Quality People.
Quality Projects.

Will Construction Thrive or Dive Next Year?

Featuring: Ken Simonson, Chief Economist for the Associated General Contractors of America

with

Michael Trettel, i+iconUSA, AGCA Business Development Forum Chair

Michael Geary, CEO of the Society for Marketing Professional Services

SMPS Society for Marketing Professional Services

AGC Business Development Forum

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  all company types and sizes
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- **NEW** this year, BuildCon attendees will have access to the Fall BIMForum sessions
- "BIM for Business Development" Session (October 18 at 2:45 pm EST)
  - Sarah Appleton, PE, Associate at Wallace Engineering
  - Benjamin Crosby, Director of BIM, Yates Construction
  - Fred Meeske, Corporate BIM Director, Rosendin Electric
  - Dan Russell, Director Construction Technology, Sundt Construction
- Registration & more info: http://meetings.agc.org/buildcon/

BUILDCON
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SMPS
Society for Marketing Professional Services
SMPS Helps You Market Smarter

Who is SMPS?

- Along with the SMPS Foundation, the Society is the only organization dedicated to building business in the A/E/C industry.
- SMPS is a community of nearly 7,000 marketing and business development professionals—including principals and other firm leaders—working to secure profitable business relationships for their A/E/C companies.
- Through networking, business intelligence, and research, SMPS members gain a competitive advantage in positioning their firms successfully in the marketplace.
- SMPS offers members professional development, leadership opportunities, and marketing resources to advance their careers.

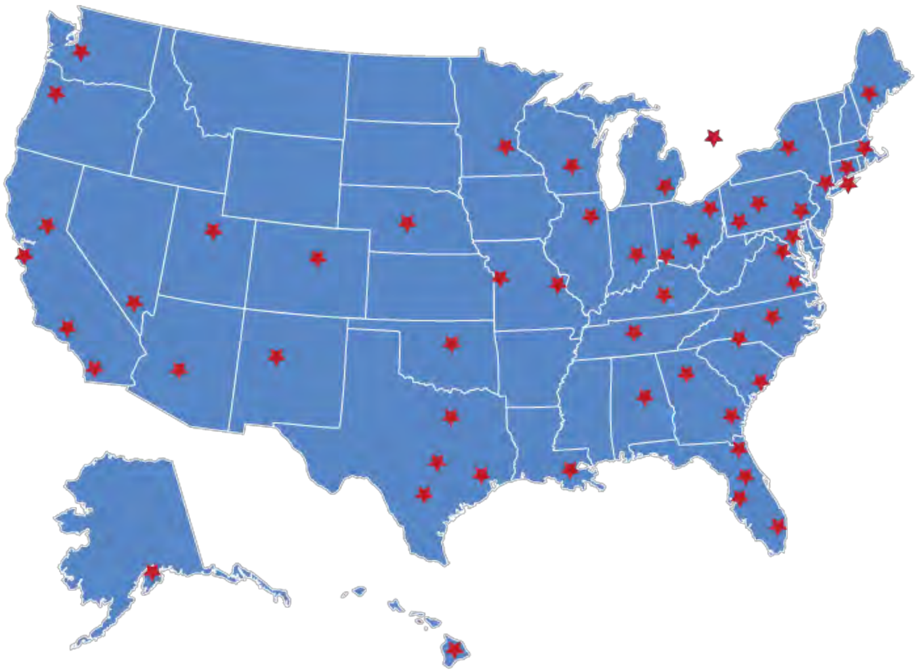
Our History

- Created in 1973 by a small group of professional services firm leaders
- Recognized the need to sharpen business development skills, pool resources, and work together to create business opportunities

SMPS Today

- Represents nearly 7,000 marketing and business development professionals from architectural, engineering, planning, interior design, construction, and related specialty consulting firms
- Benefits from the support of 3,250+ design and building firms
- Encompasses 80% of the firms in the *Engineering News–Record*
- Top 500 design and engineering firms plus the leading 400 contractors

SMPS Today



- Supports 57 dynamic chapters and an extensive professional network that extends across the United States and Canada.
- Led by a dedicated volunteer board of seven officers and directors.
- Supported by a professional team at the Society's headquarters in Alexandria, Virginia.

Domains of Practice for Professional Services Marketers

In 1997, SMPS conducted an analysis of professional services marketing to articulate and document the profession's knowledge and skill sets.

The knowledge and skill sets are classified under six *Domains of Practice*:

- Market Research
- Marketing Planning
- Client and Business Development
- Proposals/SOQs
- Promotional Activity
- Management

MARKENDIUM

MARKENDIUM: The SMPS Body of Knowledge

- Seller-Doer Research and Training Programs
- Business Development Research and Training Programs
- Online Programs and Publications
- Onsite Training
- Business Networks Through SMPS Chapters
- Research on Trends and Future Possibilities
- SMPS U in conjunction with the University of Maryland

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Construction Spending, Labor & Materials Outlook

AGC/SMPS WebEd

September 21, 2016

Ken Simonson

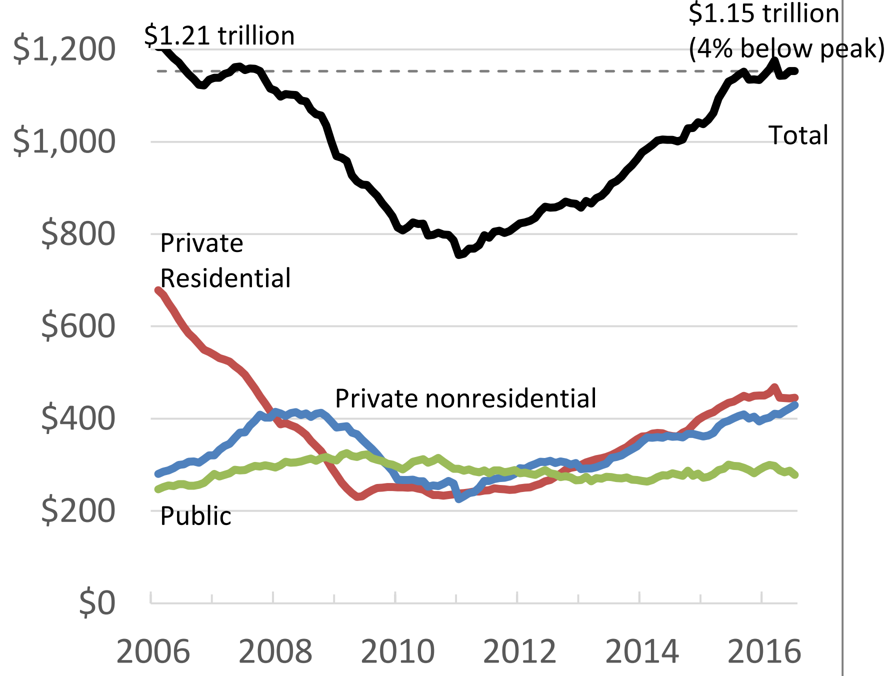
Chief Economist, AGC of America

simonsonk@agc.org

Construction spending & employment, 2006-16

Total spending, Feb. '06 (peak)-Jul. '16

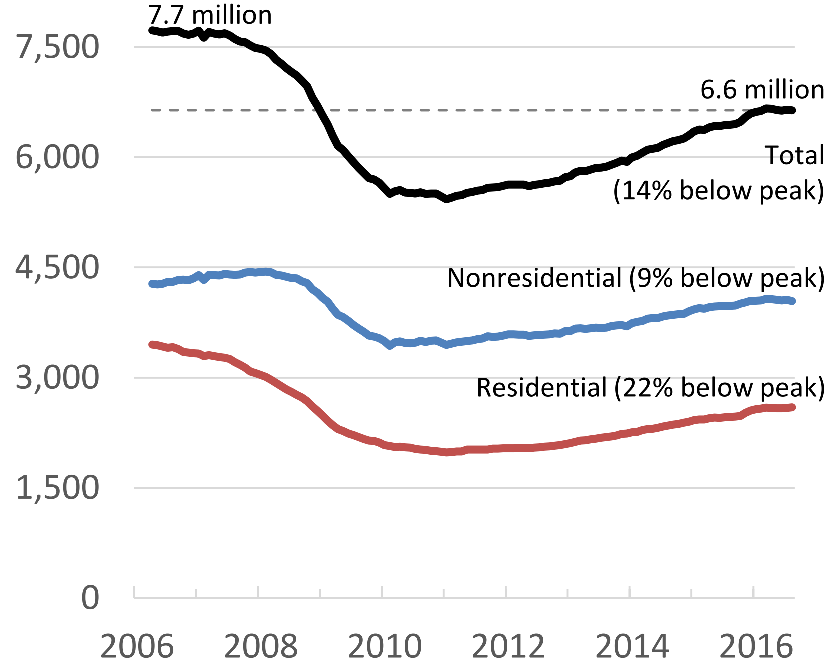
billion $, seasonally adjusted annual rate (SAAR)



