

# Philadelphia Council for Business Economics

May 7, 2014



# Current Construction Trends

Presented by: Bernard M. Markstein  
Reed U.S. Chief Economist



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# About Reed Construction Data

**Reed Construction Data** is a leading construction information provider.

We deliver targeted and timely **project leads**, **market intelligence**, **marketing solutions** and **RSMeans cost data** to construction professionals throughout the US and Canada.

Our products and services simplify decision-making and help organizations:



**Maximize  
Productivity**

**Increase  
Profits**

**Drive  
Growth**



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# How we do it: **our channels**

**RSM**Means



**Project  
leads**



**Market  
intelligence**



**Marketing  
solutions**



## Our coverage and penetration

Private projects

**22%**

increase year over year

Plans and specs

**80%**

acquisition rate

**TOTAL ACTIVE PROJECTS: 15.2% increase over 4 years**

Non-residential construction information

**130,000**

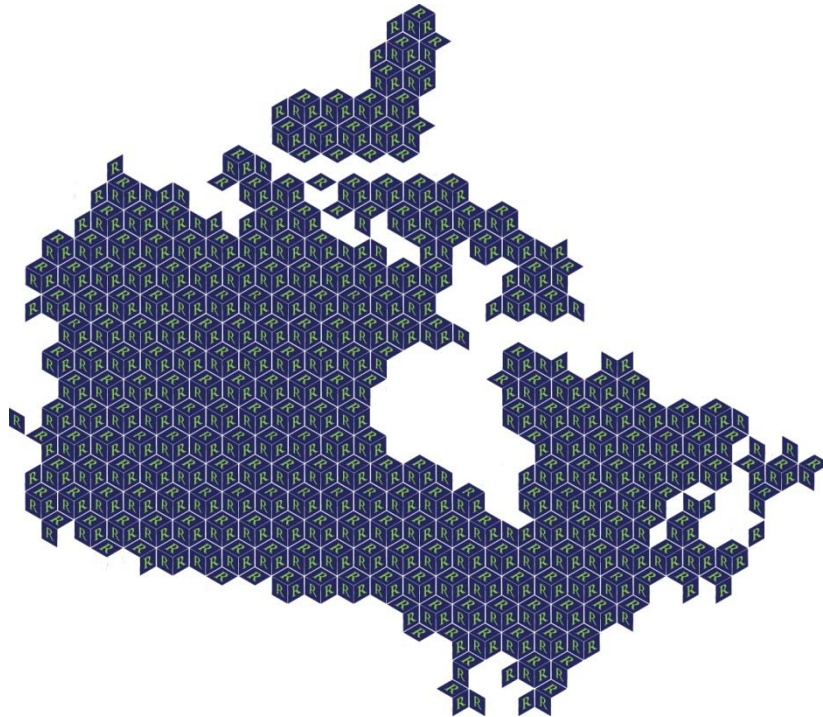
**public and private  
industry sources**

Plans and specs

**22.9%**

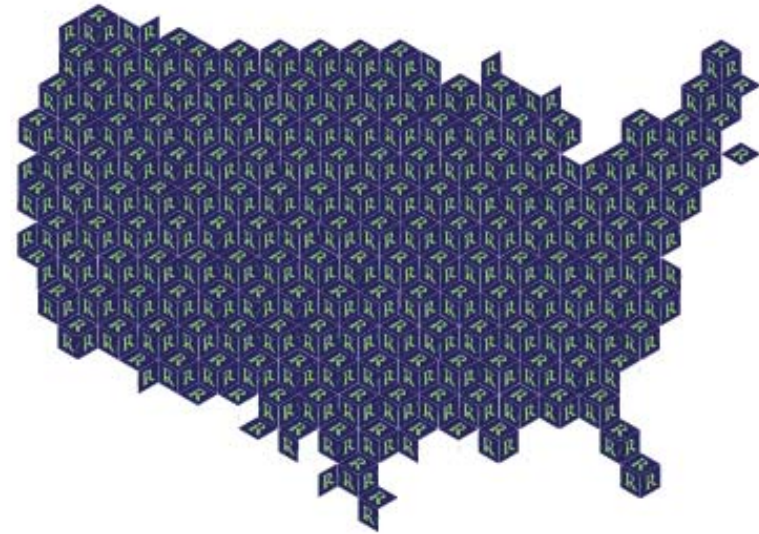
increase over four years





Every state and  
every area in  
**USA**  
covered  
including  
Alaska and Hawaii

More coverage in  
**Canada**  
than anyone in the  
construction industry



**Our coverage and penetration**

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# The U.S. Economy



## Overview of the economy

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- **Economic growth – improving, but should be better**
- **Employment growing, but should be faster**
- **Inflation remains moderate, too low?**
- **Washington less of an obstacle, but will wrangling break out again and hinder basic business?**
- **Federal Reserve has started to taper, when do interest rates rise?**





# Risks to the economy

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- Spike in interest rates due to Fed unwinding its Quantitative Easing program too fast
- Sharp cuts to federal government spending in the near term
- European government debt default
- The euro
- Energy (oil) prices
- Russia?



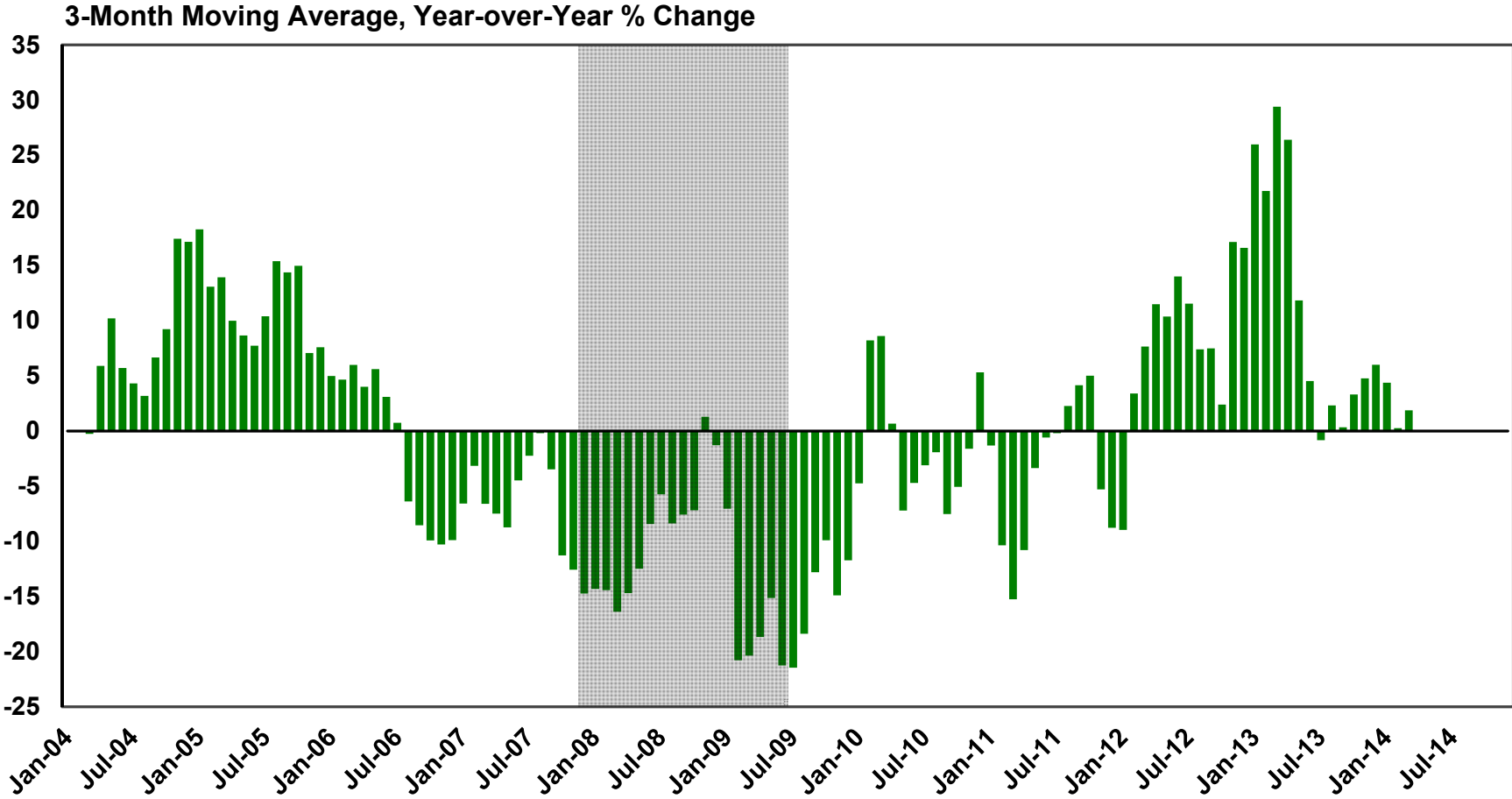
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# Construction Outlook



