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Which Way is Up?

Posted on 12/01/10 1 Comment

By Scott D. Butcher, CPSM

If the year is winding down, it must be time to forecast the construction market for the coming year. Fortune tellers, magic 8-balls, and economic prognosticators have been busy looking into the future – and they don't necessarily agree about what 2011 holds for the design and construction industry, much less the overall economy.

But that doesn't stop them from trying (and publishing their predictions).

The most optimistic forecast comes from McGraw-Hill, which is predicting an 8% increase in construction starts next year, with non-residential at +4%, residential at +26%, and non-building construction at -2%. FMI also sees an overall increase next year, forecasting a more modest 5% increase in construction put-in-place. It breaks down as follows: non-residential at -1%, residential at +11%, and non-building construction at +6%. The Portland Cement Association (PCA) is less encouraging, predicting a flat growth of 0.1% in total construction. Residential construction is the only sector predicted to grow, though only at 3.8%. Non-residential buildings are forecast at -4%, on top of a 32.5% drop this year. The PCA breaks the non-building category into public utility, which they forecast at -0.8%, and public construction at -1.2%. (The latter category does include public buildings.)

The American Institute of Architects (AIA) has not released their 2011 consensus construction forecast, though the most recent release (second half 2010) forecast non-residential buildings to grow at 3.1% in 2011. Associated Builders and Contractors (ABC) recently released their 2011 construct forecast, which projects a flat -0.1% for nonresidential construction put in place.

What does that mean? Well, if you believe the McGraw-Hill forecast, overall construction (all categories) will exceed the 2009 numbers; however, McGraw-Hill appears alone in that assessment. Most likely, 2011 will be similar to 2010, at least for the construction industry. However, design firms – which typically see a downturn six-to-nine months before the construction industry – may benefit from the large construction spending gains that several organizations are predicting for 2012. In September 2010, the AIA's Architectural Billing Index showed an increase in billings for the first time since January 2008. This was noted to be the "turning point" after almost three years of declines in architectural billings. However, the October 2010 index saw another decline, showing that the design industry is still not out of the recession.

So what does this mean for your core markets? Here's an overview. Note that the forecasts are not necessarily apples-to-apples, so not all categories match-up or exist among the various forecasts. Blank boxes either indicate that the specific sector or category is not forecasted, or that the figures are included within another category. There are also other forecasts that have yet to be released. I've hyperlinked all the sources at the end of this post.

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	McGraw-Hill	FMI	PCA	AIA	ABC
All Construction	+8.0	+5.0	+0.1		
Non-Residential	+4.0	-1.0	-4.0	+3.1	-0.1
Office Buildings	+13.0	-4.0	-0.3	0.0	-5.0
Lodging	+13.0	0.0	-8.2	+8.7	-7.2
Retail	+14.0			+7.6	
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Commercial		-6.0	-8.5	+5.2	-6.0
Other Commercial	+25.0				
Manufacturing	+9.0	-20.0	-3.5	-2.0	-12.0
Education	-1.0	+3.0	-6.7	+1.3	-2.0
Health Care	+9.0	+5.0	+0.5	+5.1	+0.7
Religious		+2.0	-6.0	0.0	
Other Institutional	-6.0				
Public Safety / Administrative		+3.0		0.7	
Public Buildings			-3.3		
Transportation		+6.0			
Residential	+26.0	+11.0	+3.8		
Single-Family Residential	+27.0	+20.0			
Multi-Family Residential	+24.0	-8.0			
Home Improvement		+5.0			
Non-Building Construction	-2.0	+6.0			
Highways & Bridges	-4.0	+4.0	+0.9		
Conservation / Development		+8.0	+0.9		
Sewer Systems		+4.0	-0.2		
Environmental Public Works	+1.0				
Other Public Works	+2.0				
Electric Utilities	-10.0	+9.0			+5.5
Water Supply		+3.0	-4.6		
Public Utility			-0.8		
Military/Misc			+0.6		

The McGraw-Hill forecast anticipates that the best regions for construction growth in 2011 will be the South Atlantic (+14%), South Central (+10%), and West (+8.0). The Northeast (+2.0) and Midwest (+6%) are forecast to see more modest growth.

Further reading and sources:

A Stalled Recovery Ready to Rev Up

Consensus Construction Forecast: Recovery in Nonresidential Construction Sector Expected to Take Hold Mid-2011

FMI's Construction Outlook – 3rd Quarter 2010 Report

Reed Construction Data – Construction Forecasts

ABC Construction Forecast Predicts "Slow Progress" in 2011

One Trackback

By Tweets that mention Which Way is Up? -- Topsy.com on December 1, 2010 at 4:44 PM

[...] This post was mentioned on Twitter by Mandi Heilig and Scott Mickle, JDB Engineering. JDB Engineering said: What does 2011 hold for design & construction industry? Here's a summary of the divergent forecasts: http://bit.ly/etnKZO #smps #aec [...]

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