July 2015-July 2016: total 2%
private res. 2%, private nonres. 7%, public -7%

Total employment, Apr. '06 (peak)-Aug. '16

thousands, seasonally adjusted



Aug. 2015-Aug. 2016: total 3.1%
residential 5.4%, nonresidential 1.7%

Nonresidential segments: 2014-15 change, 2016-17 forecast

	2015 vs. 2014	Jan.-July '16 vs. '15	2016 forecast	2017 forecast
Nonresidential total (public+private)	**7 %**	**5%**	**4-10%**	**2-6%**
Power (incl. oil & gas field structures, pipelines)	-16	6	5-10	5-10
Highway and street	6	2	2-5	2-5
Educational	5	5	3-6	2-5
Manufacturing	33	-3	-8 to -4	<0
Commercial (retail, warehouse, farm)	6	11	7-12	0-5
Office	18	22	17-22	5-10
Transportation	8	-2	-3 to 3	0-5
Health care	5	2	1-5	3-8
Sewage and waste disposal	5	-5	-5 to 0	
Lodging	30	26	15-30	<0
Other--amusement; communication; religious; public safety; conservation; water: 11% of total	9	0	-2 to 4	

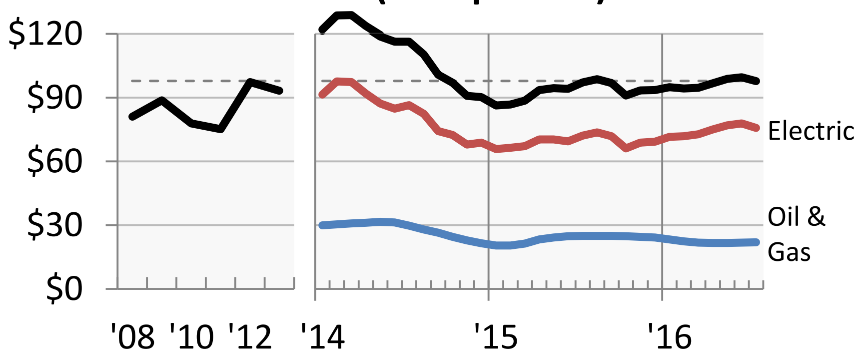
Source: U.S. Census Bureau construction spending report; Author's forecast

Quality People. Quality Projects.

Construction spending: industrial, heavy

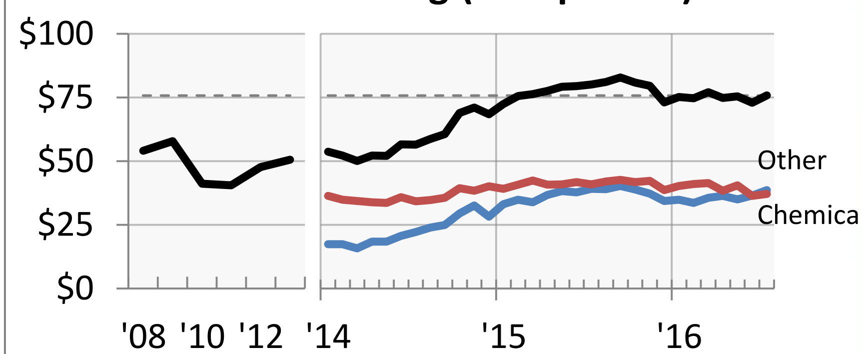
annual total, 2008-13; monthly, SAAR, 1/14-7/16; billion $

Power (92% private)



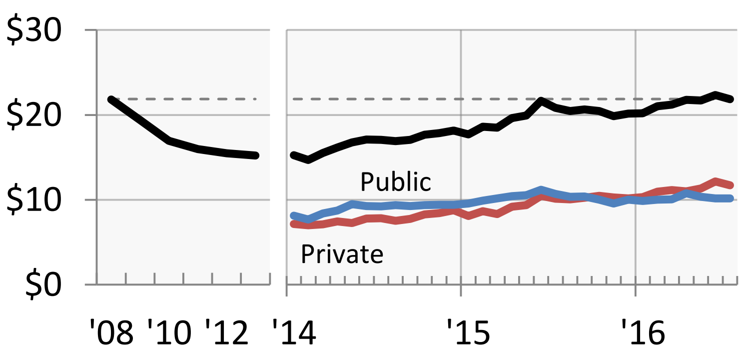
Jul. '15-Jul. '16 change: 1% (oil & gas -12%; electric 5%)

Manufacturing (99% private)



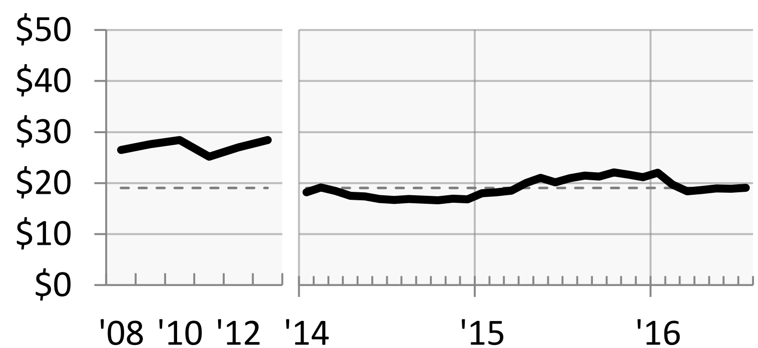
Jul. '15-Jul. '16 change: -5% (chemical -1%; other -9%)

Amusement & recreation (53% private)



Jul. '15-Jul. '16 change: 5% (private 15%; public -5%)

Communication (99.3% private)



Jul. '15-Jul. '16 change: -9%

SMPS Society for Marketing Professional Services

Source: U.S. Census Bureau construction spending report

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

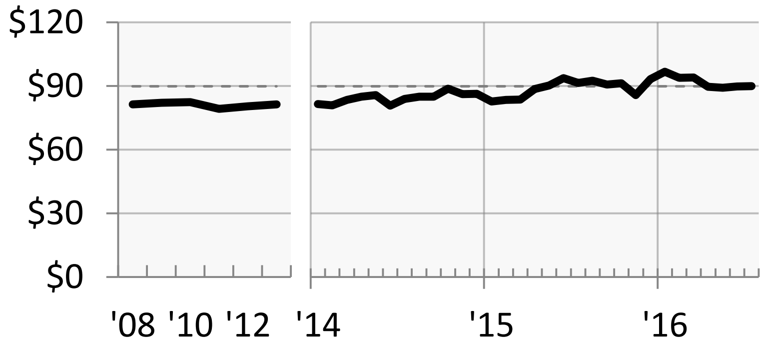
Key points: power, mfg., recreation

- 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

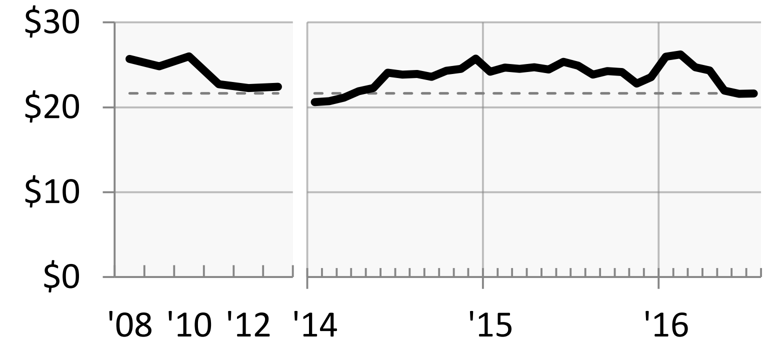
annual total, 2008-13; monthly, SAAR, 1/14-7/16; billion $