# Overview of construction

## Reed Total Starts (3-Mo MA YoY)

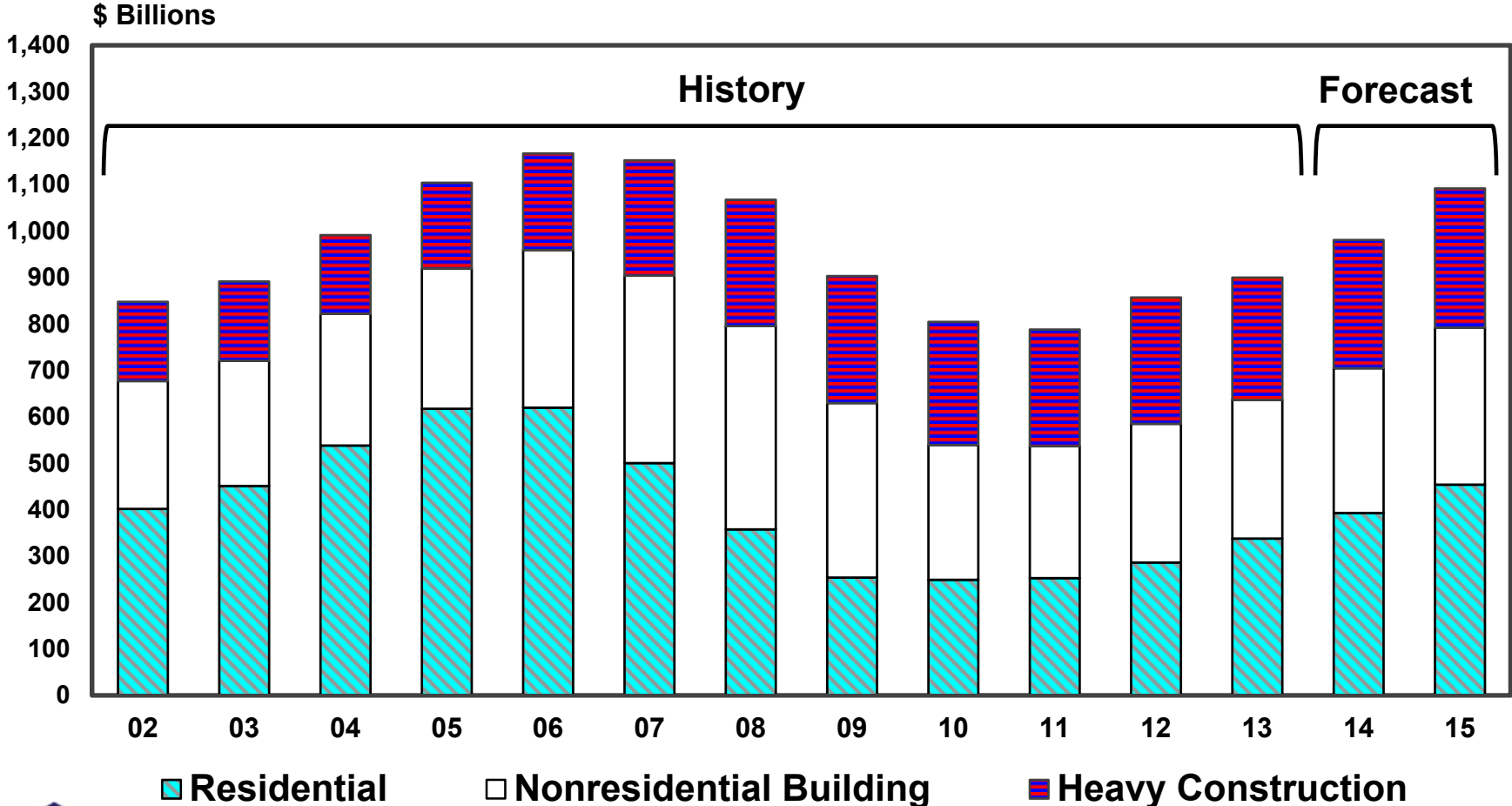


Source: Reed Construction Data  
Shaded area represents recession

# Overview of construction

## Forecast: Construction to improve

### Construction Spending and its Components

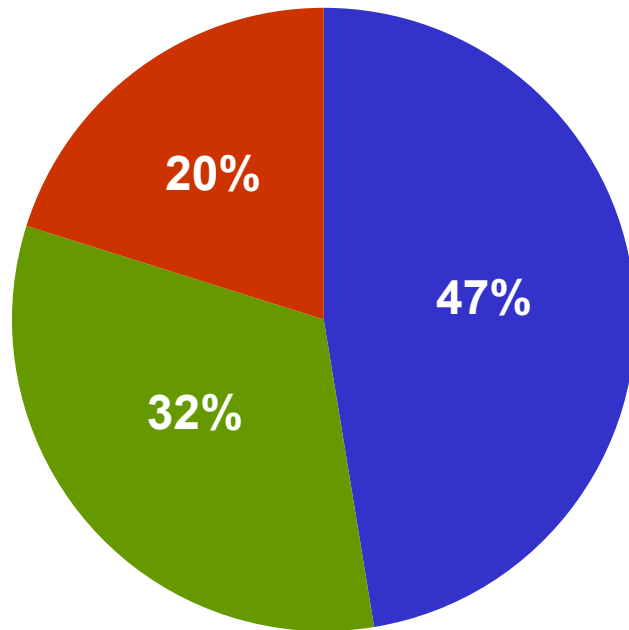


Source: History – U.S. Census Bureau; Forecast – Reed Construction Data

# Overview of construction

## Construction Spending Components

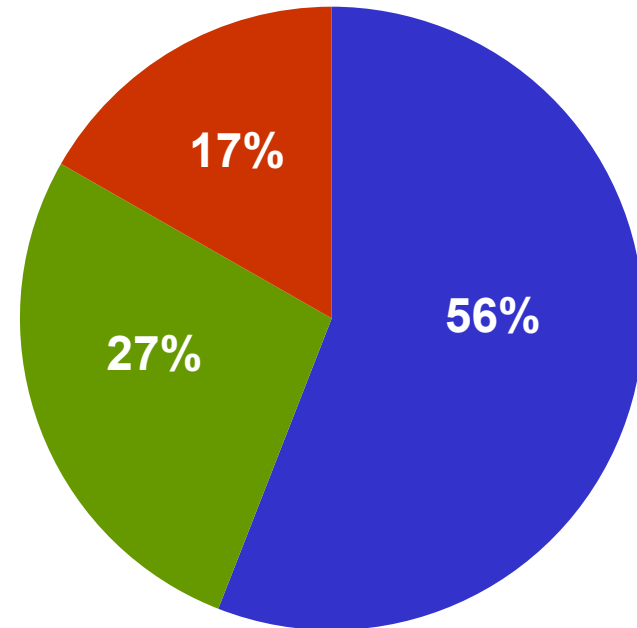
2002



- Residential
- Nonresidential Building
- Heavy Construction

2002 Total - \$848 Billion

2005



- Residential
- Nonresidential Building
- Heavy Construction

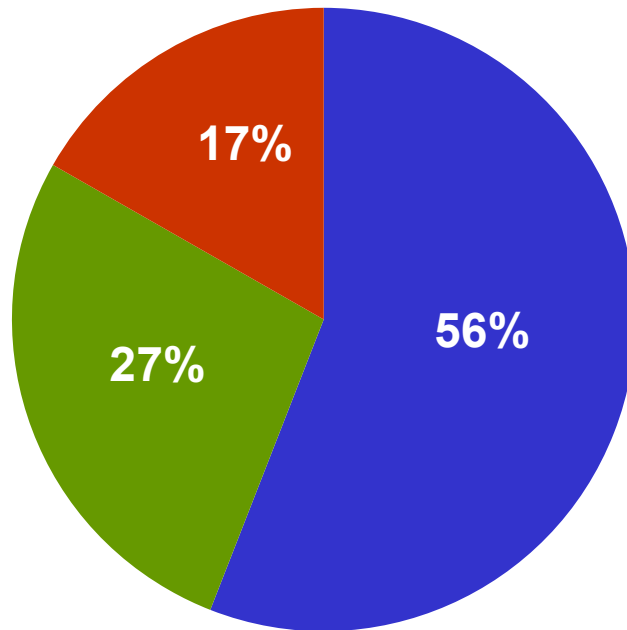
2005 Total - \$1,104 Billion



## Overview of construction

# Construction Spending Components

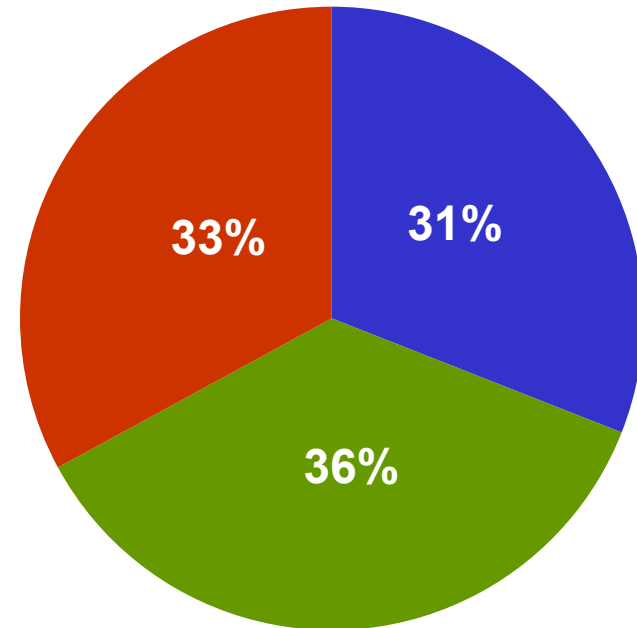
2005



- Residential
- Nonresidential Building
- Heavy Construction

**2005 Total - \$1,104 Billion**

2010



- Residential
- Nonresidential Building
- Heavy Construction

**2010 Total - \$805 Billion**

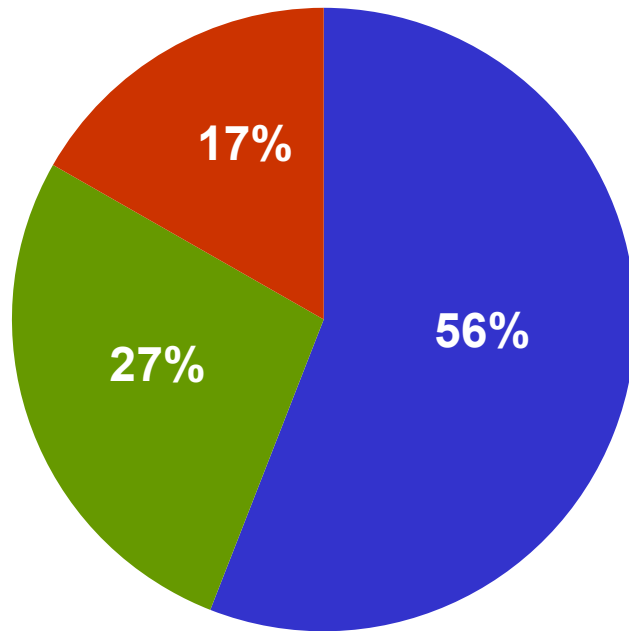


Source: U.S. Census Bureau

## Overview of construction

# Construction Spending Components

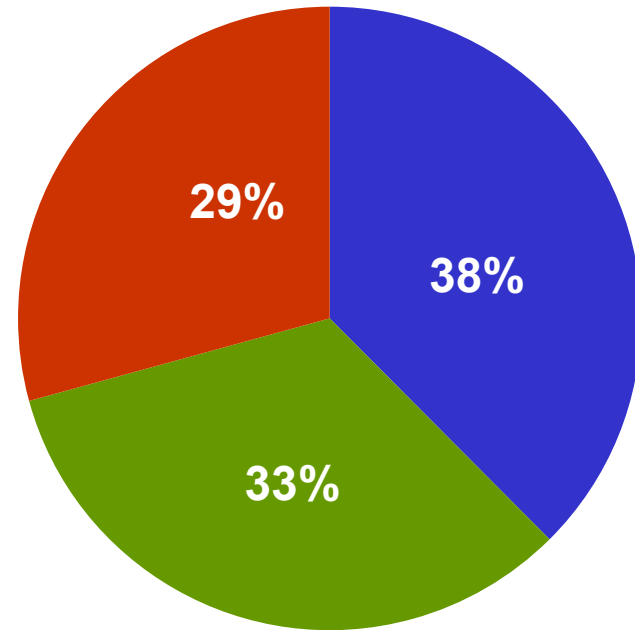
2005



- Residential
- Nonresidential Building
- Heavy Construction

**2005 Total - \$1,104 Billion**

2013



- Residential
- Nonresidential Building
- Heavy Construction

**2013 Total - \$900 Billion**

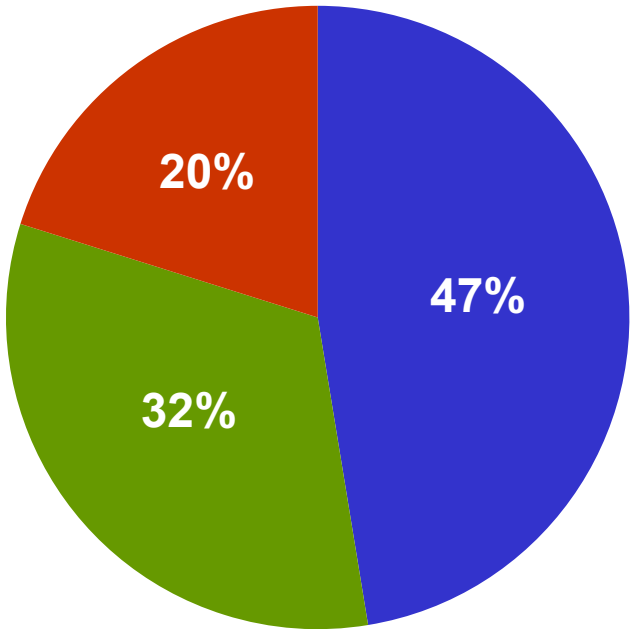


Source: U.S. Census Bureau

# Overview of construction

## Construction Spending Components

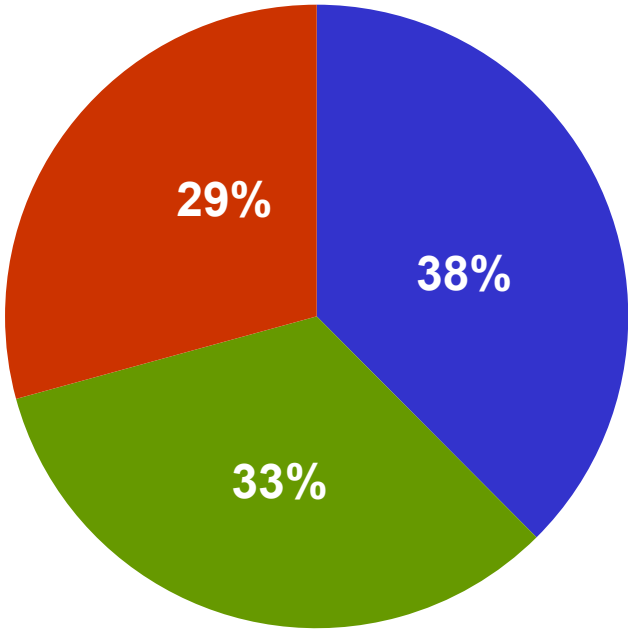
2002



- Residential
- Nonresidential Building
- Heavy Construction

2002 Total - \$848 Billion

2013



- Residential
- Nonresidential Building
- Heavy Construction

2013 Total - \$900 Billion



Source: U.S. Census Bureau



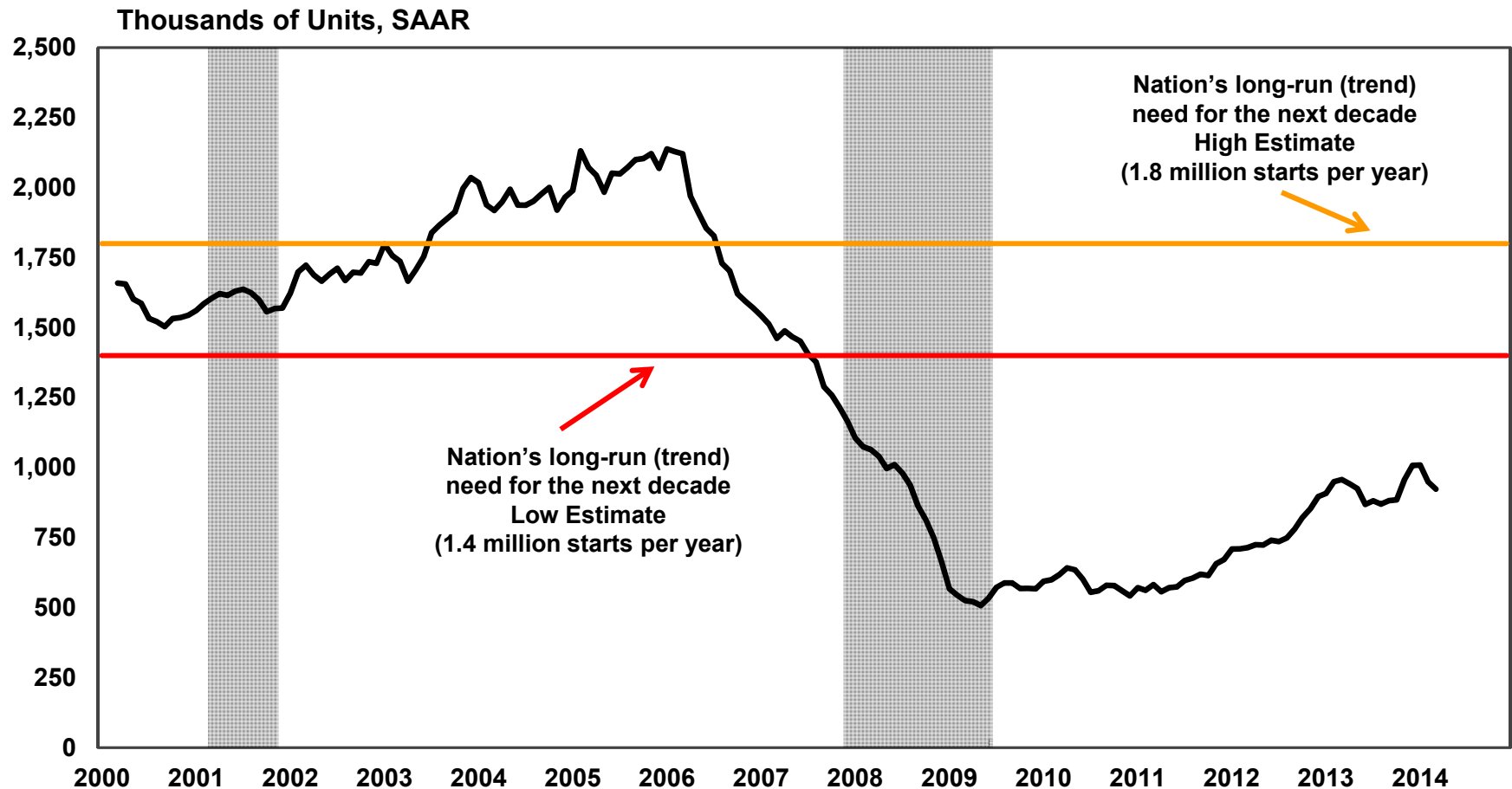
# Residential construction is recovering, but from a low level

- Single-family housing market is on the mend, but much further to go before it is back to normal
- Multifamily market has largely recovered, but still some room for growth



