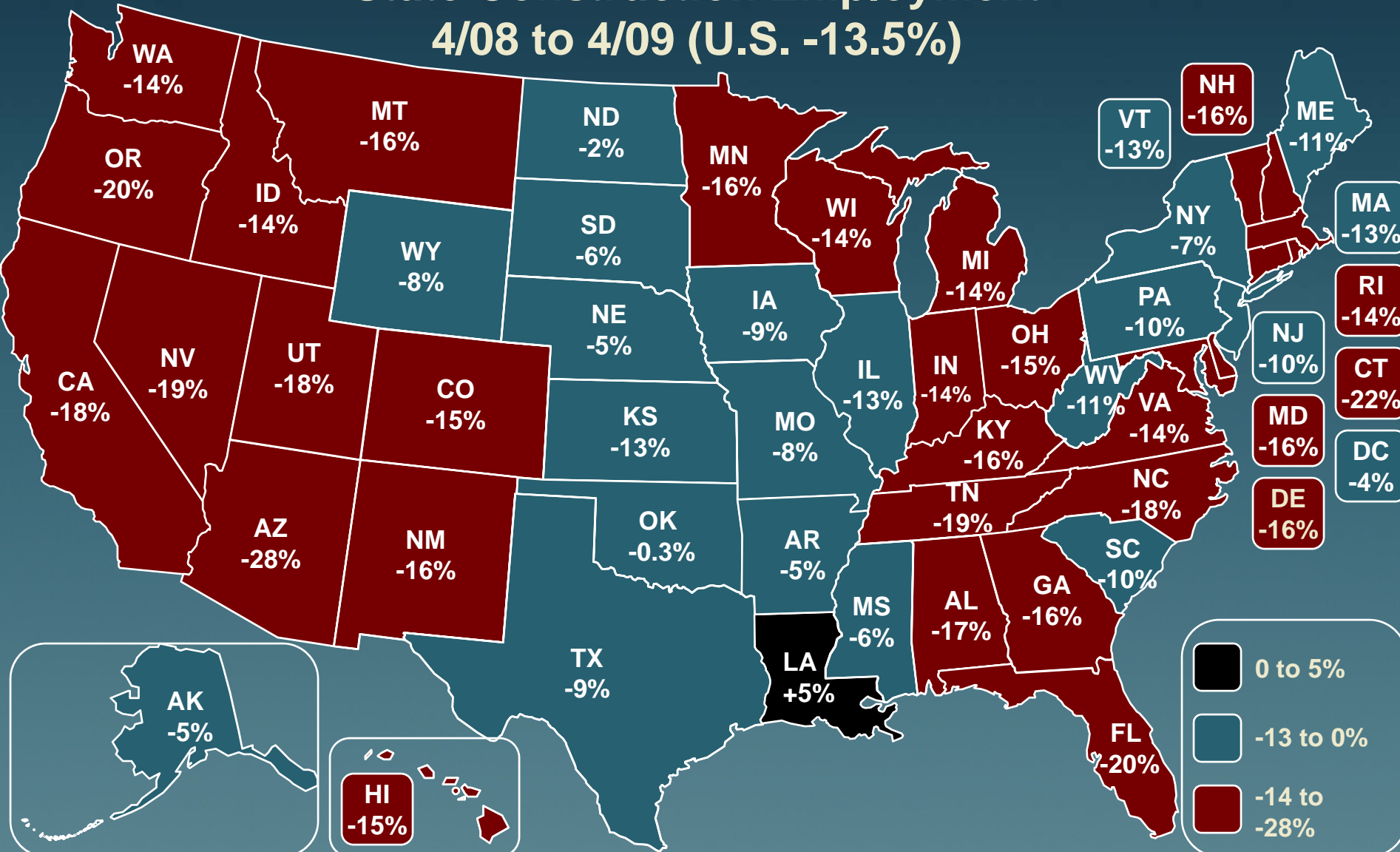


Construction jobs fall, but wages rise (seasonally adjusted)





State Construction Employment 4/08 to 4/09 (U.S. -13.5%)





Summary for 2009

- **Nonres spending: -3 to -9% (up: power, BRAC, stimulus; down: private, state & local gov-funded)**
- **Res: -2 to +2% (SF up in 2d half, MF down all year)**
- **Total construction spending: -1% to -7%**
- **Materials costs: -4% to 0%**
- **Labor costs: +3% to +4%**



Summary for 2010

- **Nonres spending: 0 to -5%** (more stimulus put in place, maybe gains in retail, higher ed, hosp)
- **Res: +5 to +10%** (SF up all year, MF down all year)
- **Total construction spending: -4% to +2%**
- **Materials costs: 0% to +8%**
- **Labor costs: +3% or less**



AGC economic resources (sign up by email to simonsonk@agc.org)

- **The Data DIgest: weekly one-page email**
- **PPI tables: emailed monthly**
- **State-specific stimulus estimates and fact sheets: www.agc.org/stimulus**
- **Webinars/audioconferences**
- **Member emails on stimulus jobs, credit market**