Highways (99.8% public)



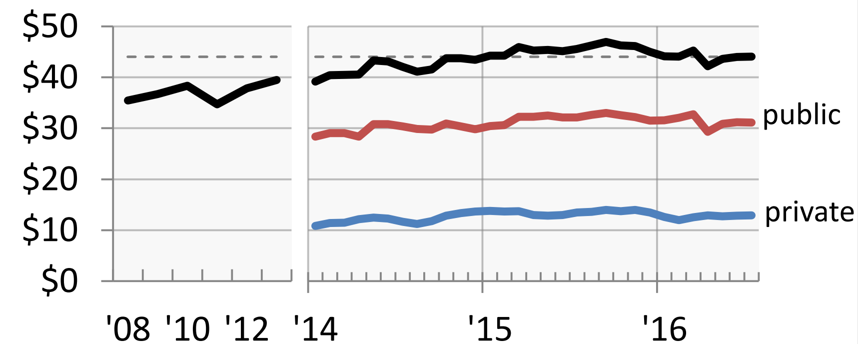
Jul. '15-Jul. '16 change: -2%

Sewage/waste (98% public)



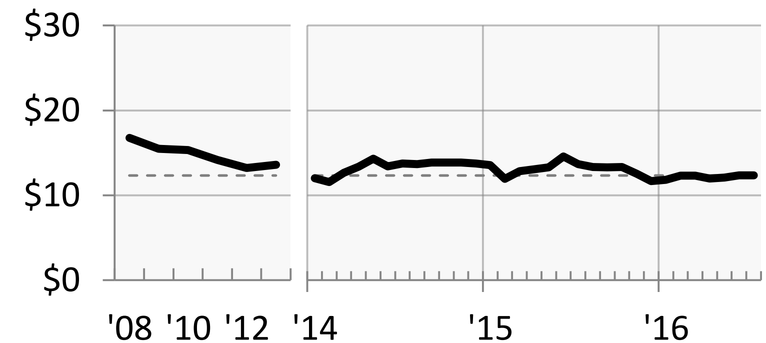
Jul. '15-Jul. '16 change: -13%

Transportation facilities (71% public)



Jul. '15-Jul. '16 change: -3% (private -4%; public -3%)

Water supply (98% public)



Jul. '15-Jul. '16 change: -10%

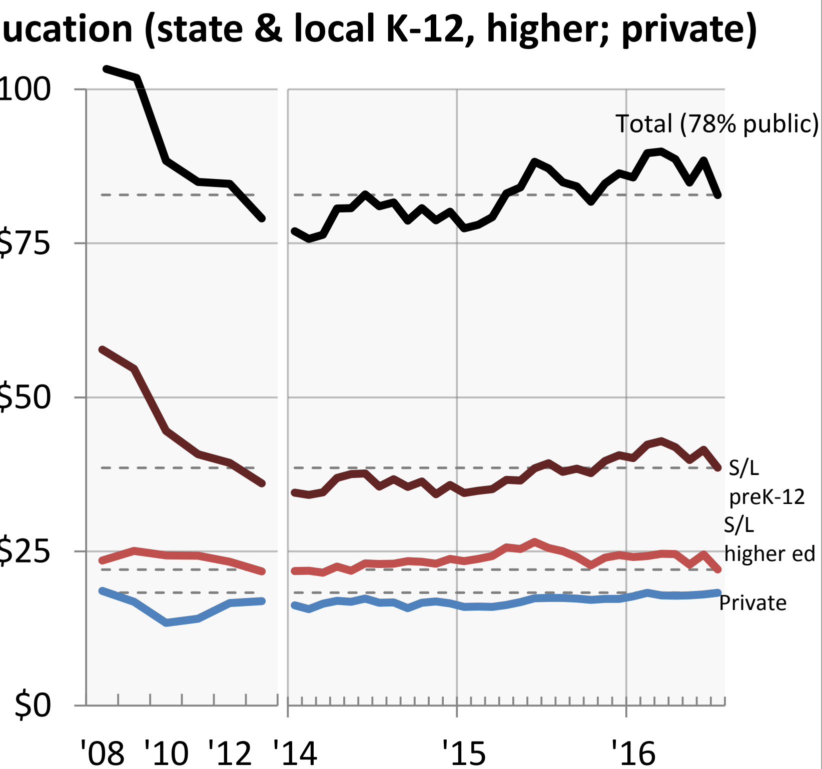
Source: U.S. Census Bureau construction spending report

Key points: roads, transportation, sewer/water

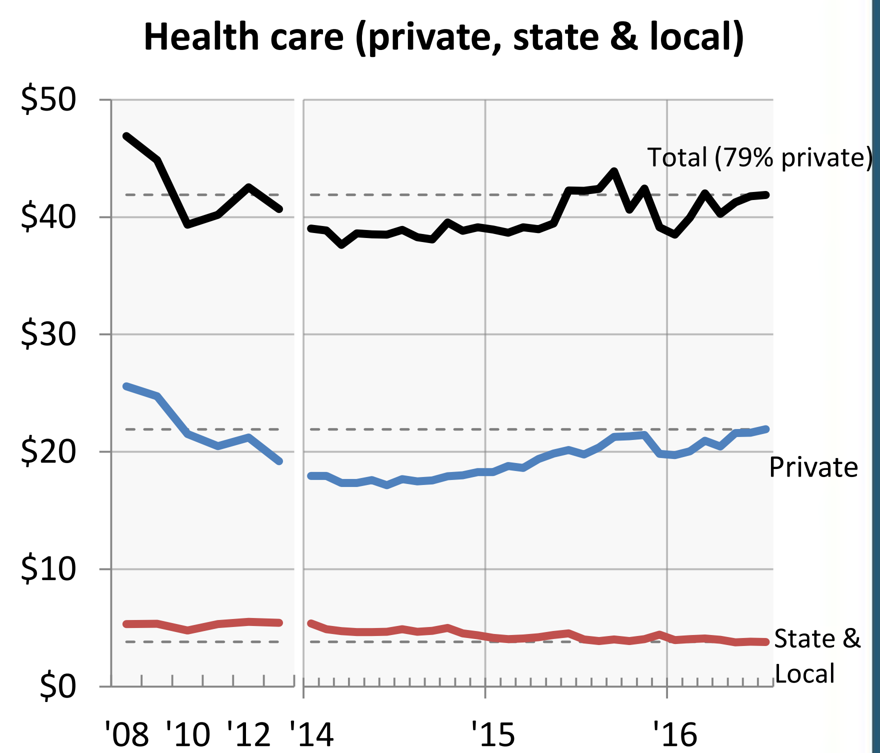
- Highway funds benefit from more travel, hence fuel purchases; gradual pick-up in state funding & P3s
- Railroads slashing investment; little net change for public airport, port, transit construction
- Eastern & Midwestern cities under orders to make long-term upgrades to sewer systems that should boost 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, 1/14-7/16; billion $



Jul. '15-Jul. '16 change: -5% (state/local preK-12 -2%, higher -14%; private 5%)



Jul. '15-Jul. '16 change: -0.8% (private 11%; state & local -5%)

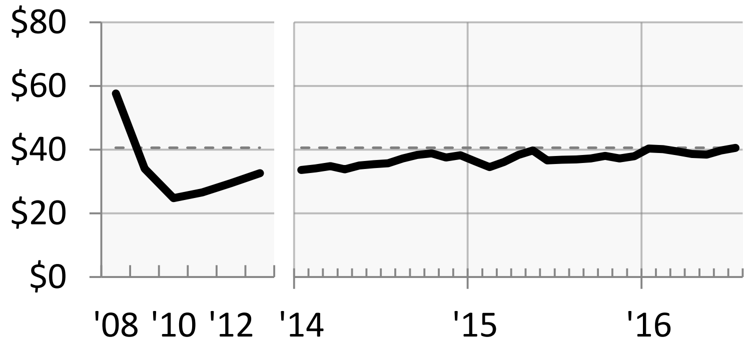
Key points: education & health care

- PreK-12 enrollment is flat; more children staying in cities and filling underused or charter schools, so construction no longer matches population growth
- Higher-ed enrollment is shrinking, 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; more investment in small facilities, short stays