# Overview of housing

## Total Housing Starts (3-Month Moving Average)

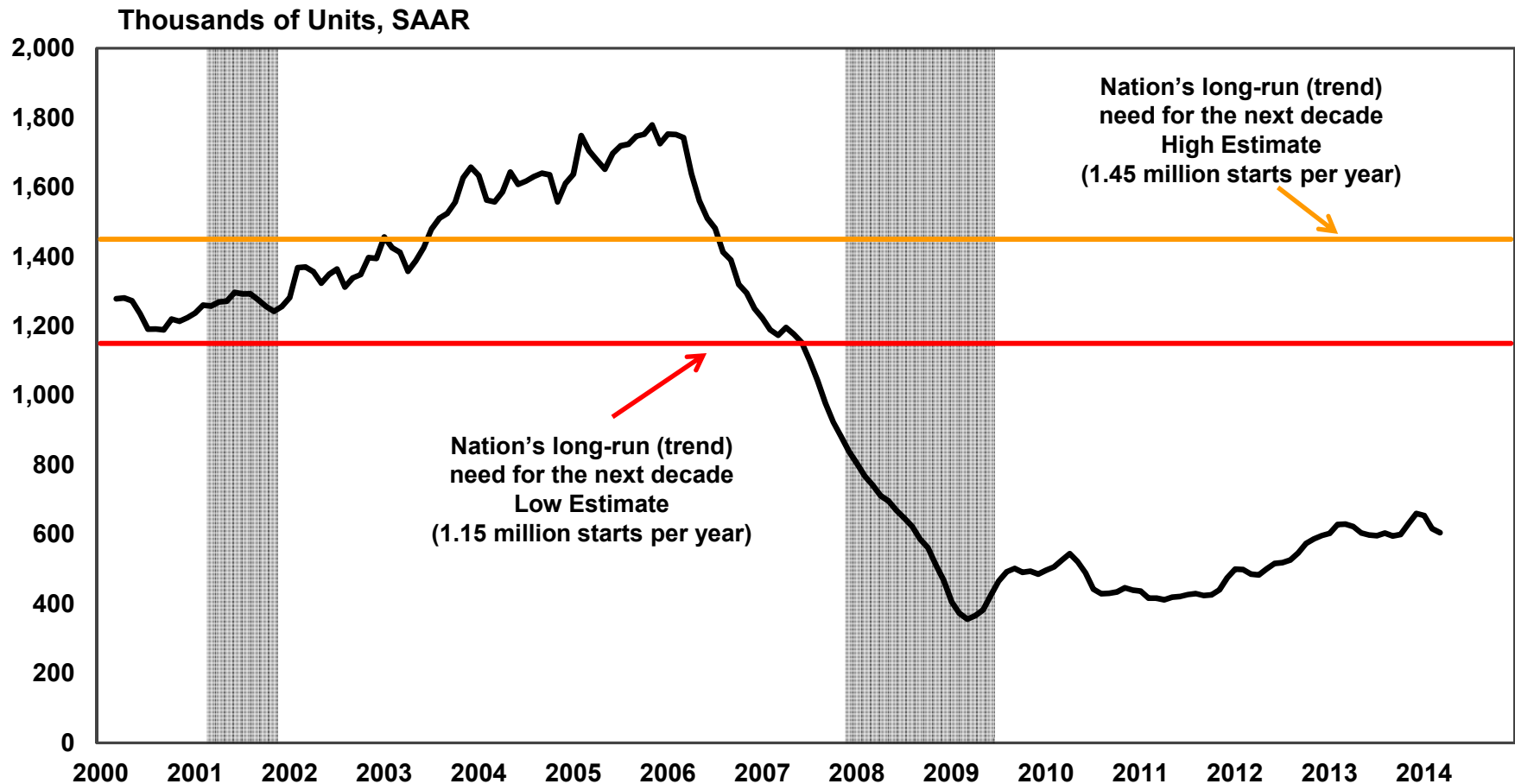


Source: U.S. Census Bureau

Shaded areas represent recession

# Overview of housing

## Single-Family Housing Starts (3-Month Moving Average)

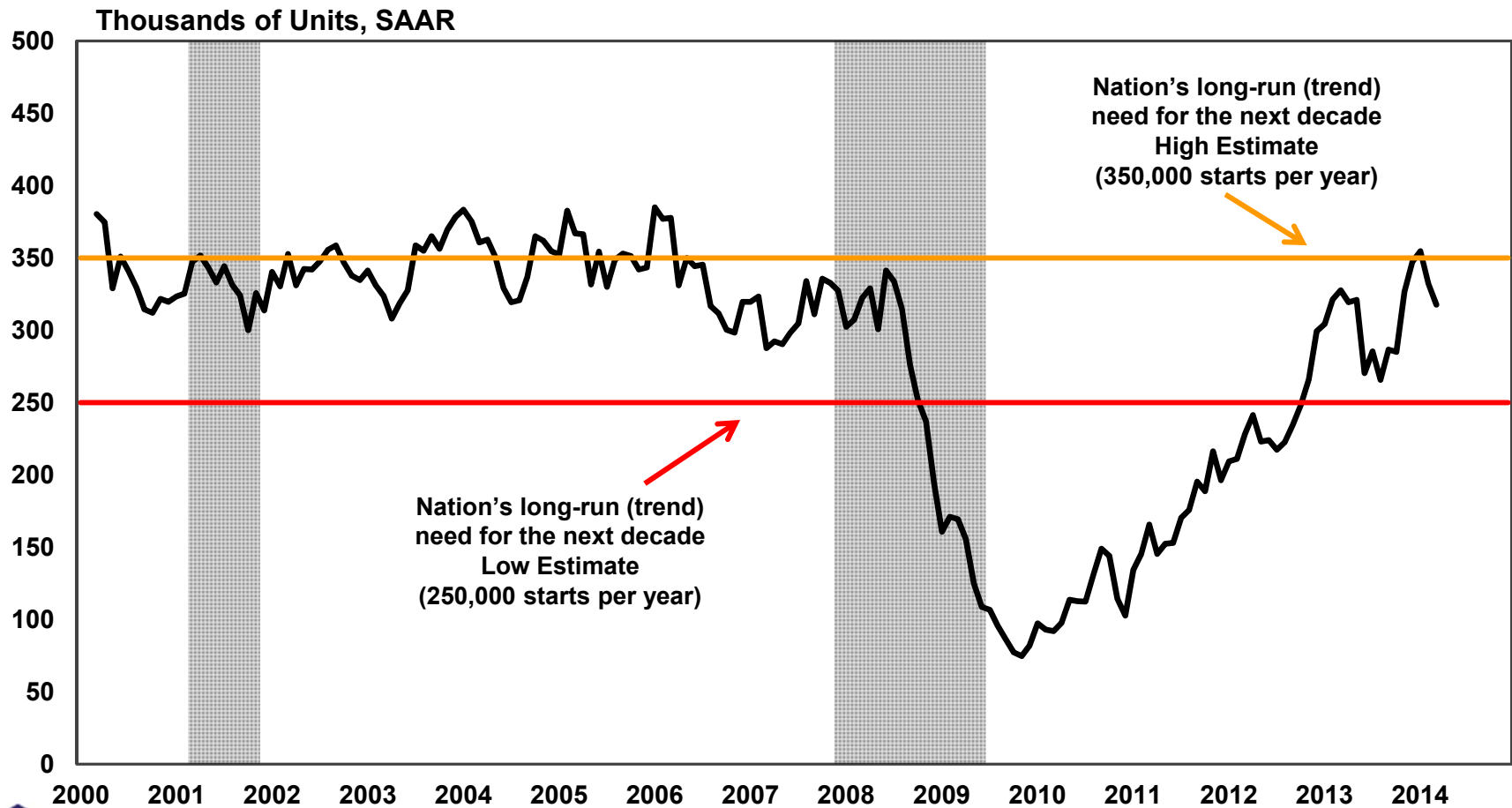


Source: U.S. Census Bureau

Shaded areas represent recession

# Overview of housing

## Multifamily Housing Starts (3-Month Moving Average)

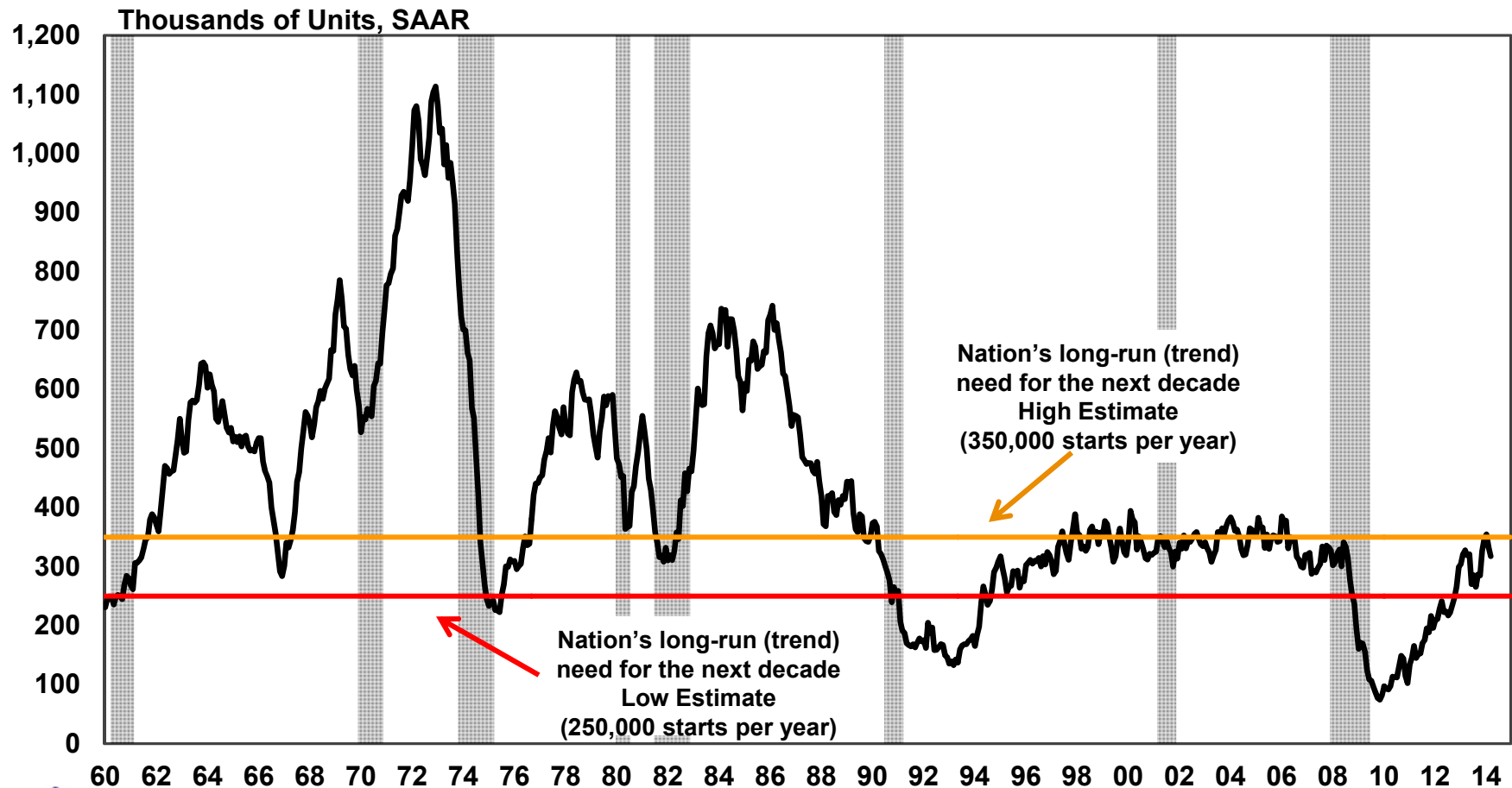


Source: U.S. Census Bureau

Shaded areas represent recession

# Overview of housing

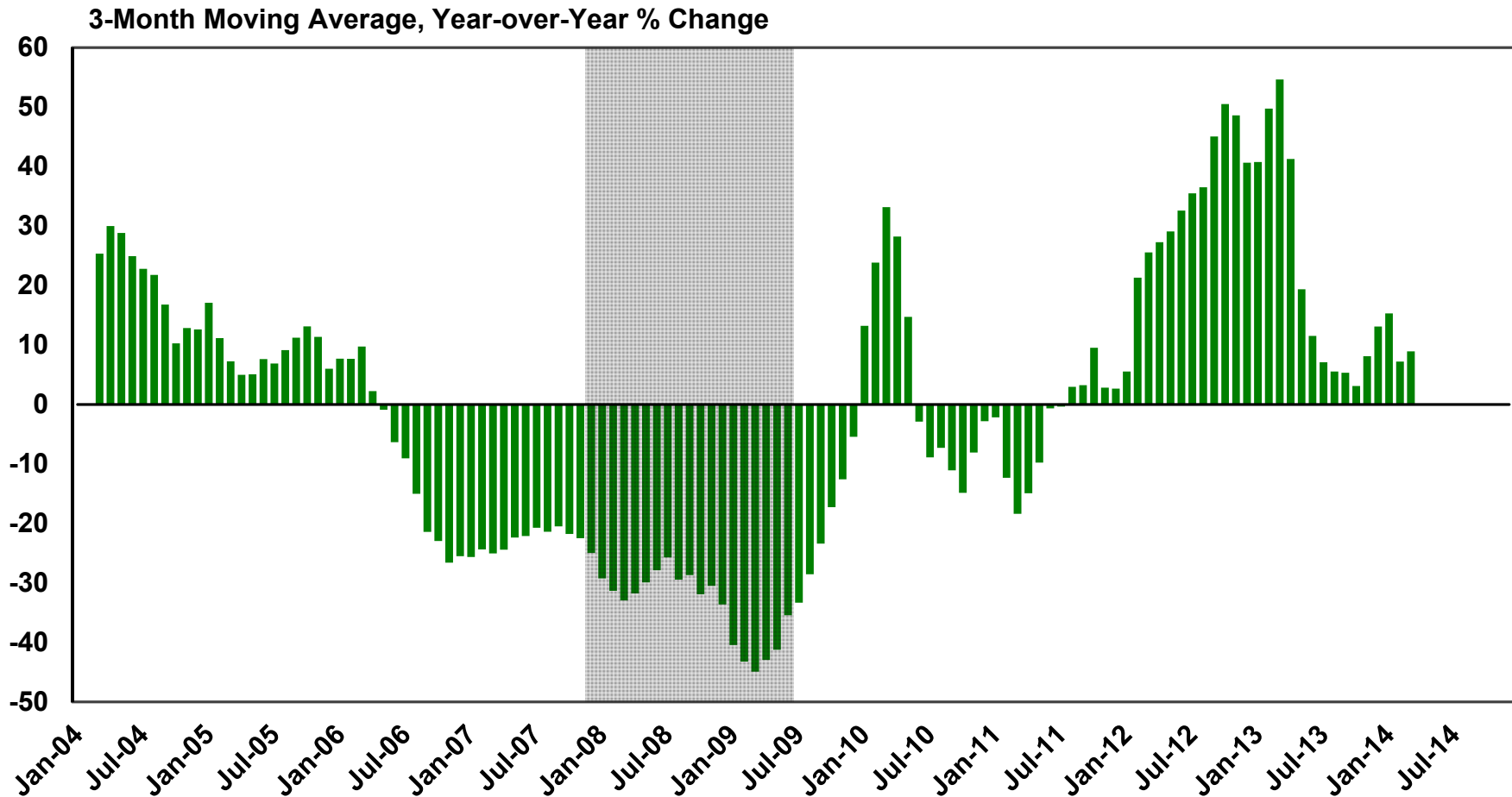
## Multifamily Housing Starts (3-Month Moving Average)



Source: U.S. Census Bureau

Shaded areas represent recession

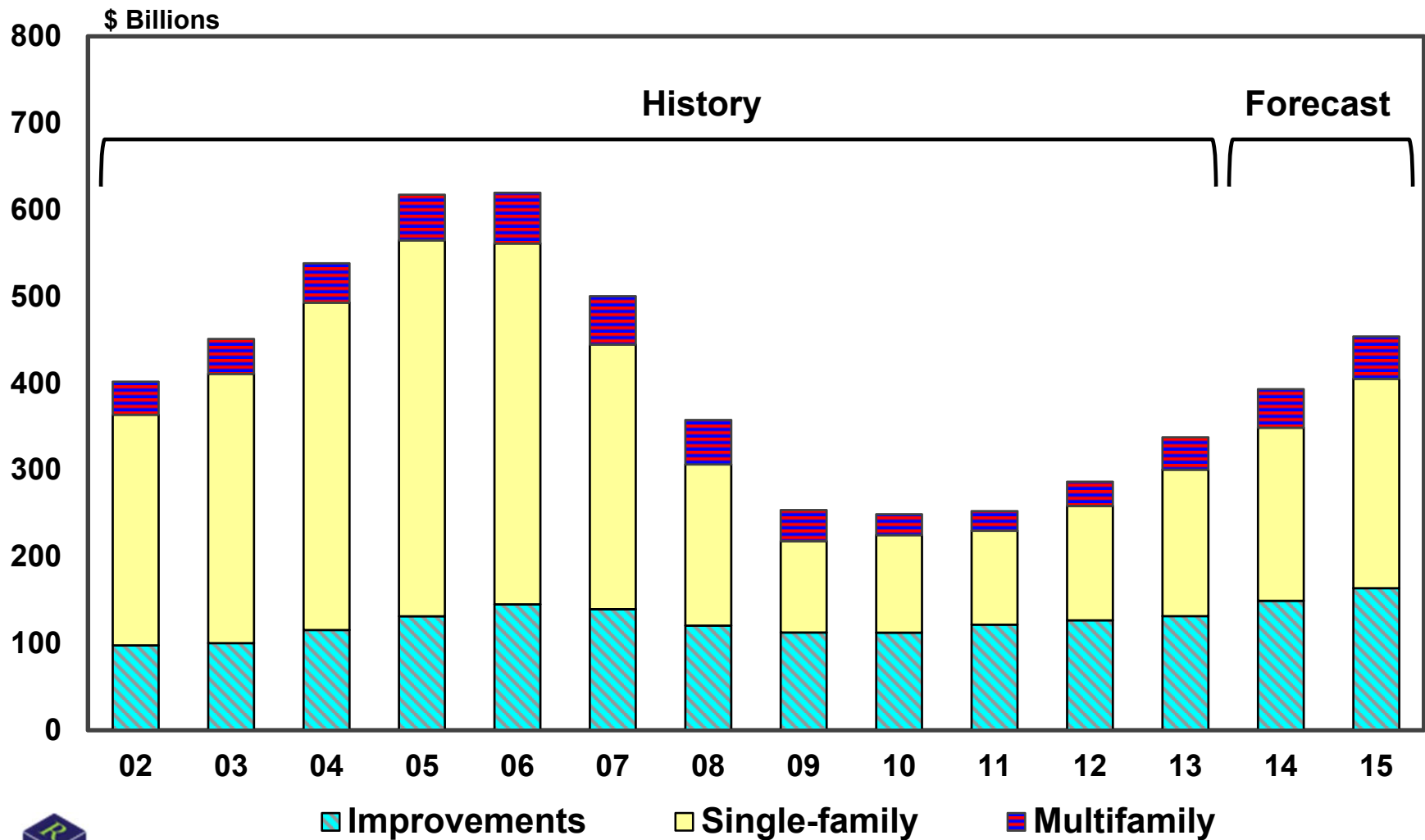
# Reed Residential Starts (3-Mo MA YoY)



Source: Reed Construction Data  
Shaded area represents recession

# Overview of housing

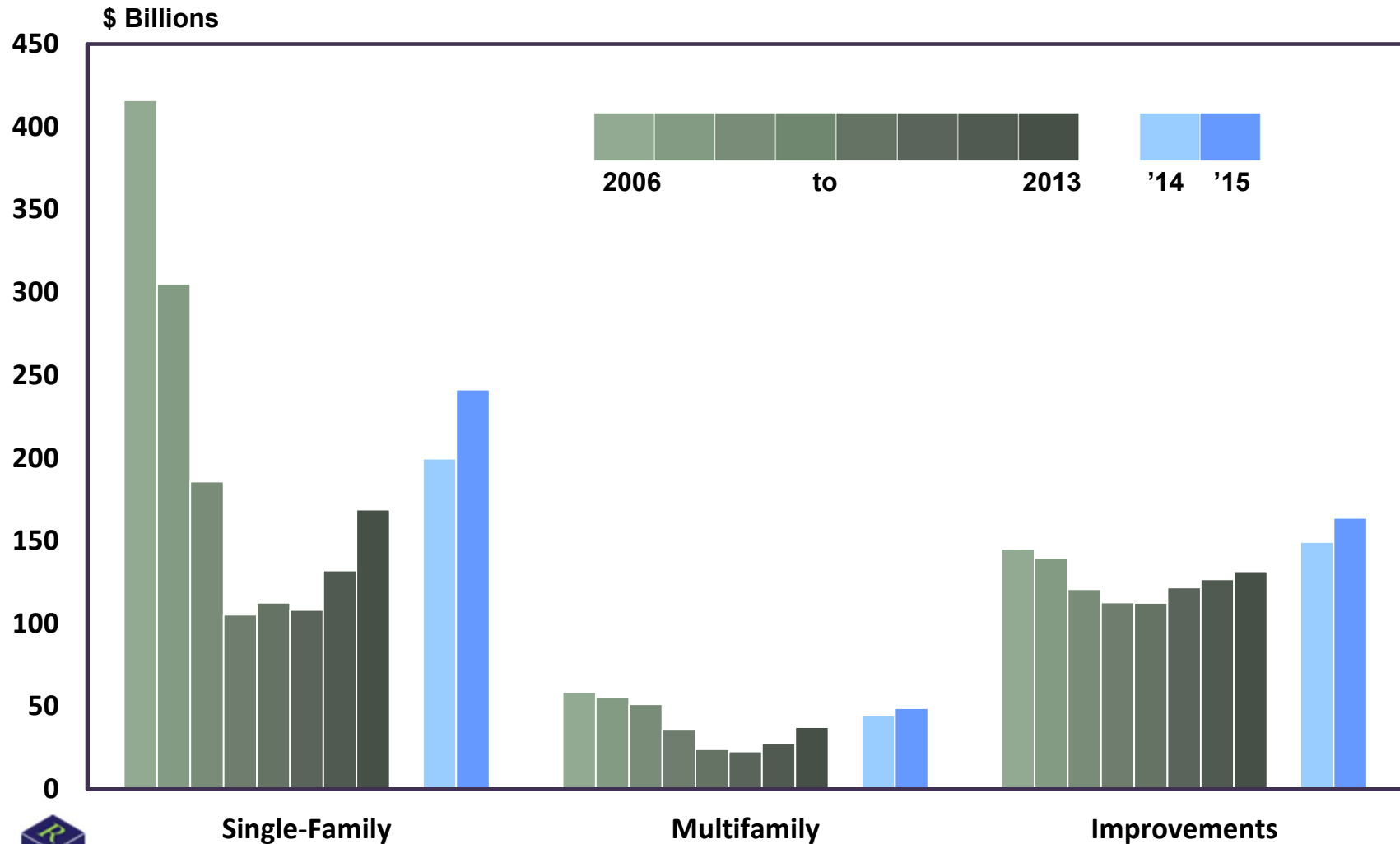
## Residential Spending Components



Source: History – U.S. Census Bureau; Forecast – Reed Construction Data

# Overview of housing

## Residential Construction Spending



Source: History – U.S. Census Bureau; Forecast – Reed Construction Data



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# Issues Facing Housing



## Headwinds for housing

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- Builders' inventory of land for development and construction is low → prices for land rising
- Shortages of skilled labor in some markets
- Lending standards easing, but still rigorous by historical standards
- Debt burden by young adults—student debt
- Fear of homeownership?

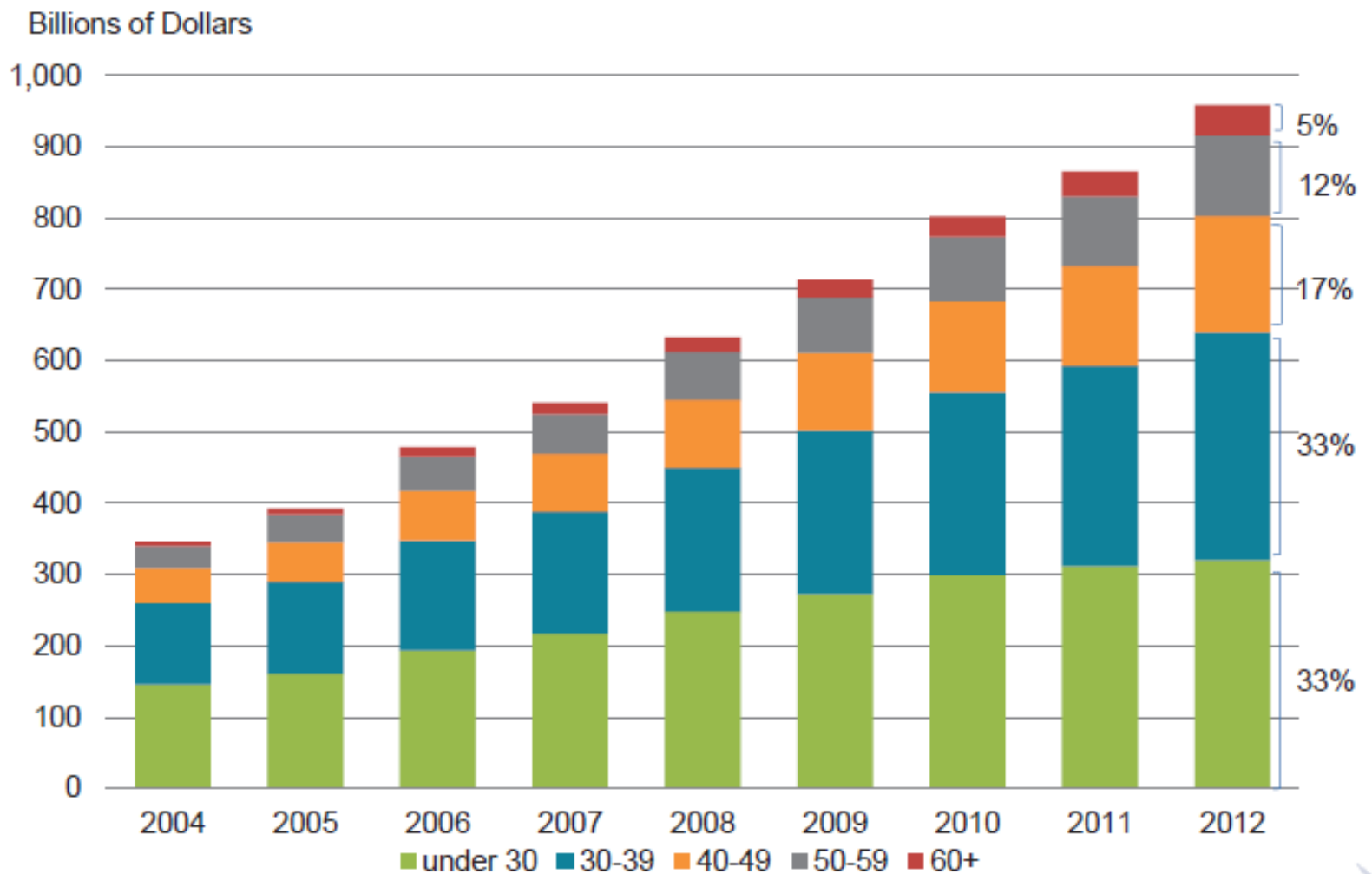


**Would you lend to a person  
carrying a large amount of  
student debt?**

**Would you want to borrow  
more money if you were  
such a person?**



## Total student loan balances by age group increasing across all age groups

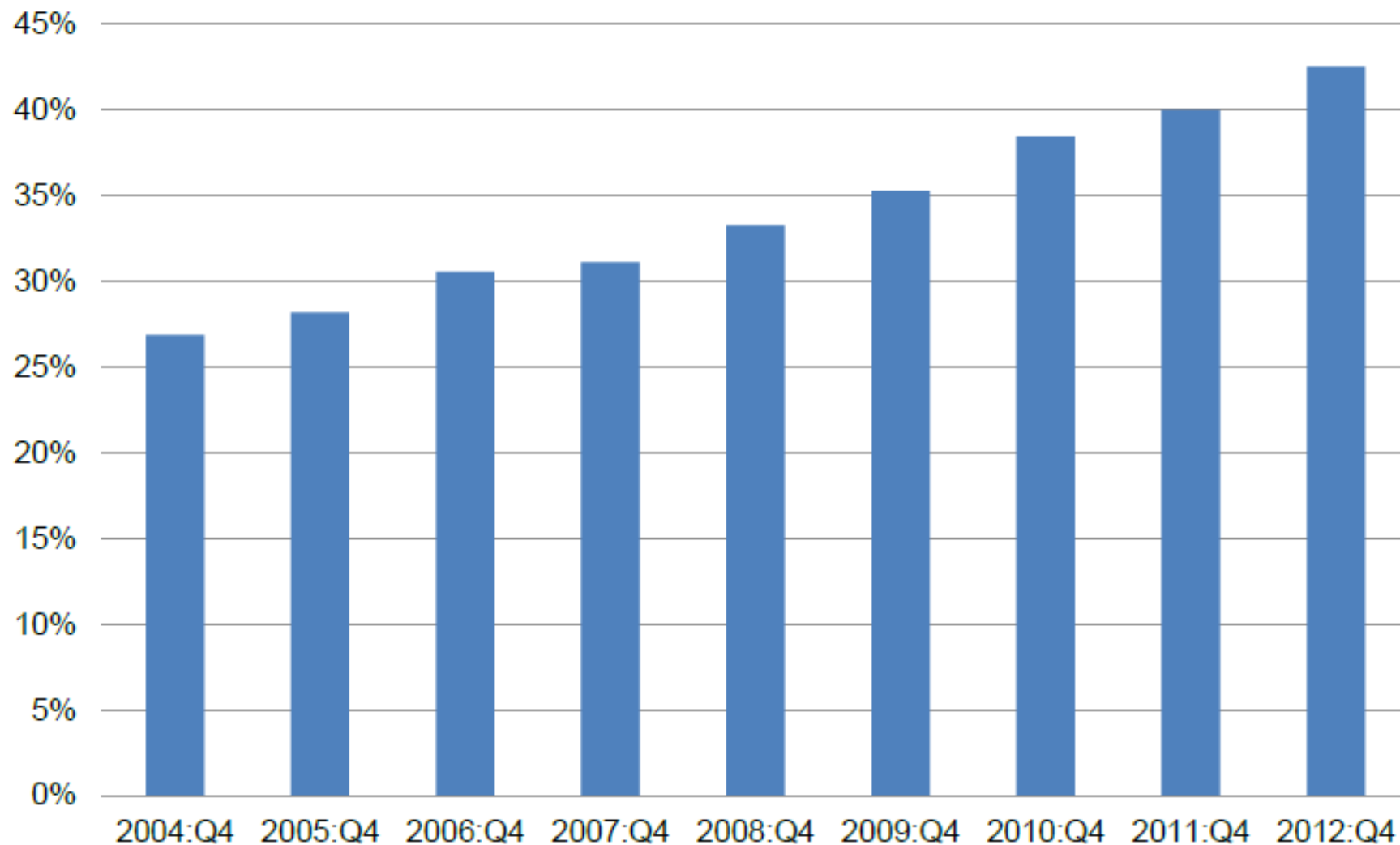


Source: FRBNY Consumer Credit Panel / Equifax



# Student borrowing increasingly prevalent

## Share of 25 year olds with student debt



Source: FRBNY Consumer Credit Panel / Equifax



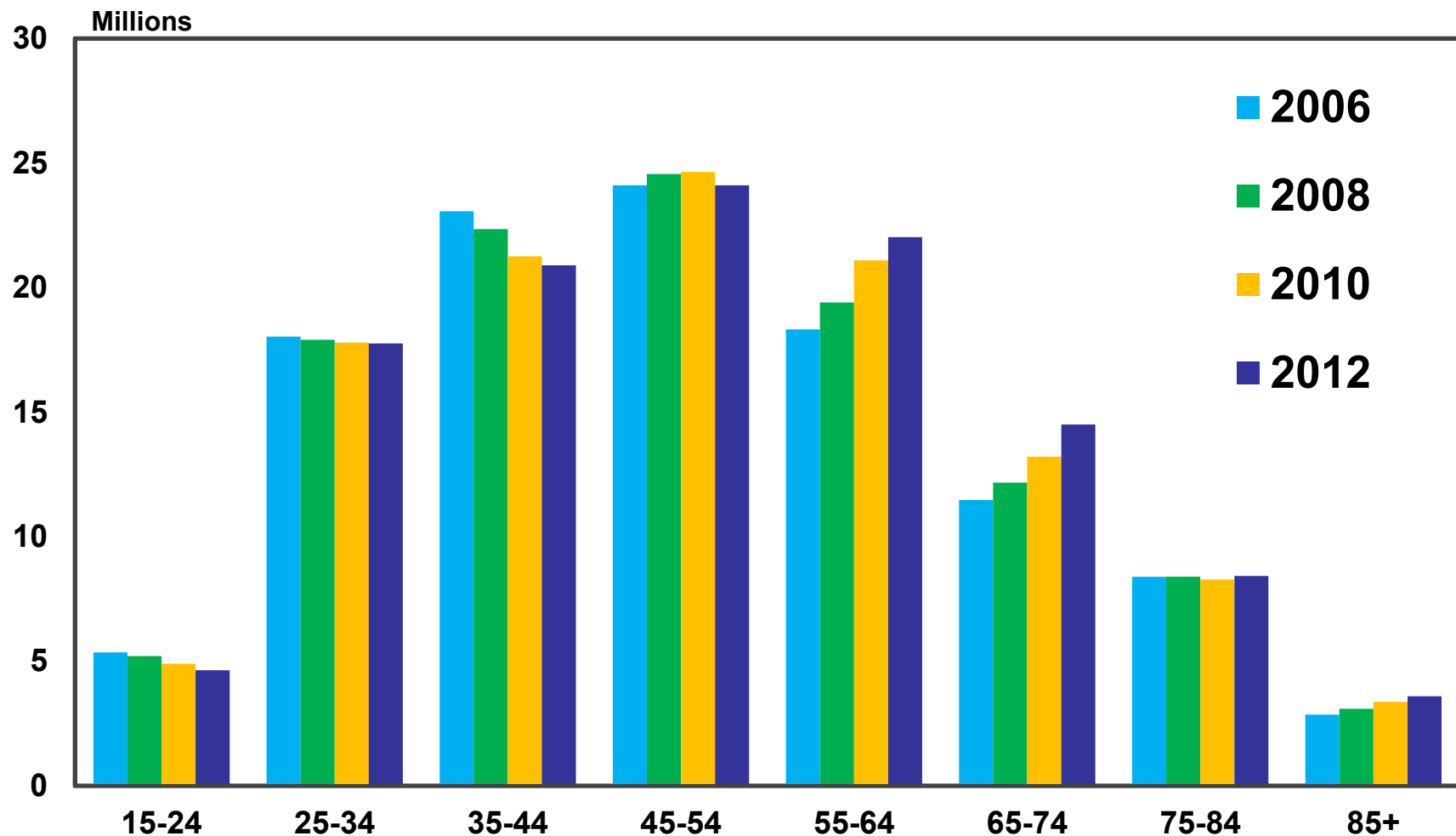
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# **Are views about homeownership changing ?**



## Demographics and housing

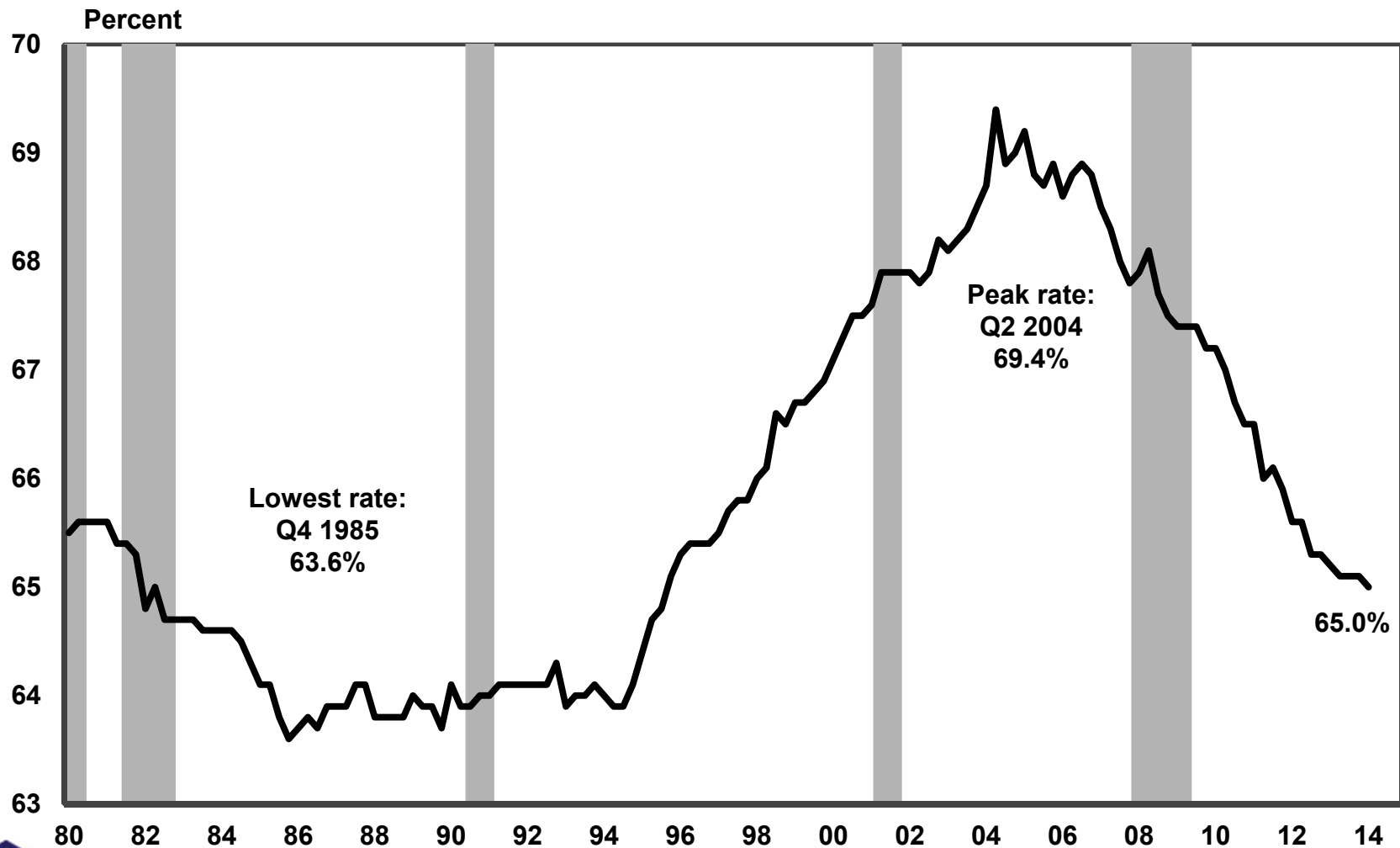
# Head of Household by Age Cohort in 2012



Source: U.S. Census Bureau, American Community Survey (ACS)