Construction spending: developer-financed

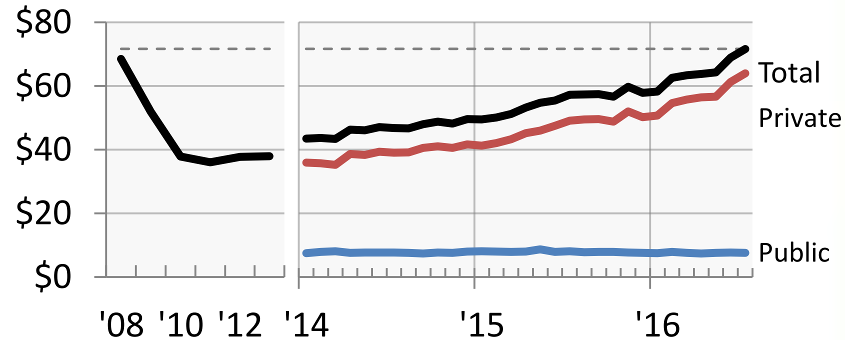
annual total, 2008-13; monthly, SAAR, 1/14-7/16; billion $

Retail (private)



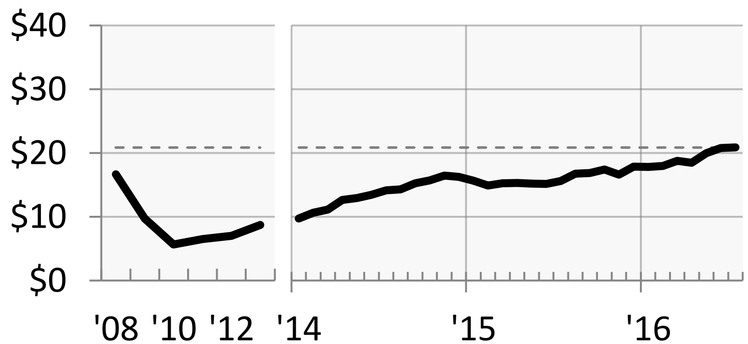
Jul. '15-Jul. '16 change: 10%

Office (89% private)



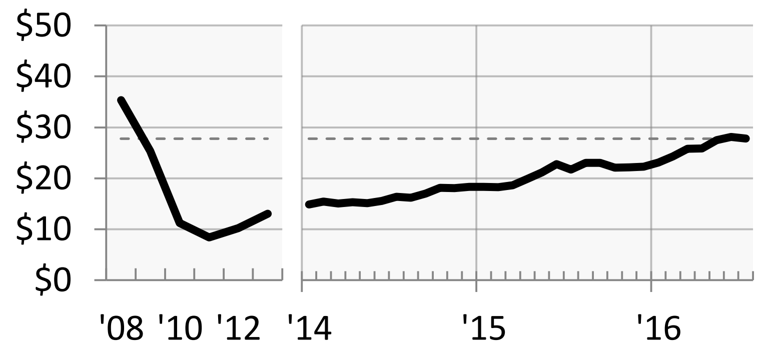
Jul. '15-Jul. '16 change: 25% (private 30%; public -6%)

Warehouse (private)



Jul. '15-Jul. '16 change: 34%

Lodging (private)



Jul. '15-Jul. '16 change: 28%

Source: U.S. Census Bureau construction spending report

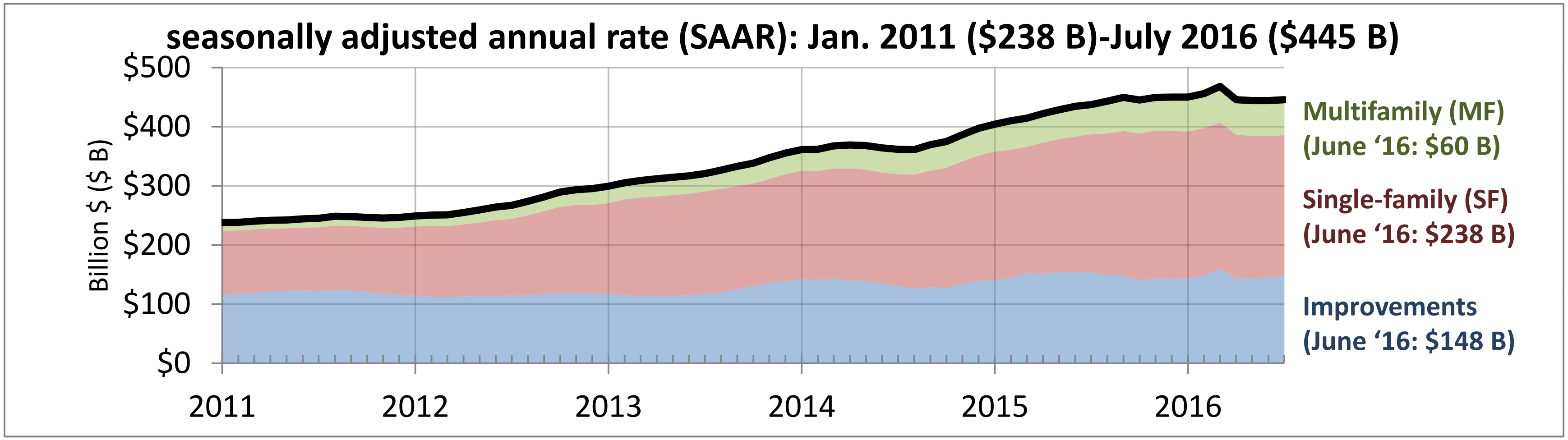
Key points: retail, warehouse, office, hotel

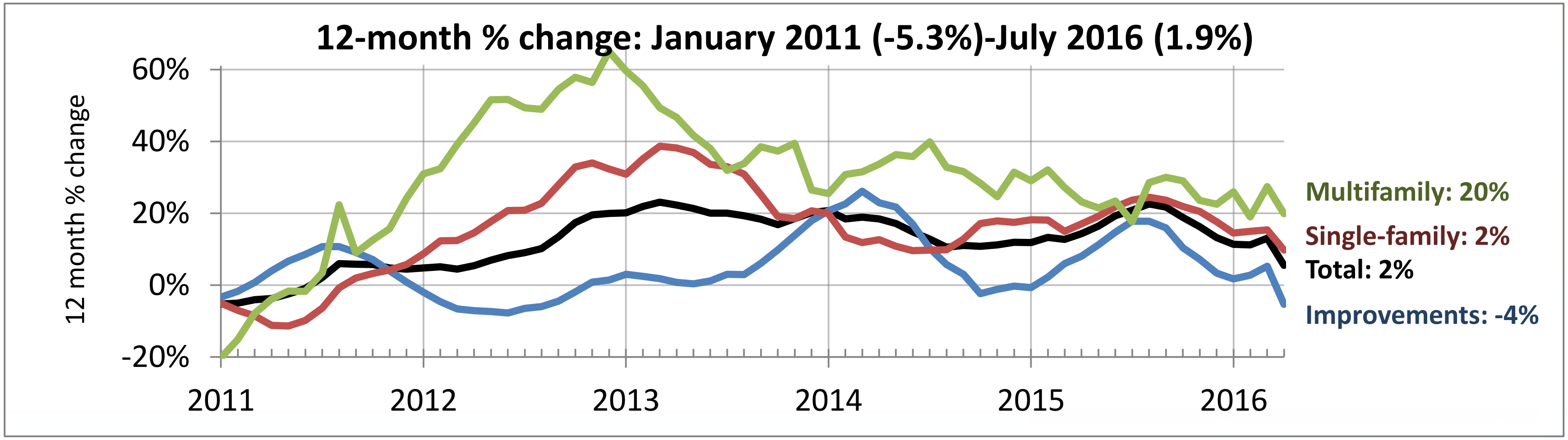
- Retail now tied to mixed-use buildings & renovations, not standalone stores or shopping centers; consumer pivot to online buying will continue
- Warehouse market still benefiting from e-commerce; may heat up if Panama Canal leads to distribution shifts
- Employment sets records each month but office space per employee keeps shrinking; growth mainly in cities & renovations, not suburban office parks
- Hotel construction likely to drop as revenue per available room slows