# Demographics and housing

## Homeownership Rate



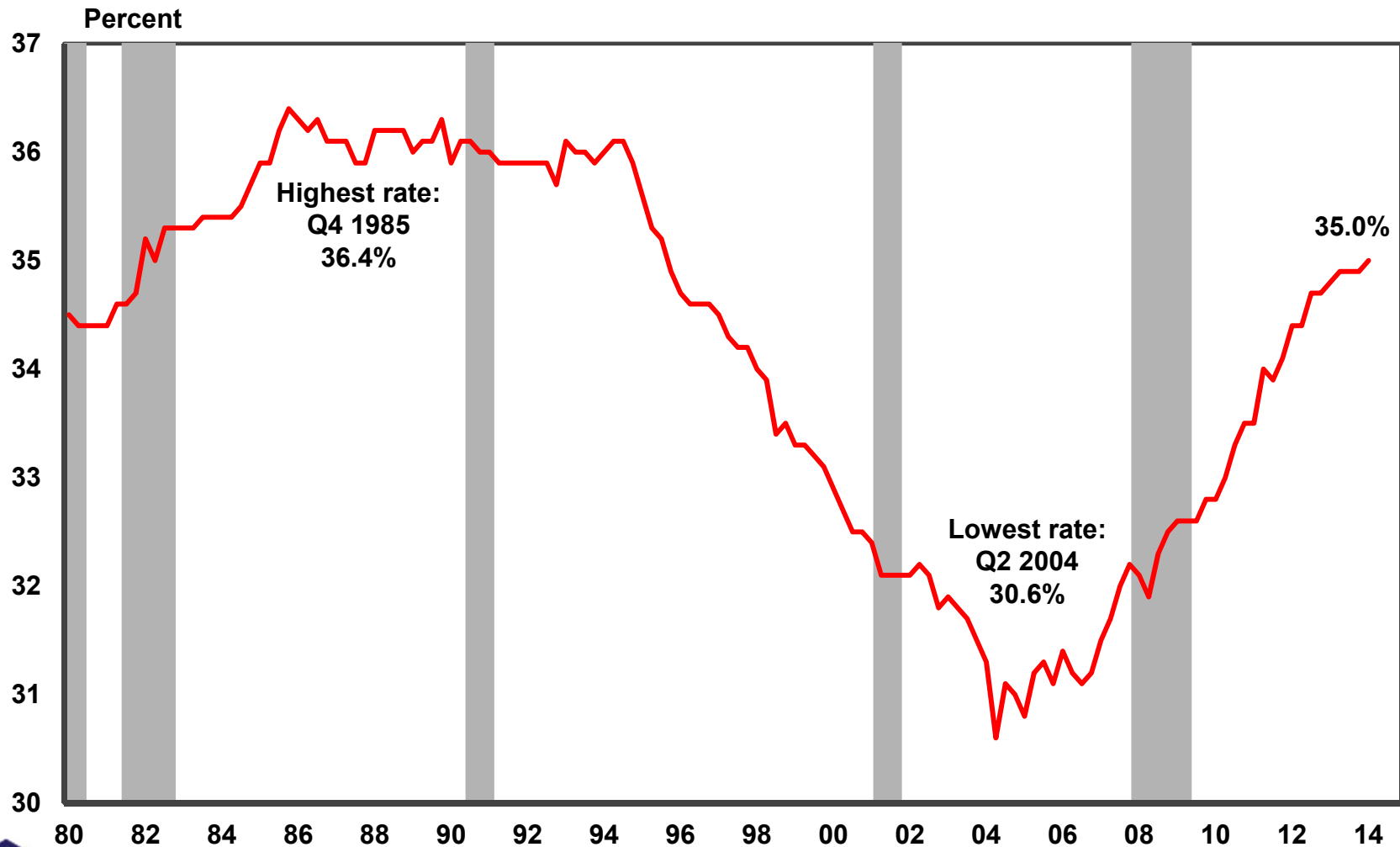
Source: U.S. Census Bureau

Shaded areas represent recession



# Demographics and housing

## Rental Rate

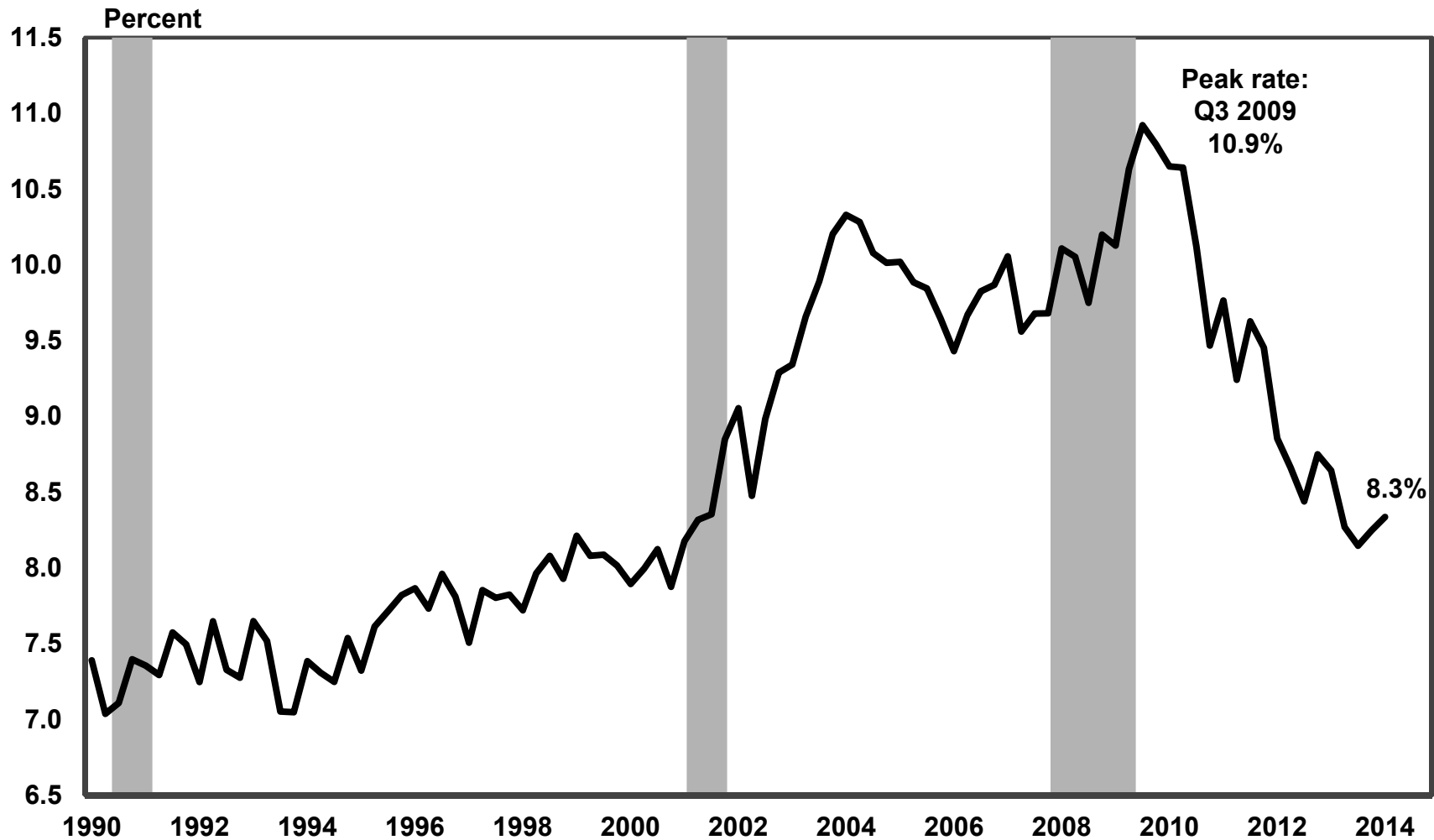


Source: U.S. Census Bureau

Shaded areas represent recession

# Demographics and housing

## Rental Vacancy Rate (SA)



Source: U.S. Census Bureau

Shaded areas represent recession

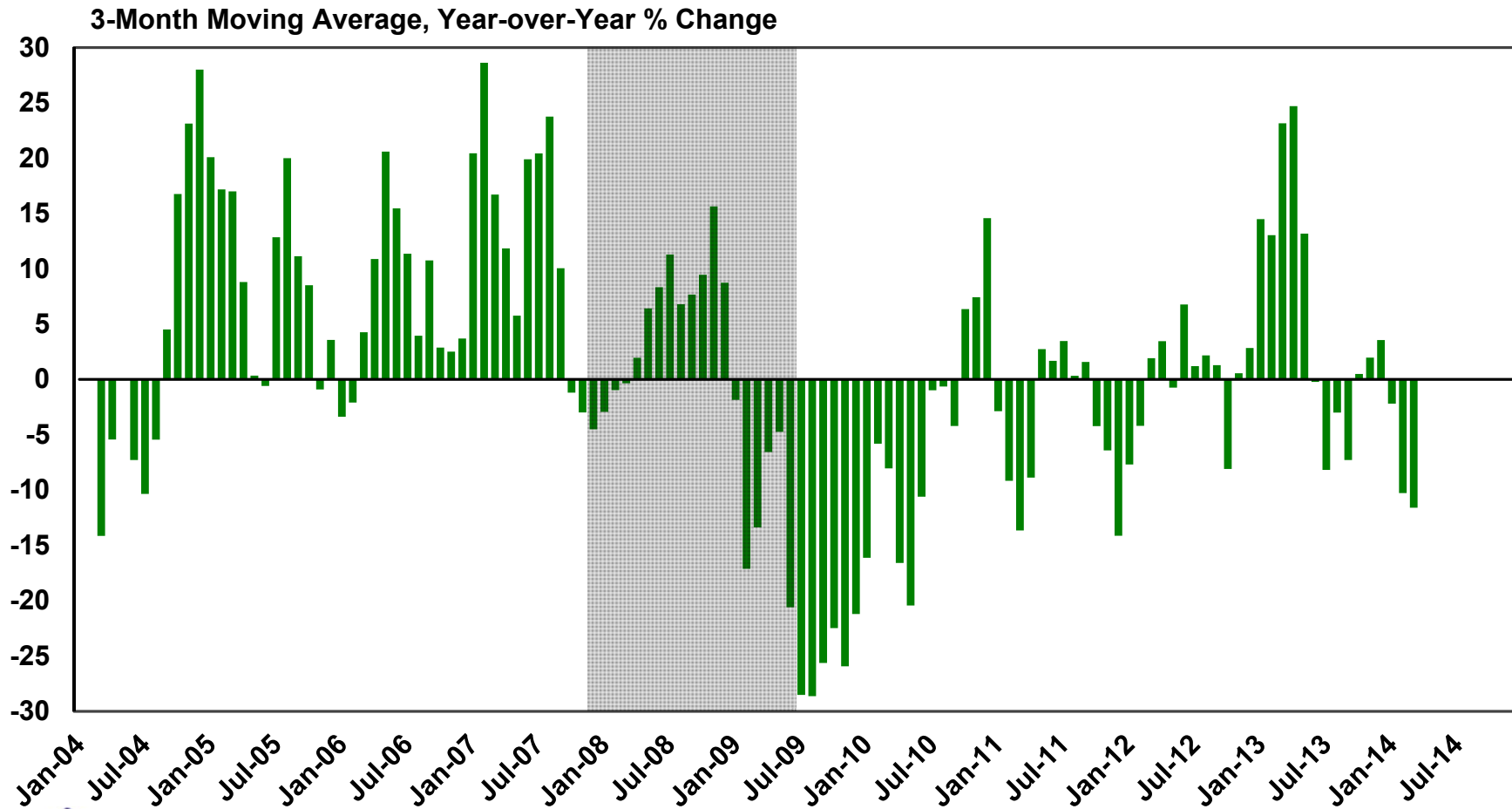
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# **Nonresidential Building Construction**



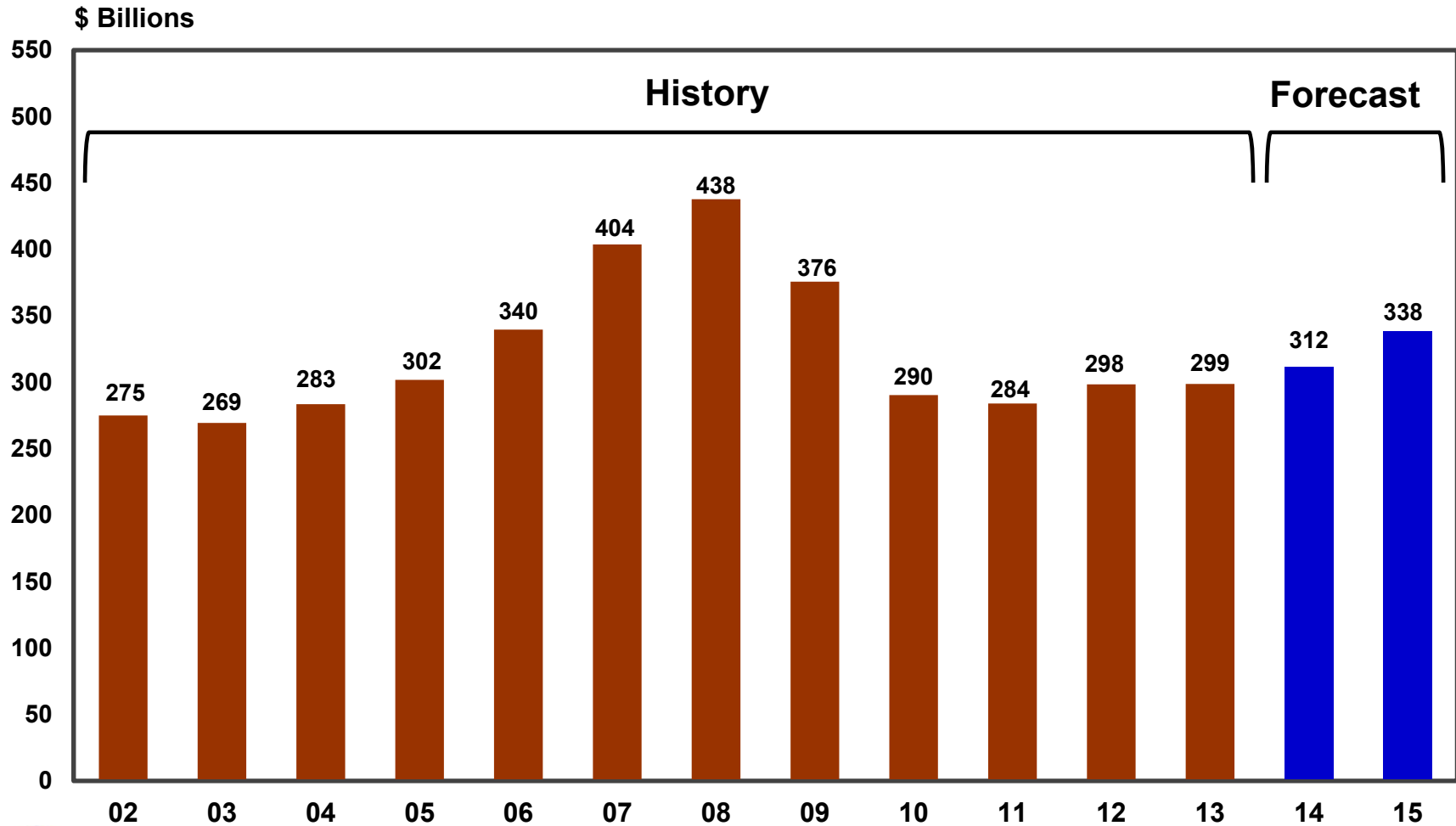
# Nonresidential building construction

## Reed Nonresidential Starts (3-Mo MA YoY)



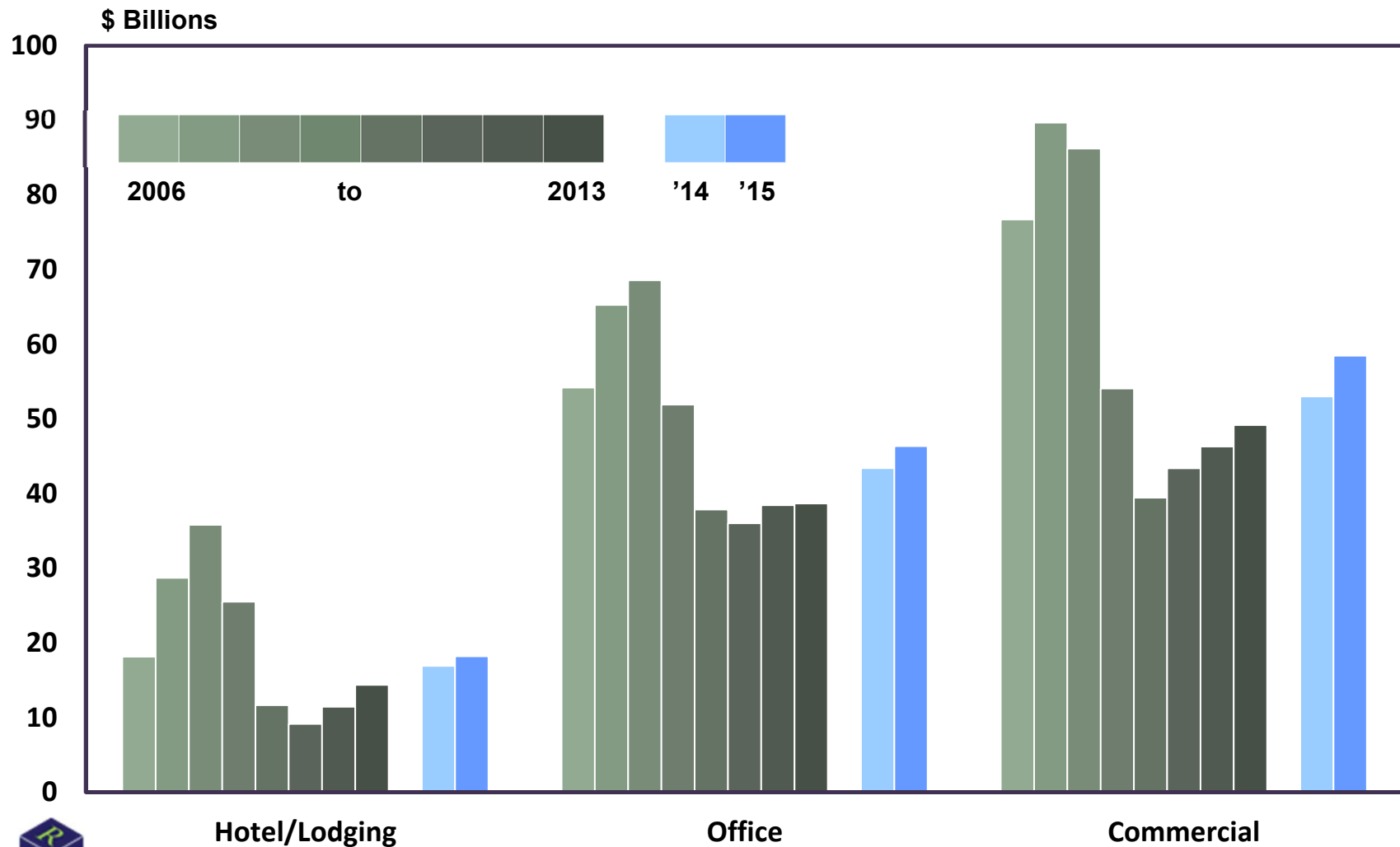
Source: Reed Construction Data  
Shaded area represents recession

# Nonresidential Construction Spending



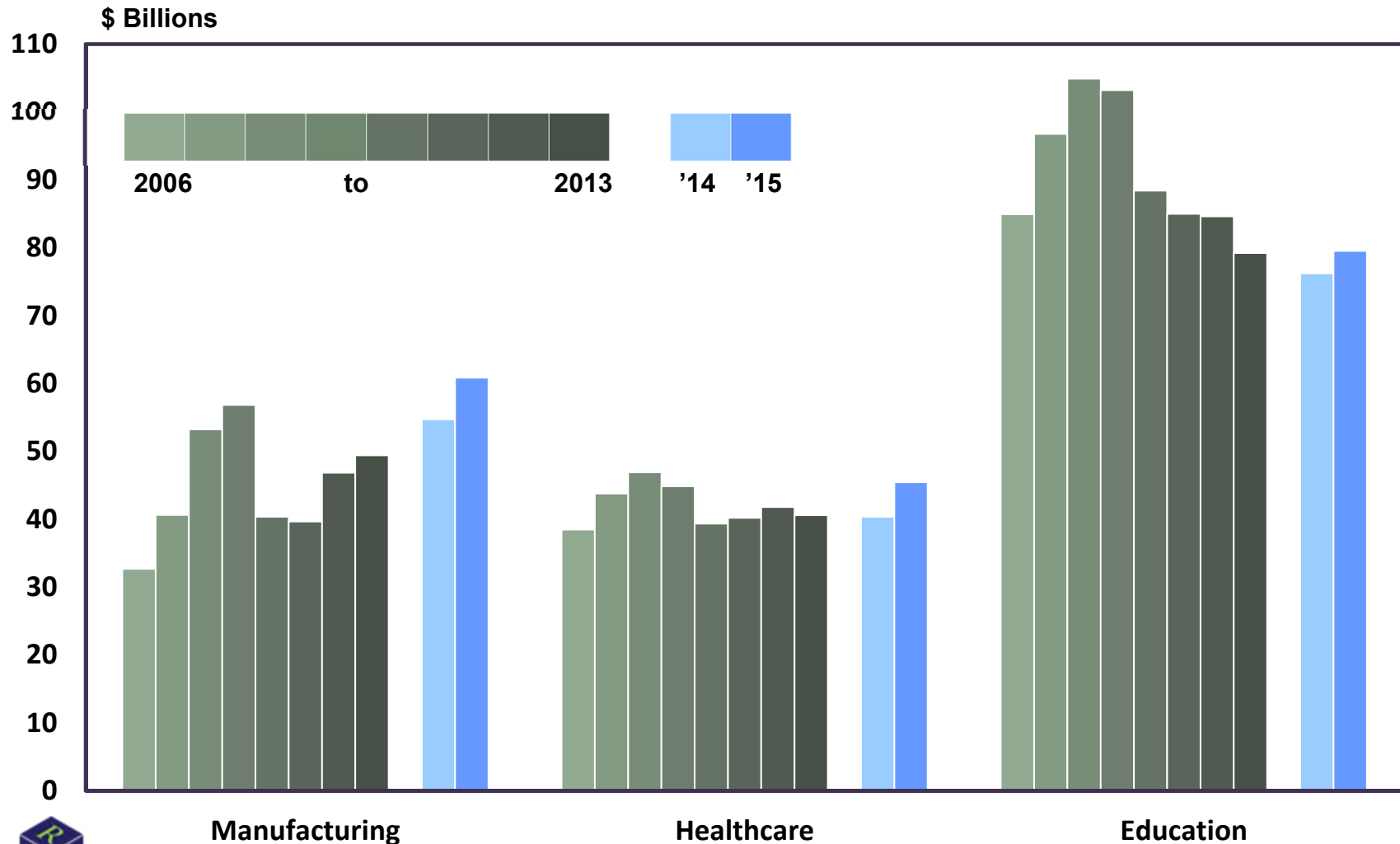
Source: History – U.S. Census Bureau; Forecast – Reed Construction Data

# Nonresidential Construction Spending



Source: History – U.S. Census Bureau; Forecast – Reed Construction Data

# Nonresidential Construction Spending



Source: History – U.S. Census Bureau; Forecast – Reed Construction Data

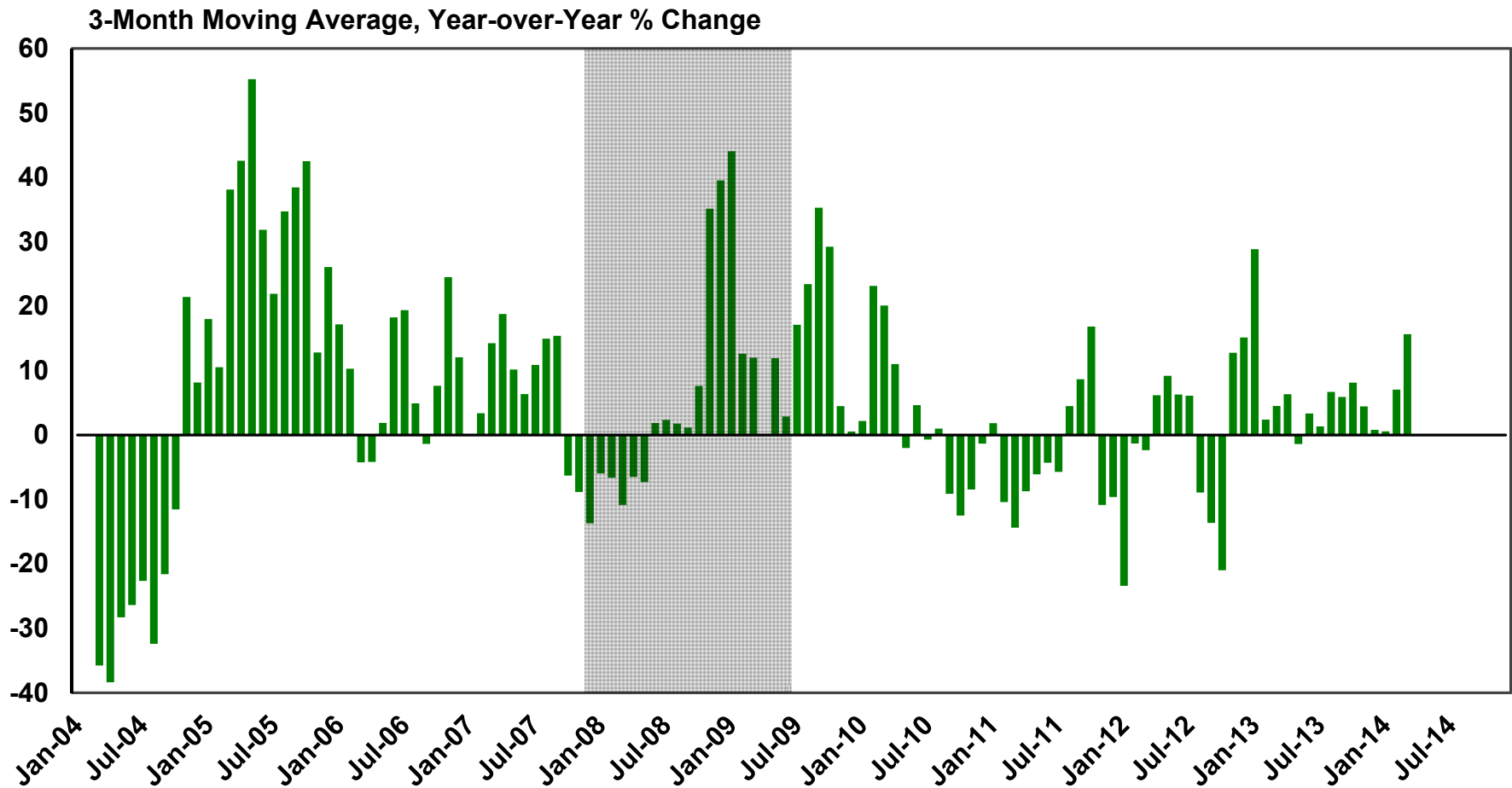
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# Heavy engineering



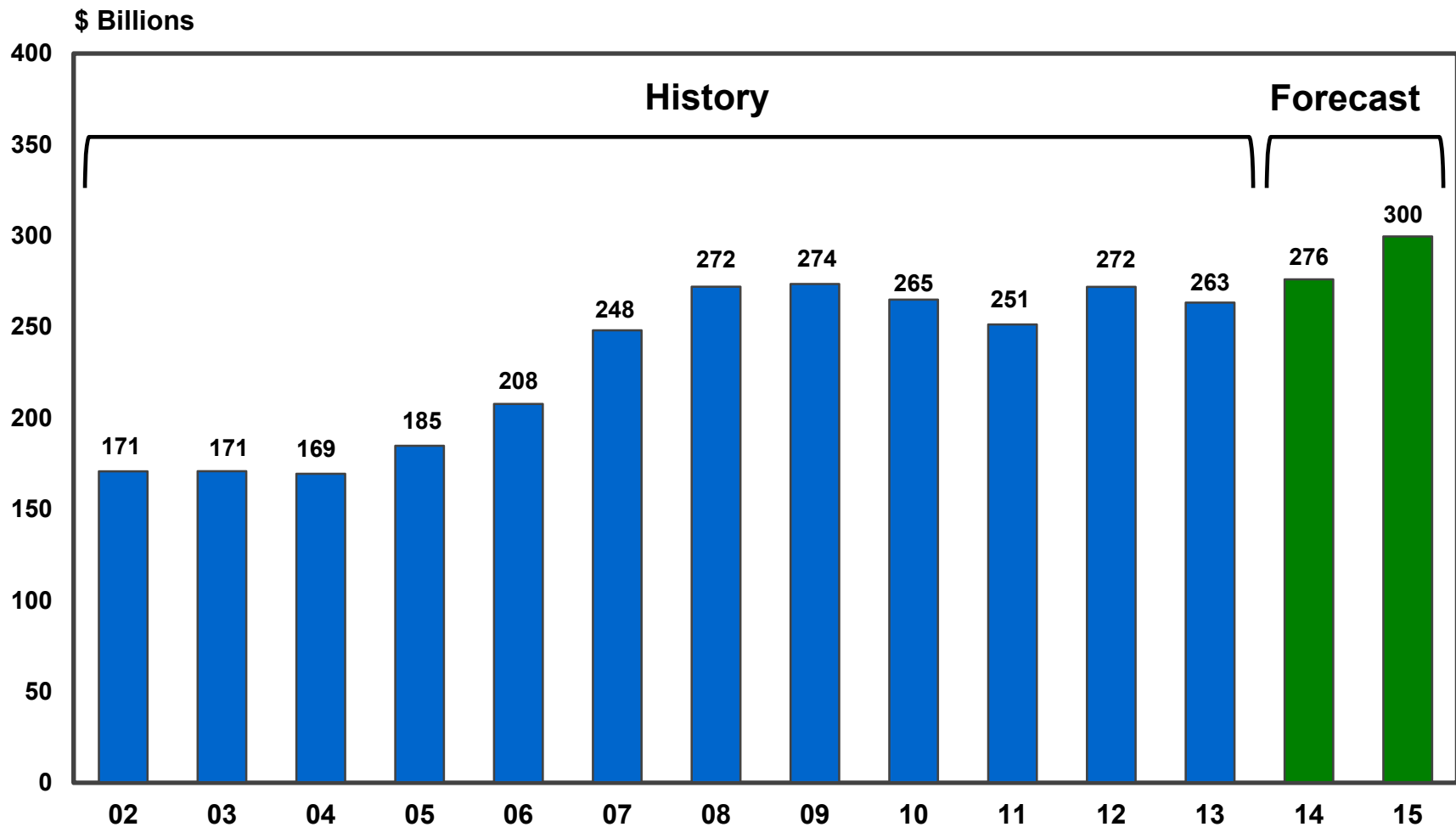


# Reed Heavy Engineering Starts (3-Mo MA YoY)



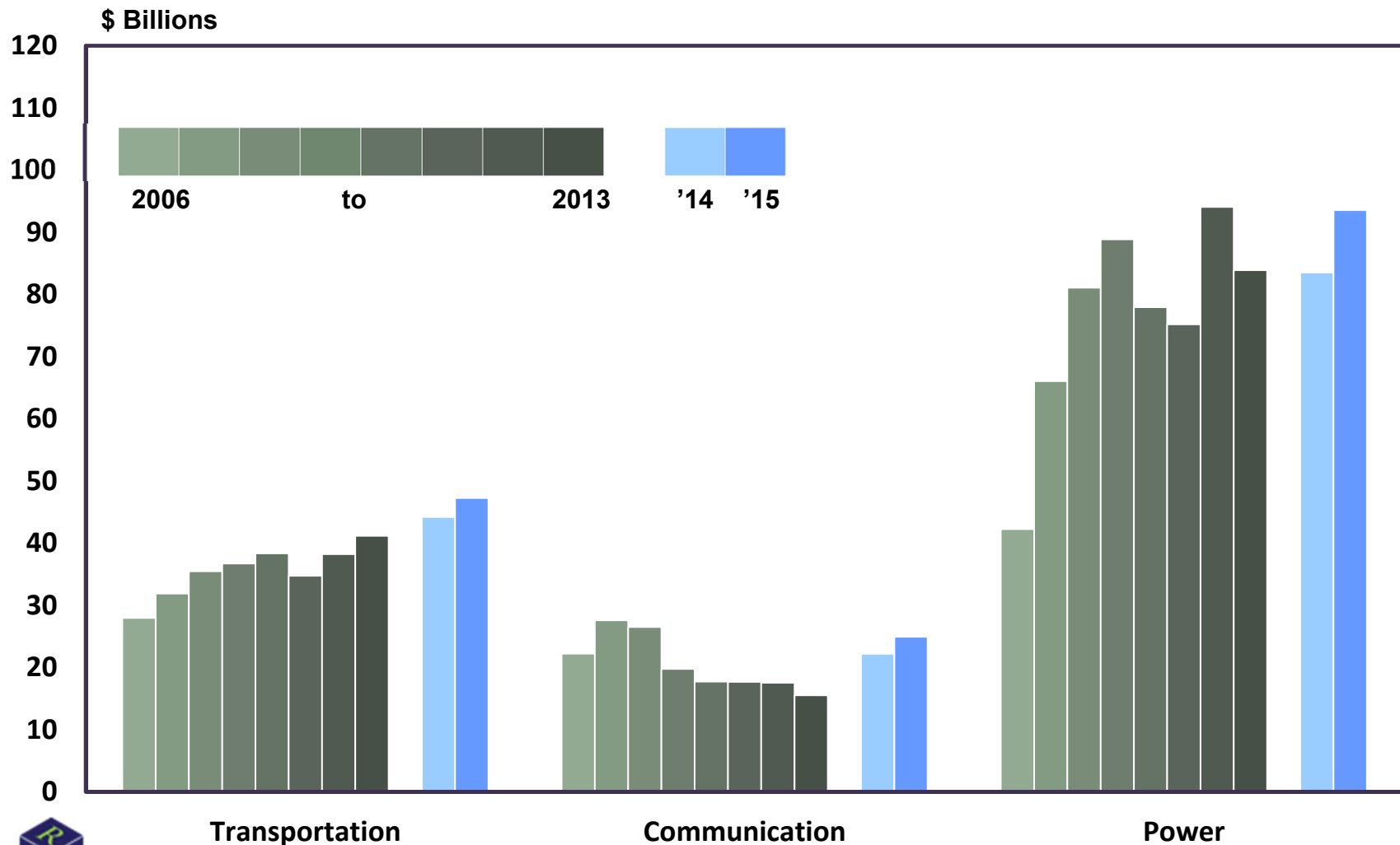
Source: Reed Construction Data  
Shaded area represents recession