Major locations for data centers

Source: www.DataCenterKnowledge.com, from CBRE, ASHRAE

Private residential spending: MF continues to outpace SF

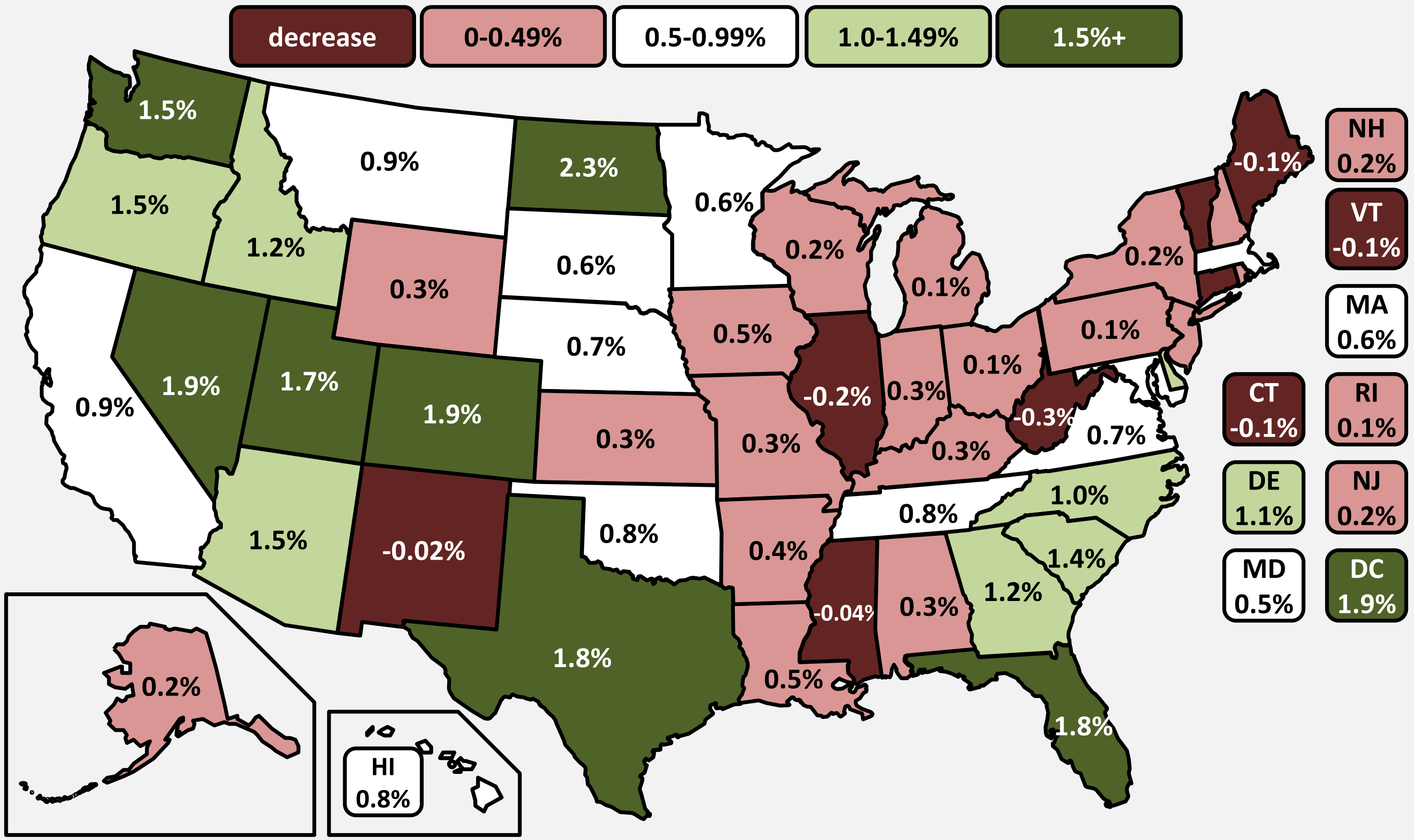




Residential spending forecast: 2016: 4-11%; 2017: 5-10%

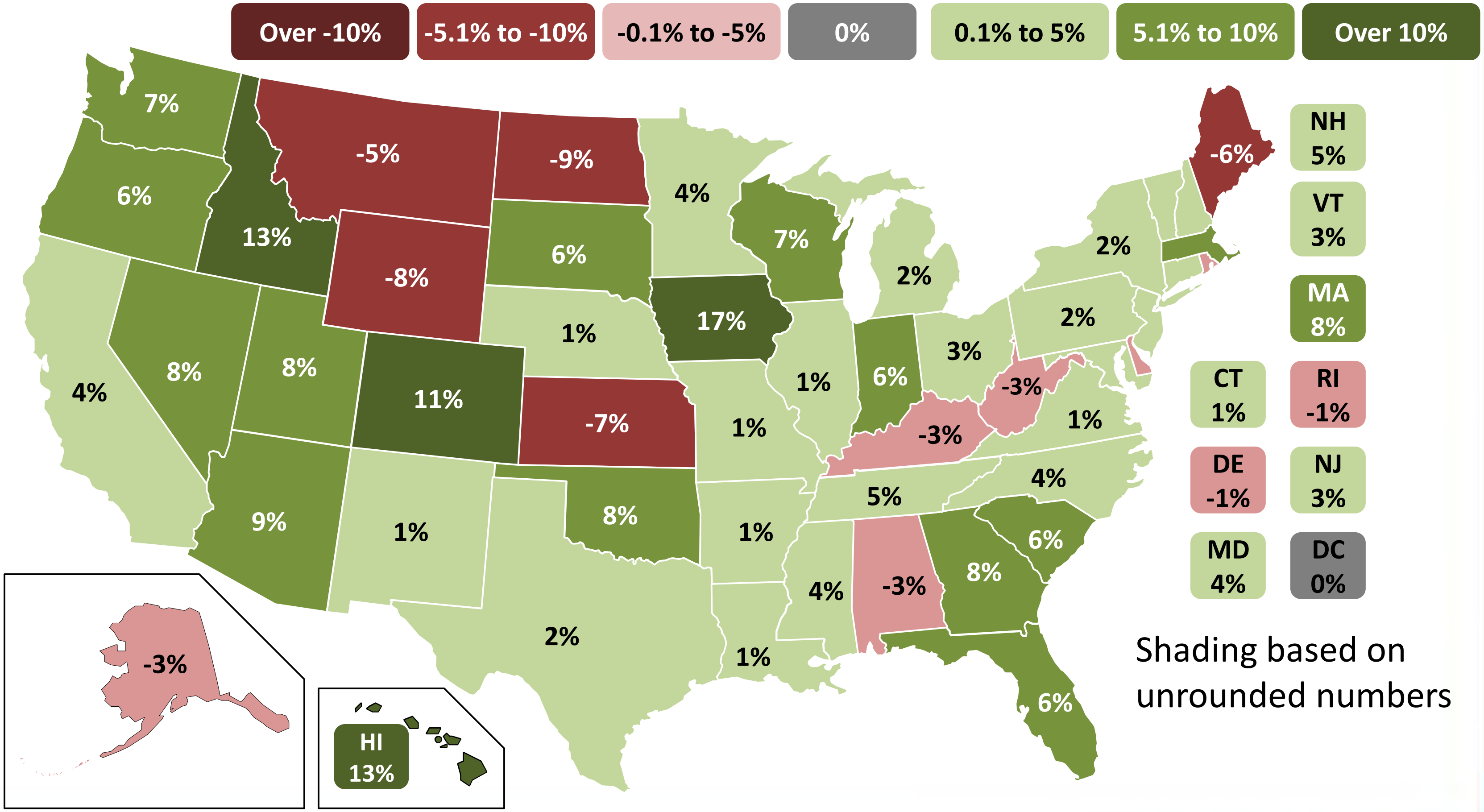
- SF: 6-11%; ongoing job gains add to demand; student debt, fears of lock-in, limited supply will cap growth
- MF: 10-15%; growth slowing but should last till 2018
  - – low vacancies, high rent growth encourage investors
  - – millennials show continued preference for cities
  - – nearly all MF construction is rental, not condo
- Improvements: 0-10%; Census data is not reliable and shows only a loose relationship to SF spending
- 2017: SF 6-11% again; MF 5-10%; improvements 0-10%