# Heavy Engineering Construction Spending



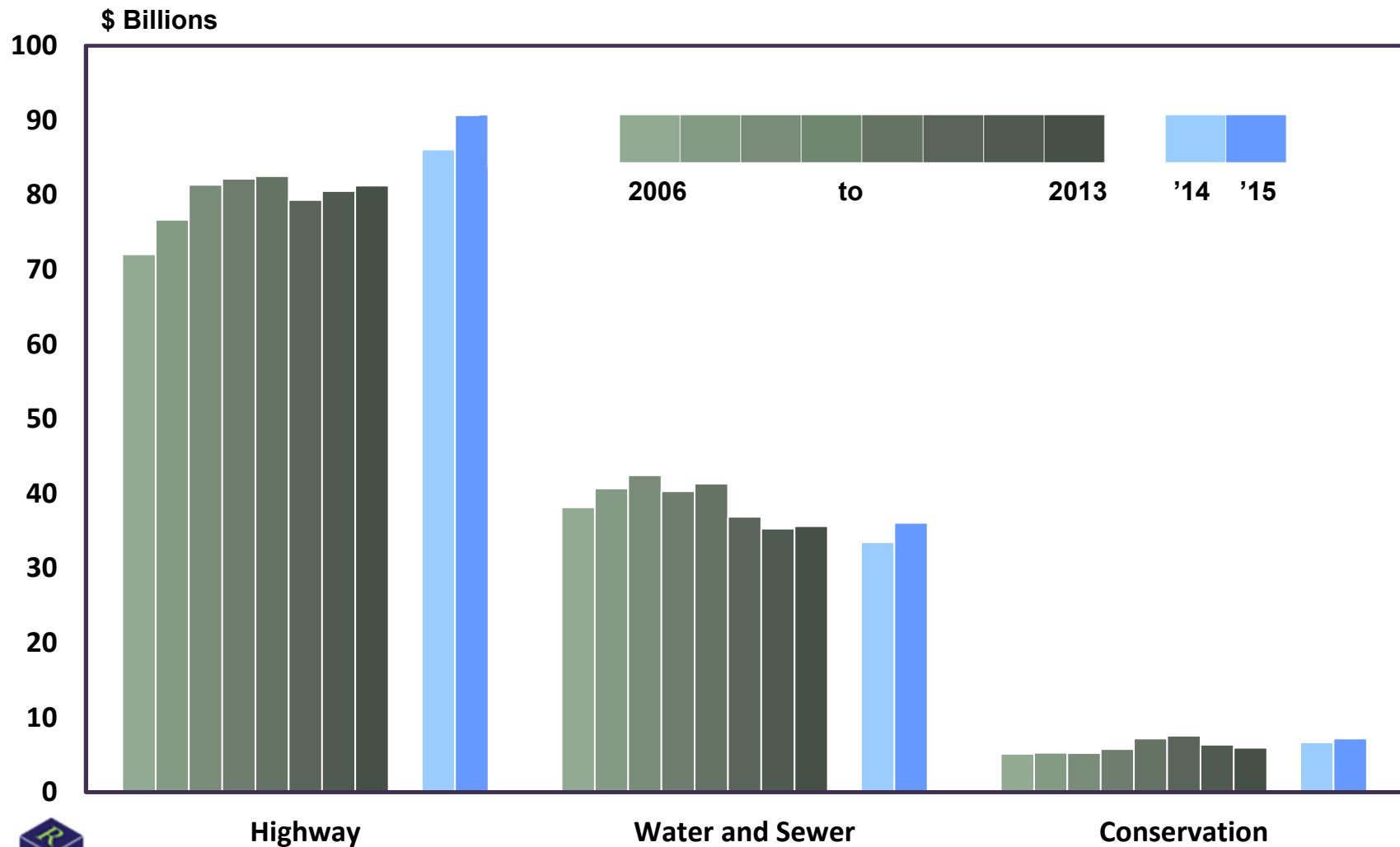
Source: History – U.S. Census Bureau; Forecast – Reed Construction Data

# Heavy Engineering Construction Spending



Source: History – U.S. Census Bureau; Forecast – Reed Construction Data

# Heavy Engineering Construction Spending



Source: History – U.S. Census Bureau; Forecast – Reed Construction Data

# Connect with Reed Construction Data

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[www.facebook.com/Reed-Construction-Data](https://www.facebook.com/Reed-Construction-Data)
- **LinkedIn**  
[www.linkedin.com/company/reed-construction-data](https://www.linkedin.com/company/reed-construction-data)
- **web**  
[www.reedconstructiondata.com](http://www.reedconstructiondata.com)



# Contact Information and Links

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- **Mobile: 404-952-3381**
- **[b.markstein@reedbusiness.com](mailto:b.markstein@reedbusiness.com)**
- **U.S. Forecast and Commentary:**  
**<http://www.reedconstructiondata.com/market-intelligence/articles/>**
- **Blog:**  
**<http://www.reedconstructiondata.com/market-intelligence/bernie-markstein/>**

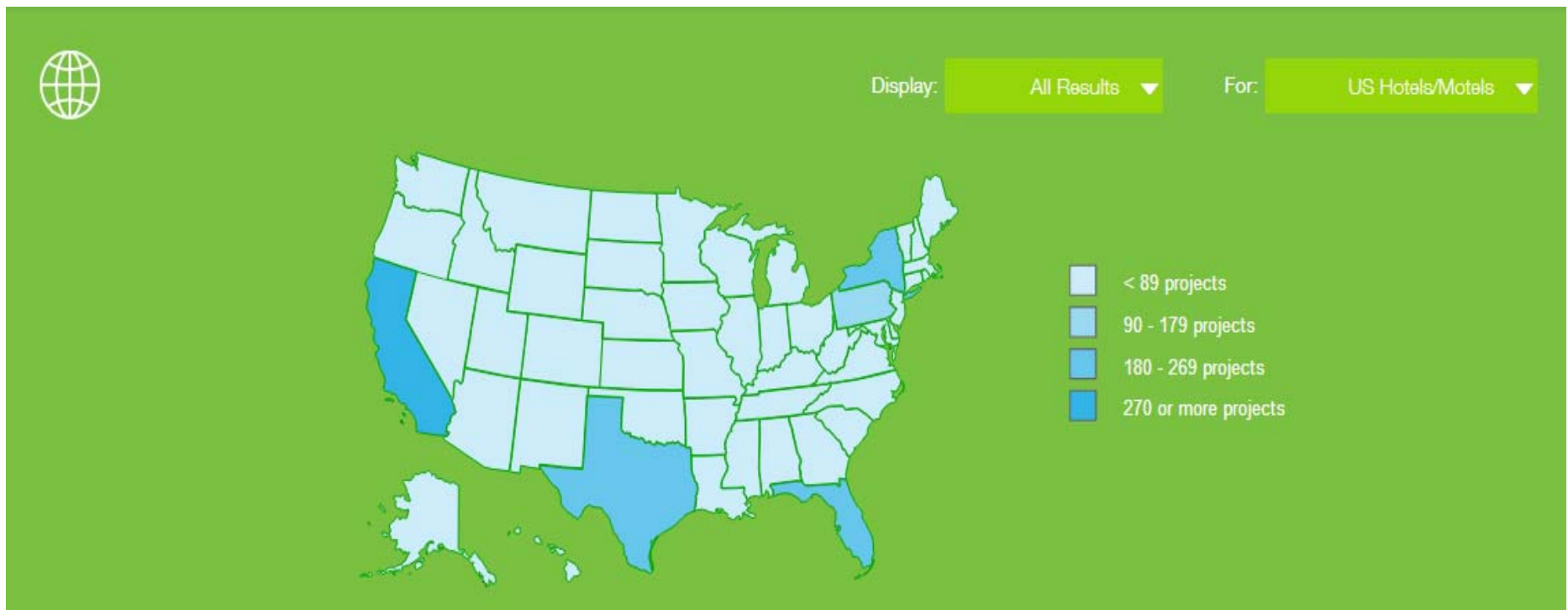


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# Back Up Charts



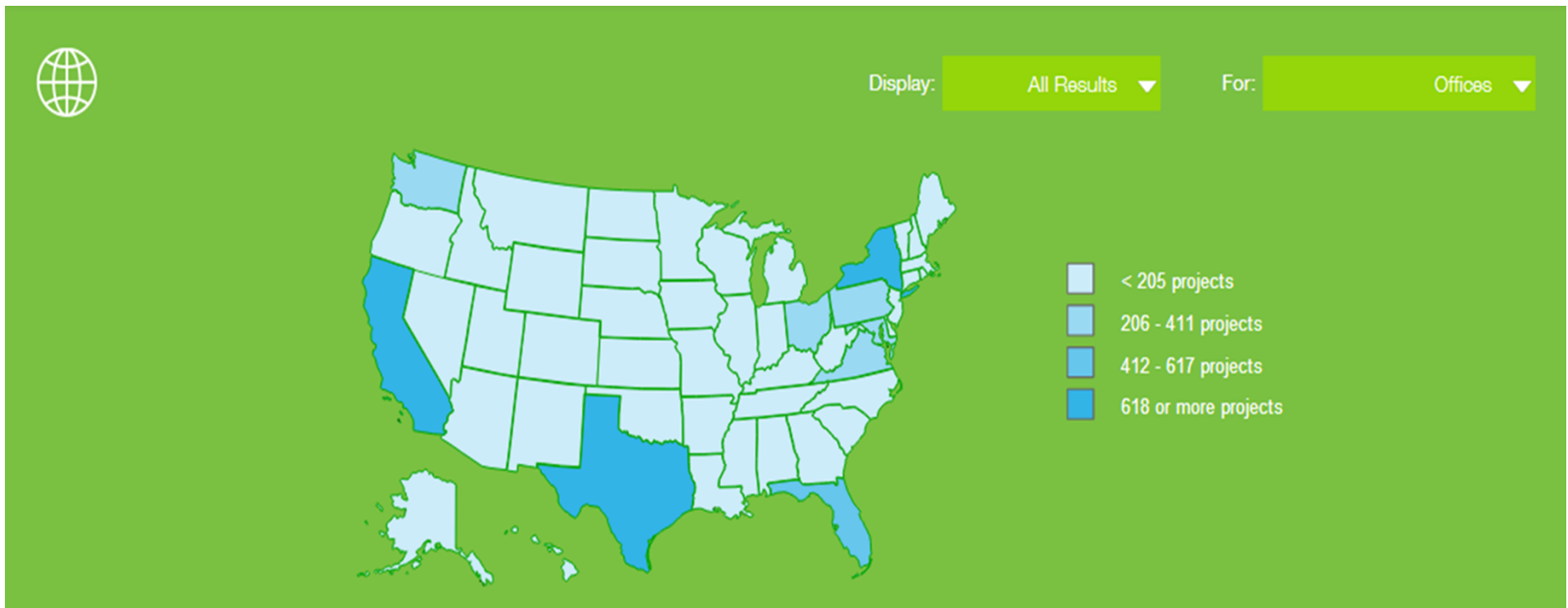
# Number of Lodging Projects by State



Source: Reed Construction Data, Reed Intelligent Leads

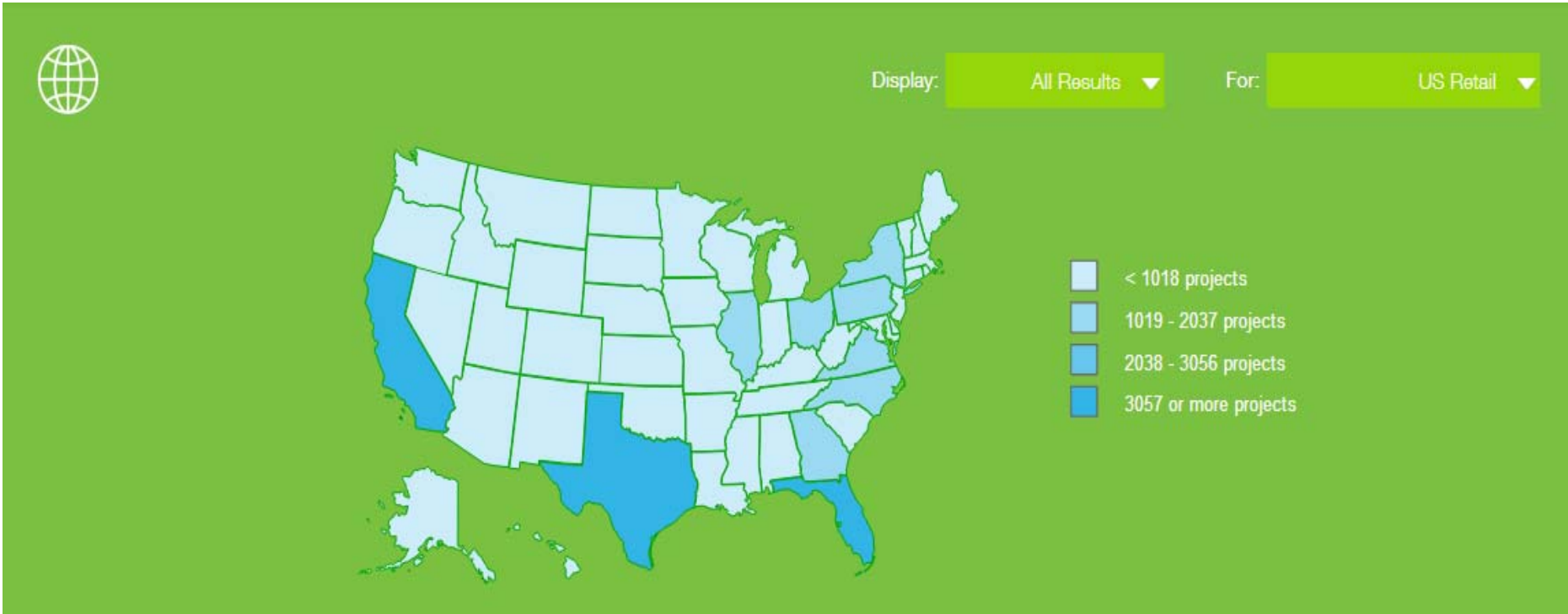


# Number of Office Projects by State



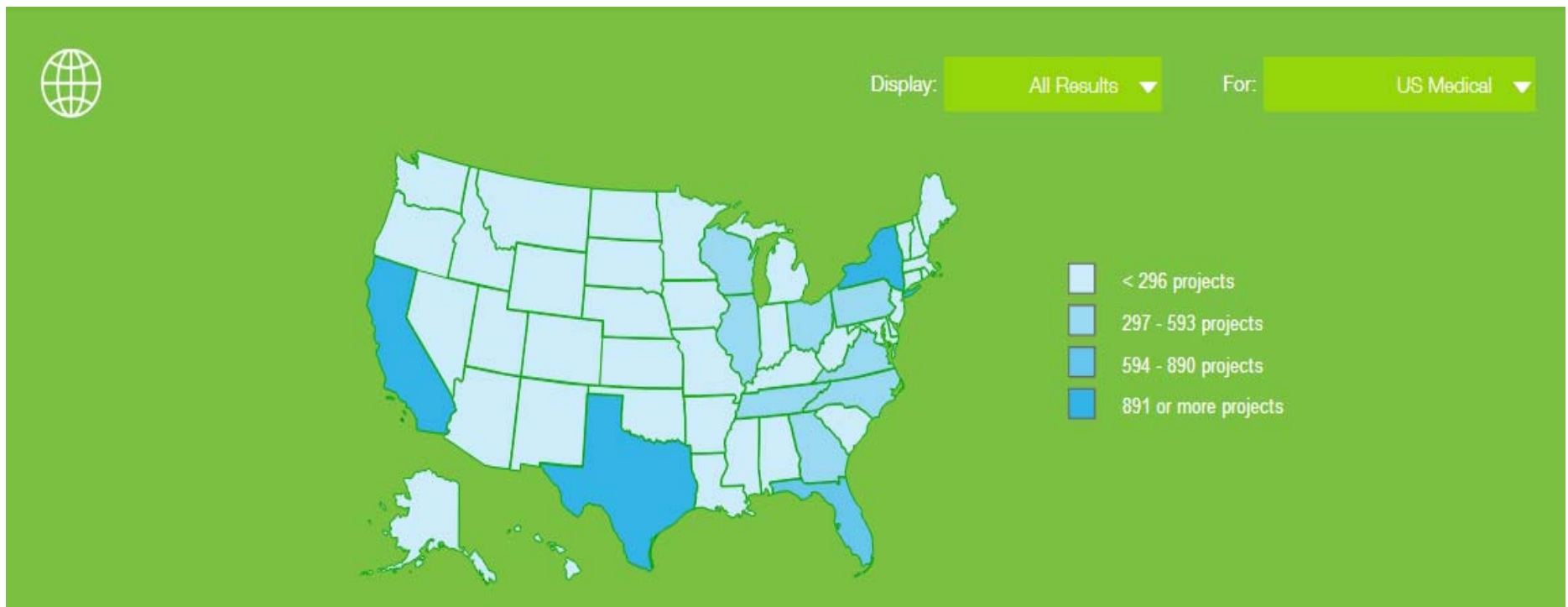
Source: Reed Construction Data, Reed Intelligent Leads