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



State construction employment change (U.S.: 3.1%)

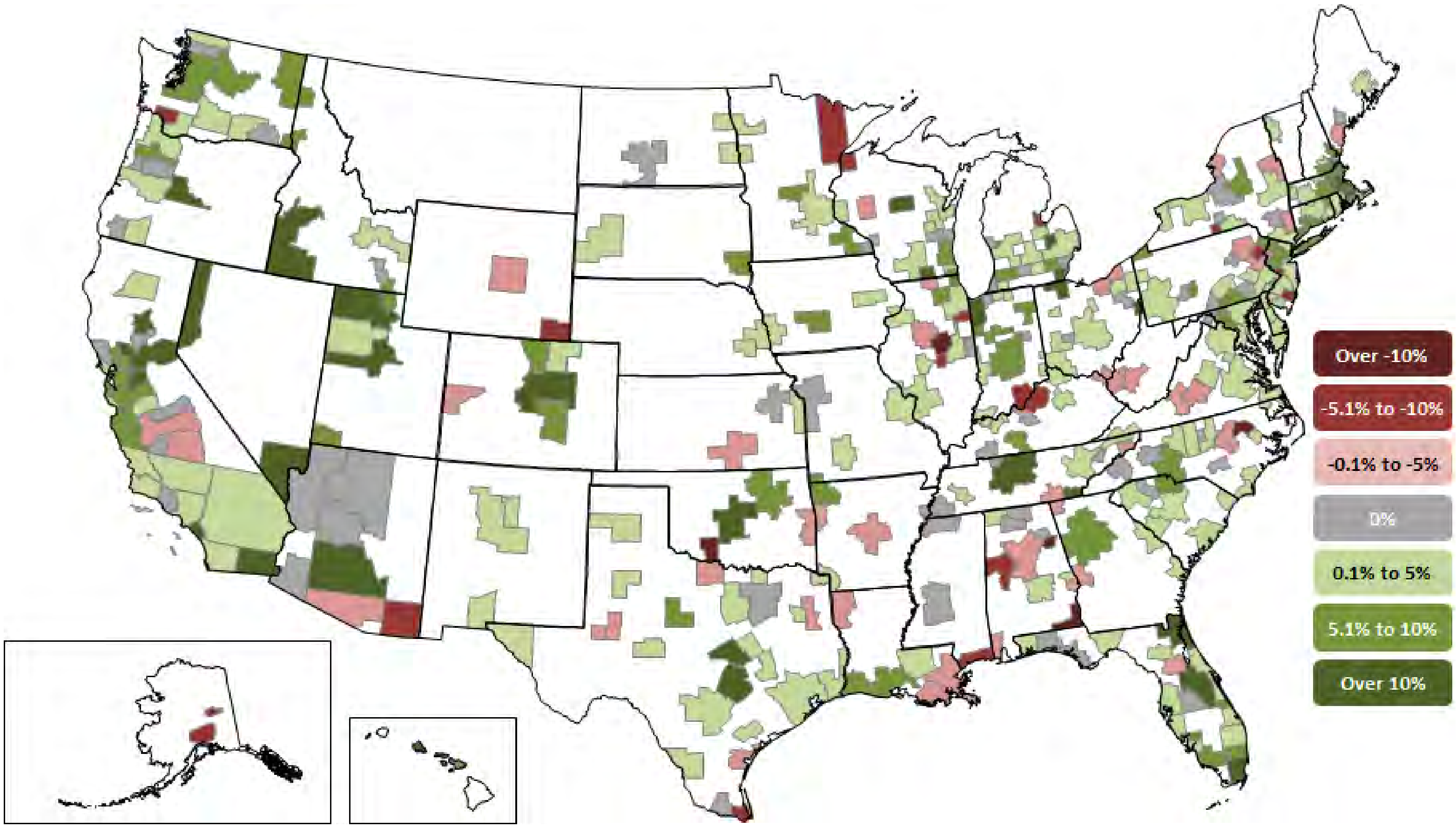
7/15 to 7/16: **39** states up, DC unchanged, **11** down



Shading based on unrounded numbers

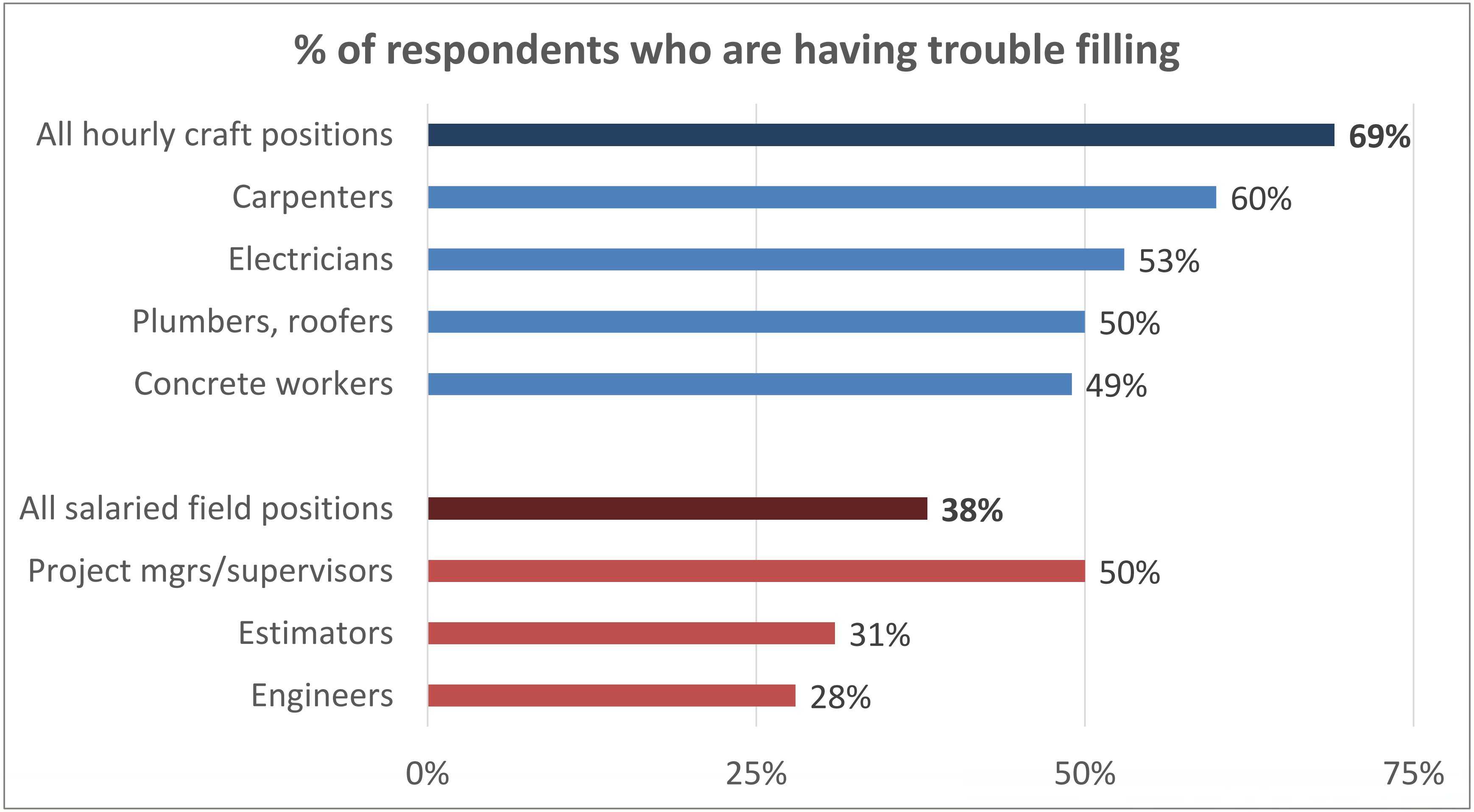
Metro construction employment change

7/15 to 7/16: 239 metros up, 59 unchanged, 60 down



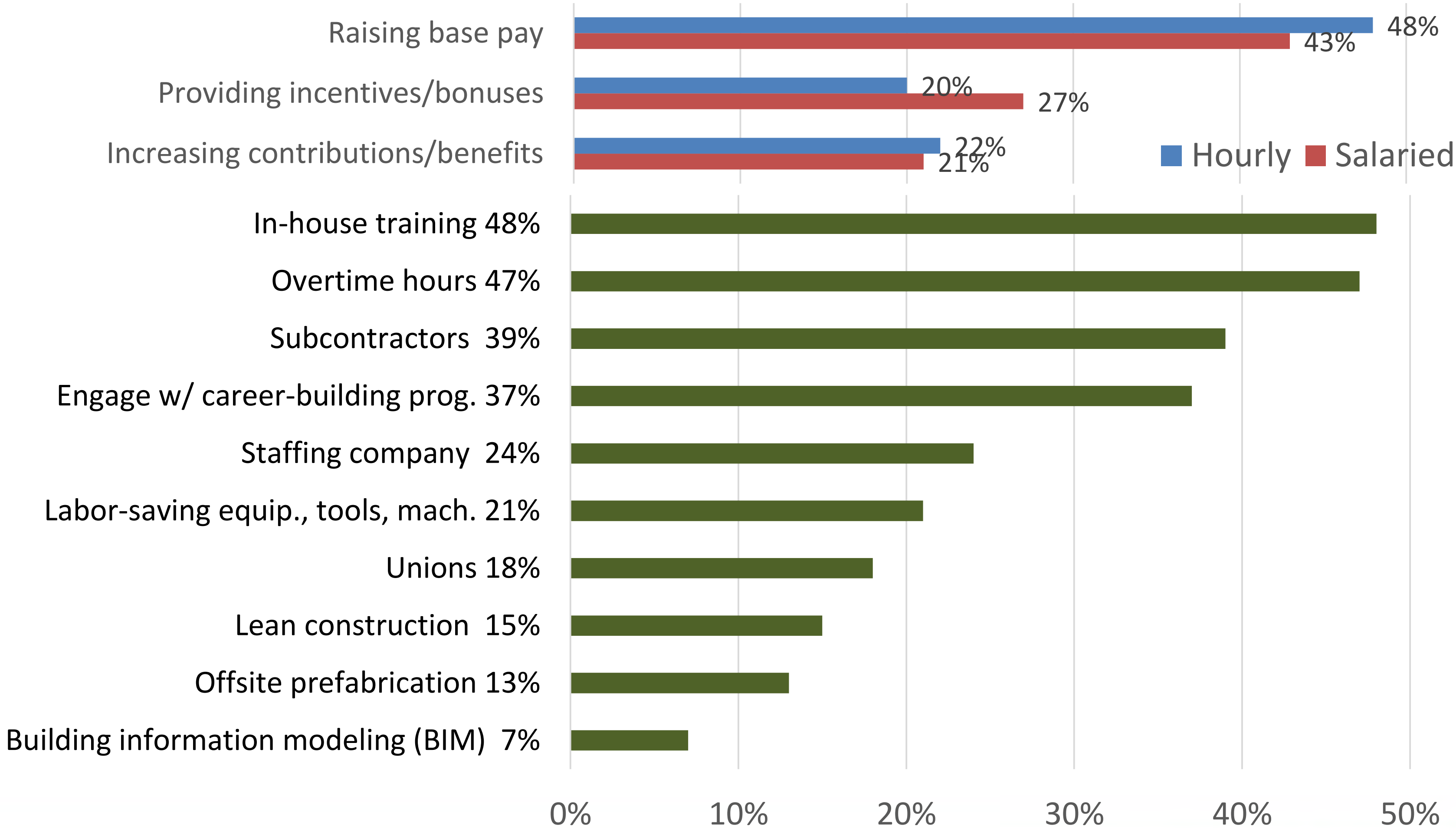
Source: BLS state and regional employment report

Hardest positions to fill

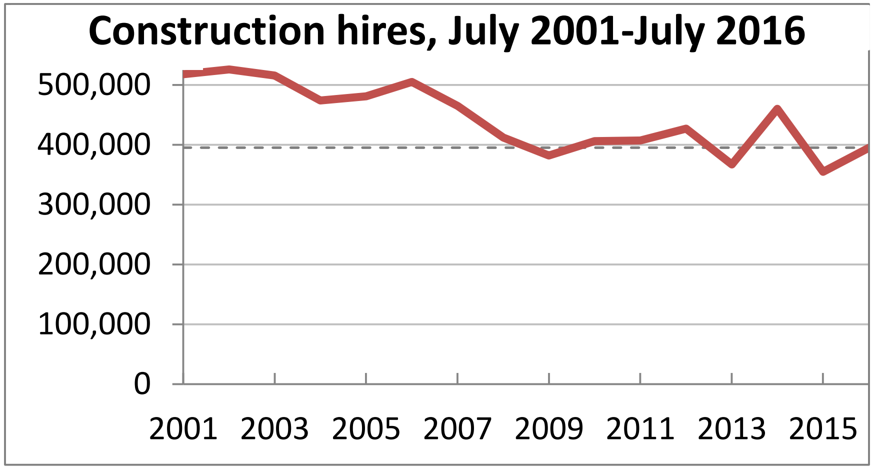


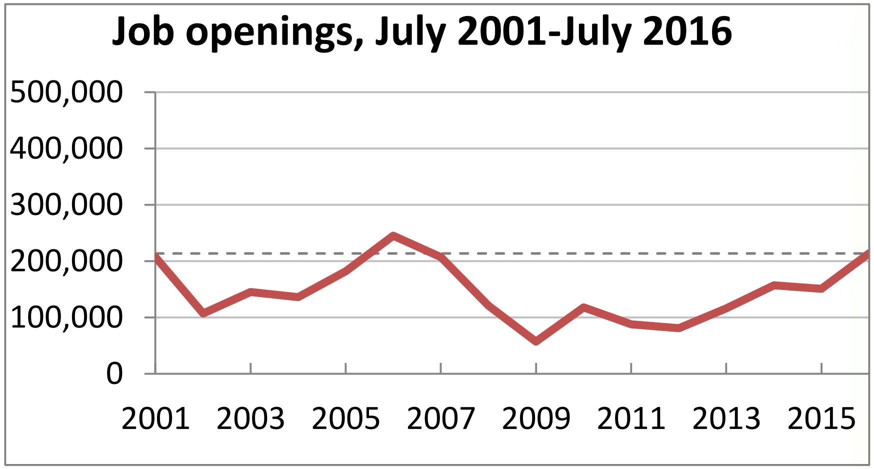
Source: AGC Member Survey, Sept. 2015

How contractors are coping with worker shortages



Construction workforce indicators (not seasonally adjusted)

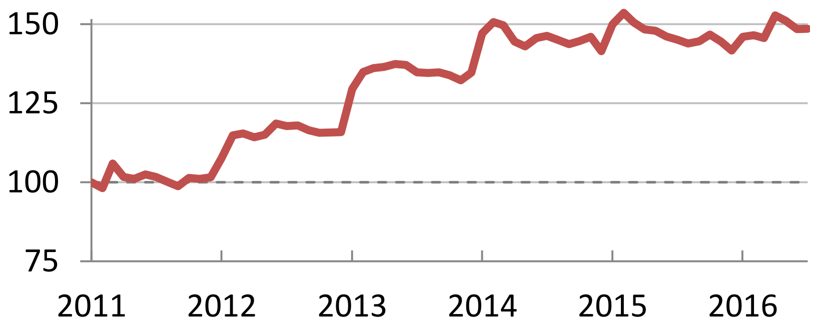




Source: Bureau of Labor Statistics

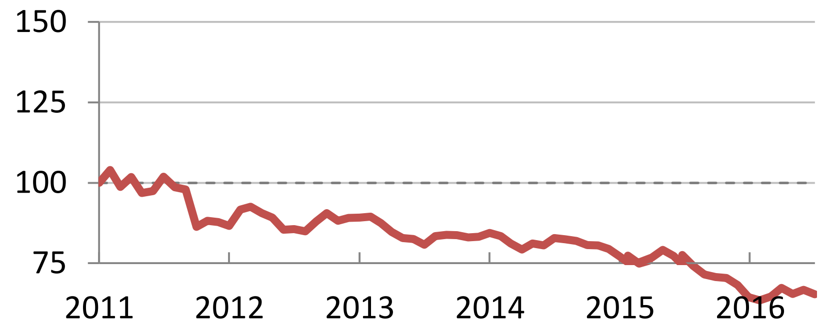
Producer price indexes for key inputs, 1/11-7/16 (Jan. 2011=100)

Gypsum products



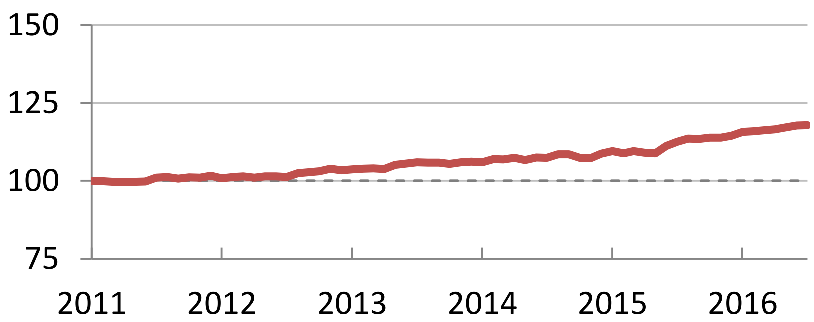
Latest 1-mo. change: 0.1%, 12-mo.: 2%

Copper & brass mill shapes



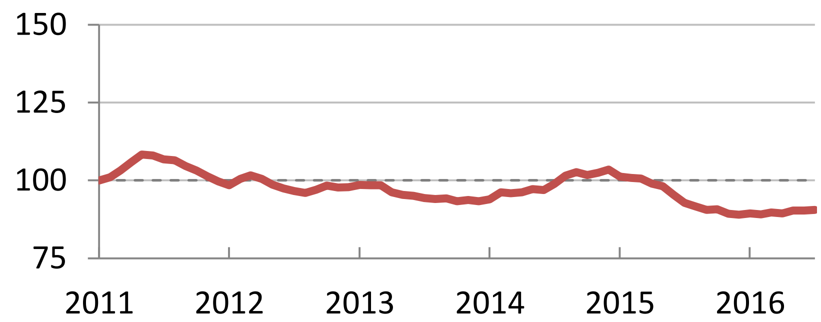
Latest 1-mo. change: 4.2%, 12-mo.: -8%

Flat glass



Latest 1-mo. change: 0.1%, 12-mo.: 5%

Aluminum mill shapes

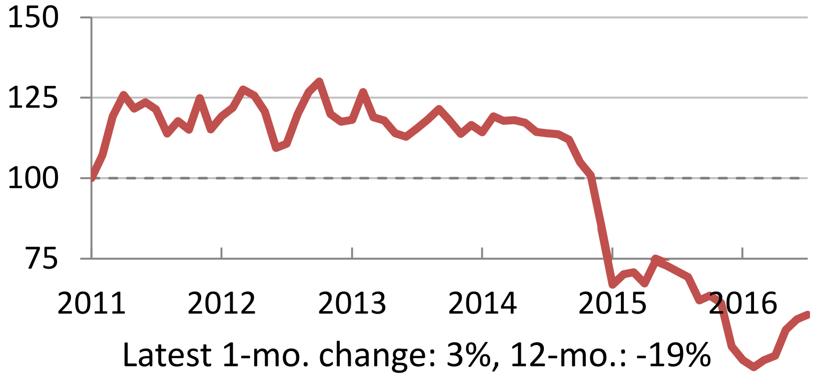


Latest 1-mo. change: 0.2%, 12-mo.: -2%

Source: Author, based on BLS producer price index reports

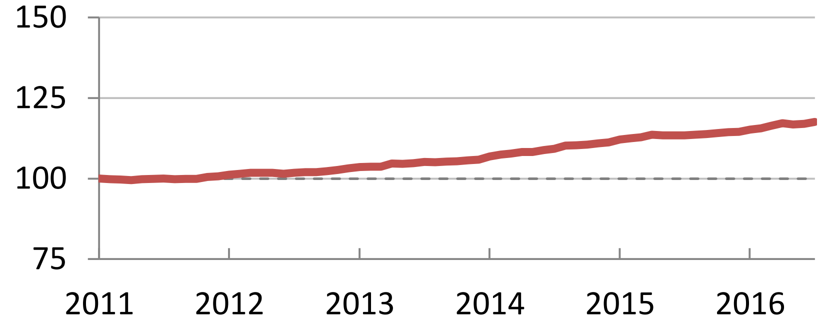
Producer price indexes for key inputs, 1/11-6/16 (Jan. 2011=100)

Diesel fuel



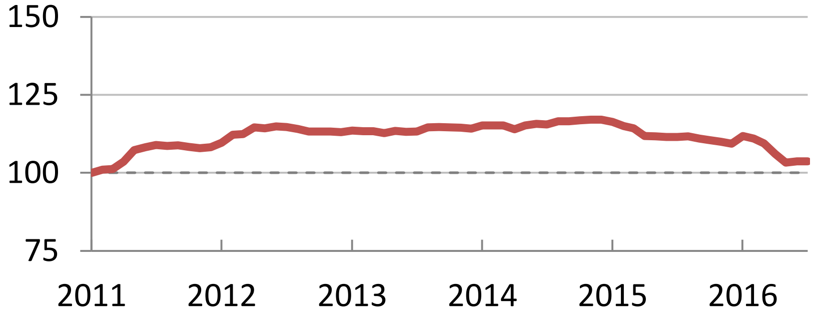
Latest 1-mo. change: 3%, 12-mo.: -19%

Concrete products



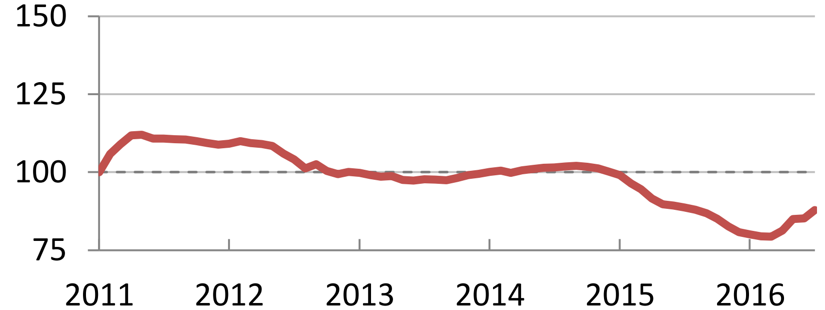
Latest 1-mo. change: 0.5%, 12-mo.: 4%

Paving mixtures



Latest 1-mo. change: 0.1%, 12-mo.: -7%

Steel mill products



Latest 1-mo. change: 3%, 12-mo.: -1%

2015 summary, 2016-17 forecast

	2015 actual	2016 yr-to-date	forecast 2016	forecast 2017
Total spending	11%	6%	3-9%	2-7%
Private – residential	17%	7%	4-11%	5-10%
– nonresidential	8%	9%	4-10%	2-7%
Public	5%	0%	0-3%	1-5%
Goods & serv. inputs PPI	-2%	-1%	0-2%	0-2%
Employment cost index	2.2%	2.5%	2.5-3.5%	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
- WebEd 11/17 with Kermit Baker (AIA), Alex Carrick (ConstructConnect)

Data DIGest

AGC of America

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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