# Number of Retail Projects by State



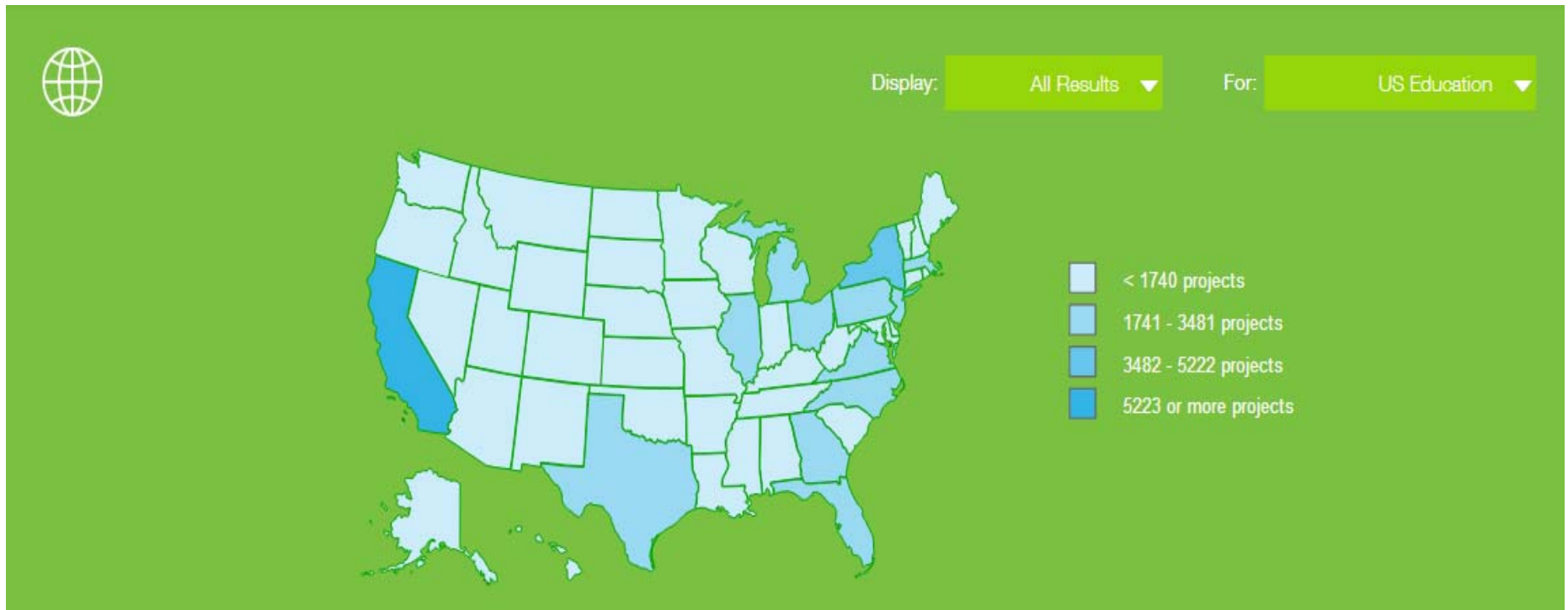
Source: Reed Construction Data, Reed Intelligent Leads

# Number of Health Care Projects by State



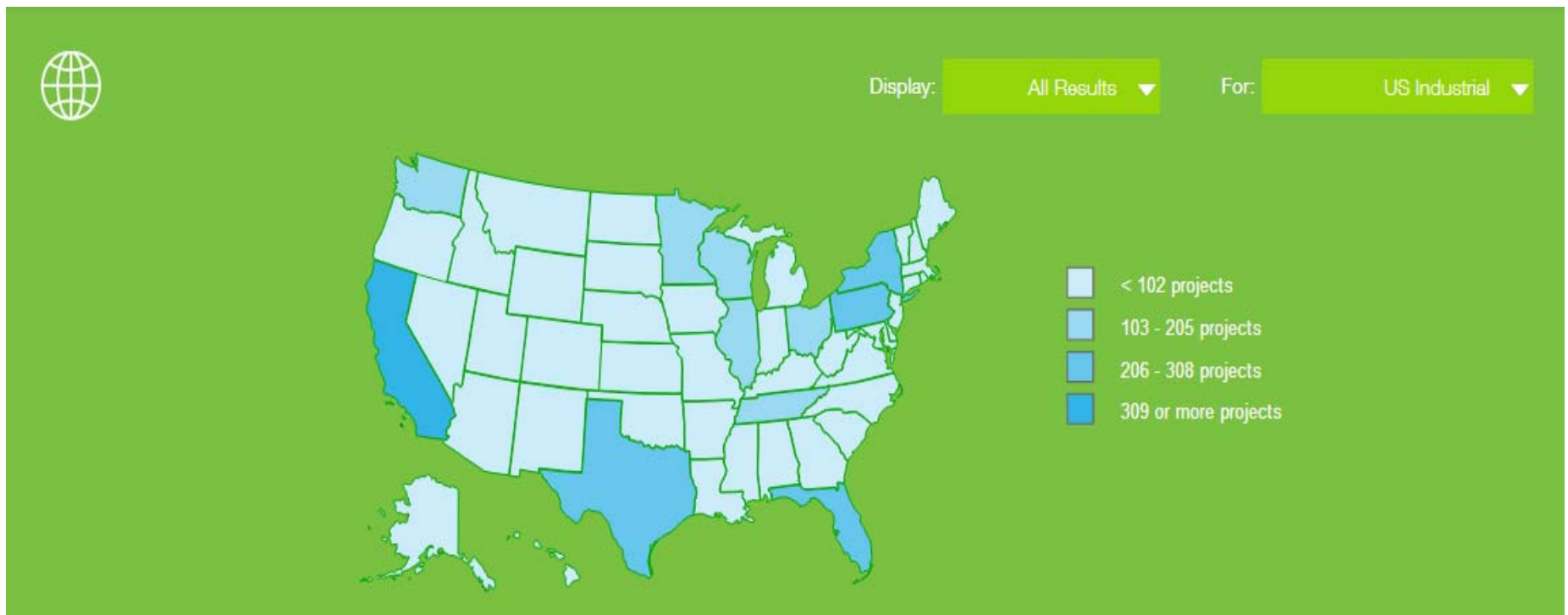
Source: Reed Construction Data, Reed Intelligent Leads

# Number of Education Projects by State



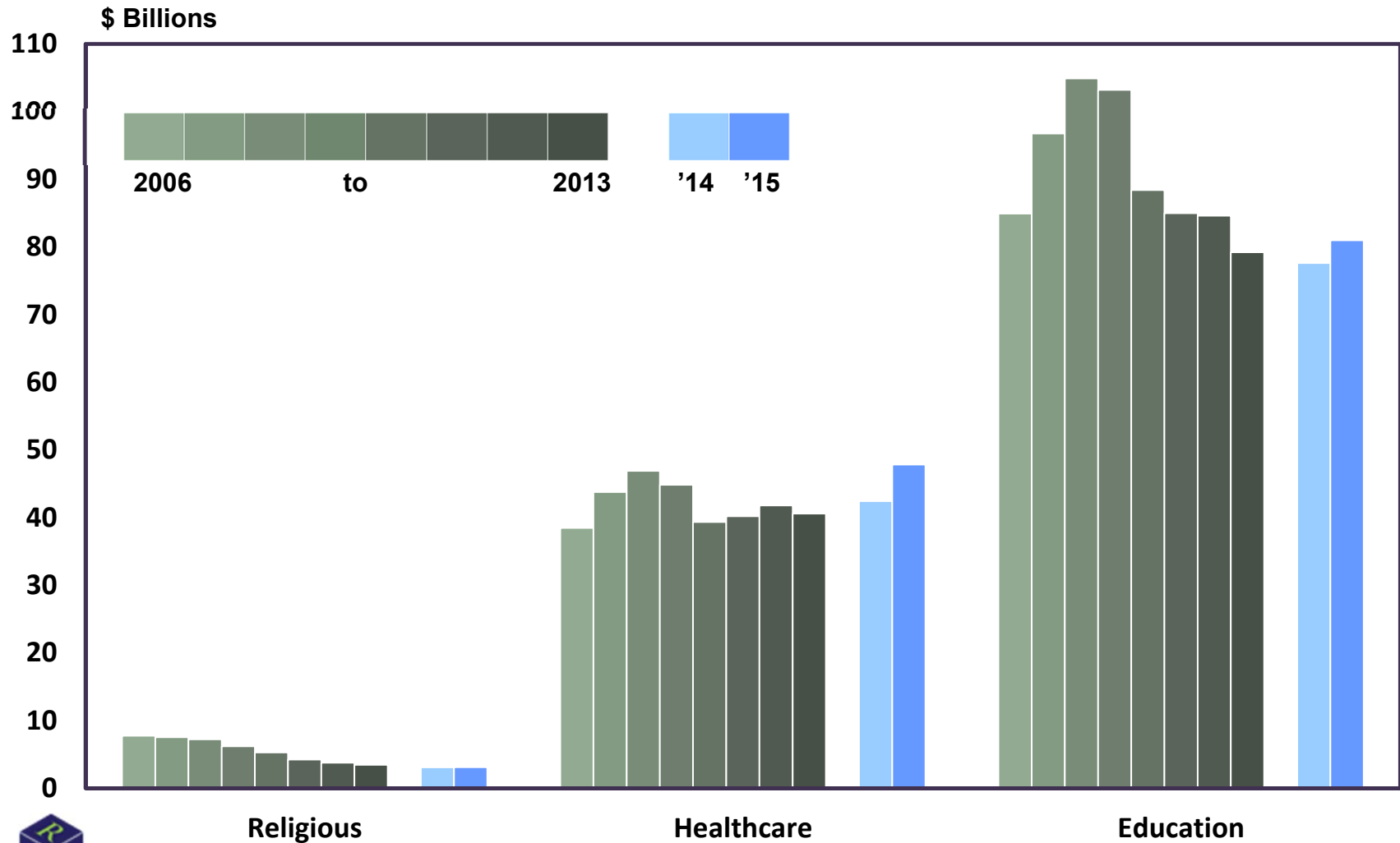
Source: Reed Construction Data, Reed Intelligent Leads

# Number of Industrial (Manufacturing) Projects by State



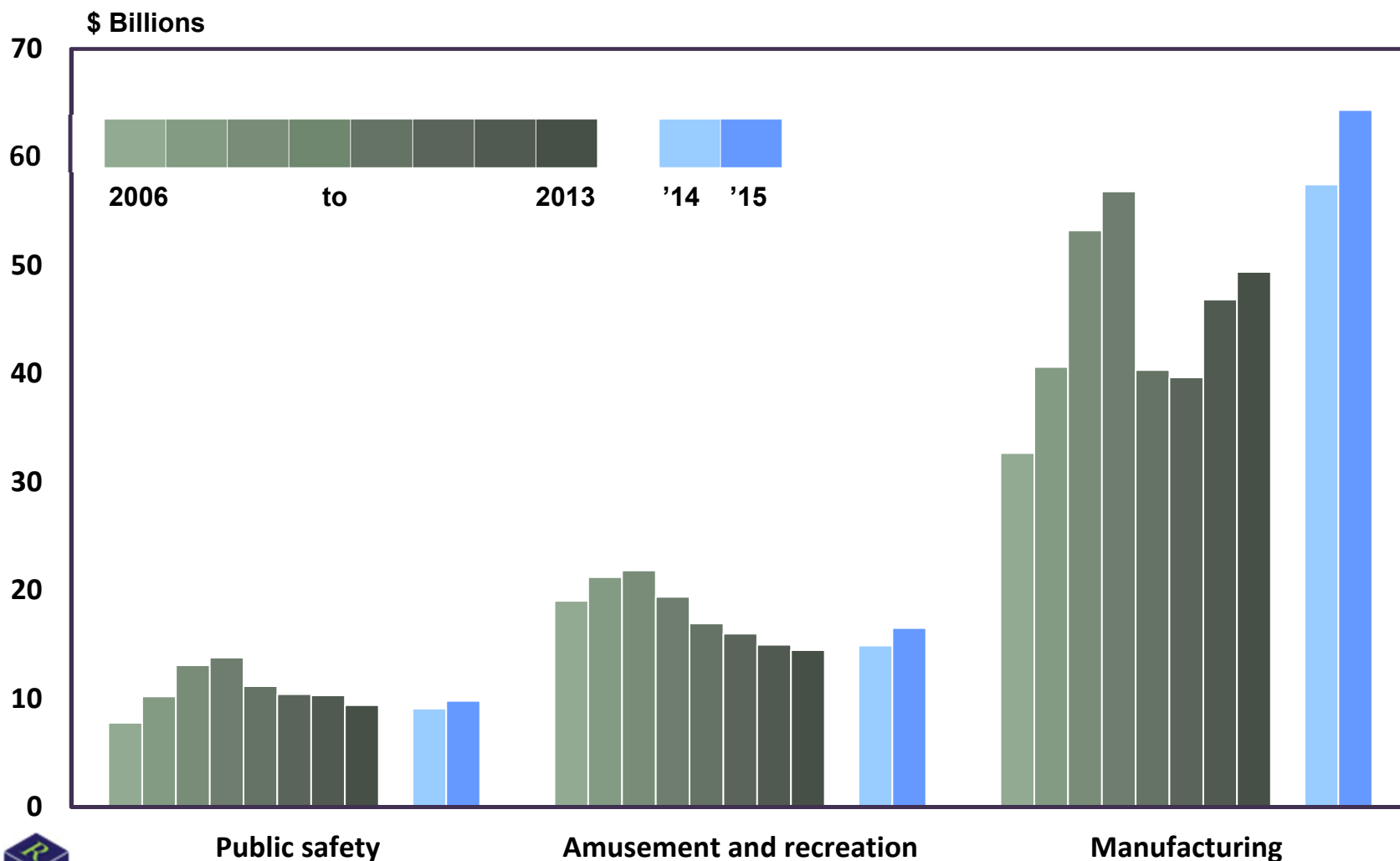
Source: Reed Construction Data, Reed Intelligent Leads

# Nonresidential Construction Spending



Source: History – U.S. Census Bureau; Forecast – Reed Construction Data

# Nonresidential Construction Spending



Source: History – U.S. Census Bureau; Forecast – Reed Construction Data

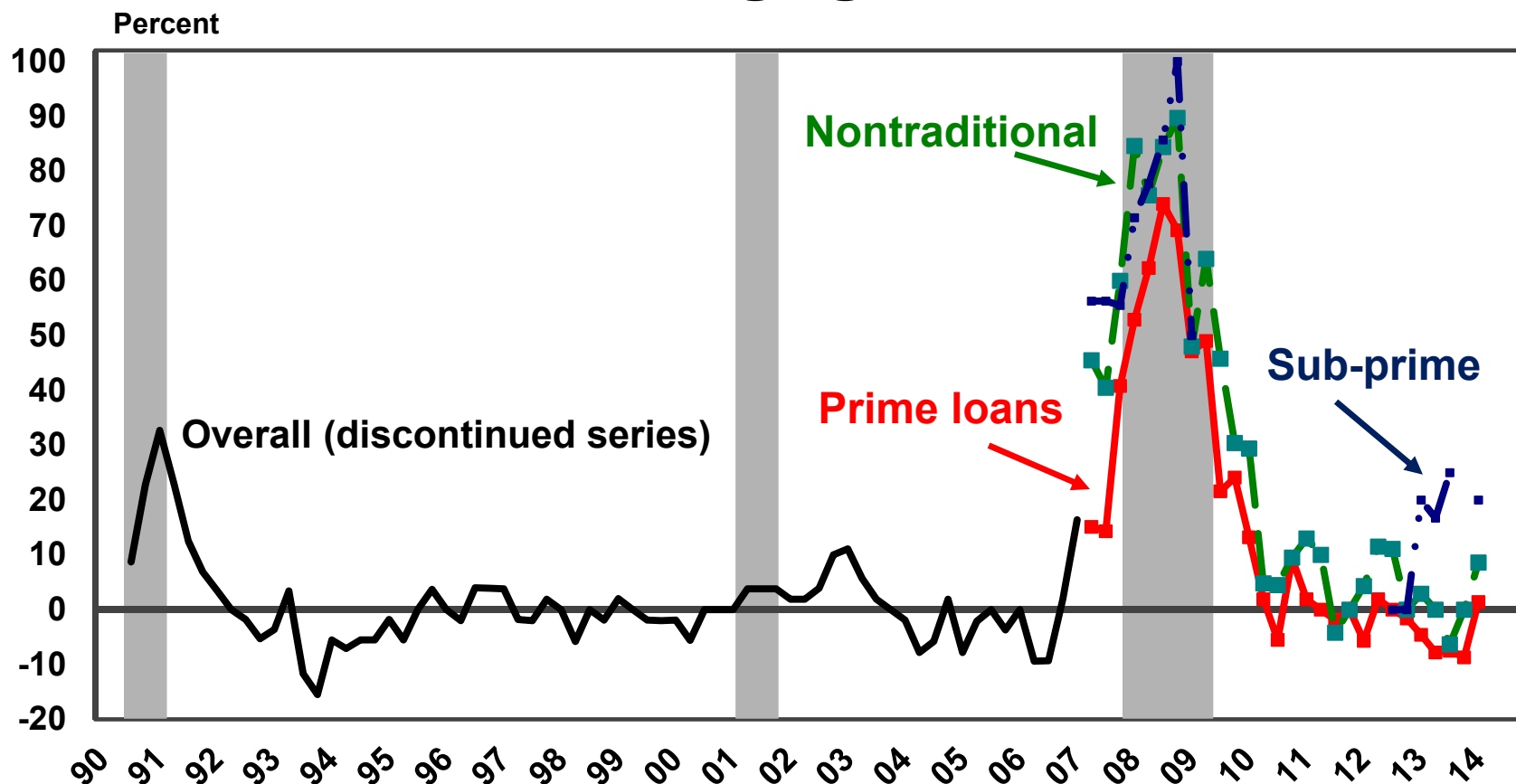
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# **Changing lending standards for residential real estate loans**



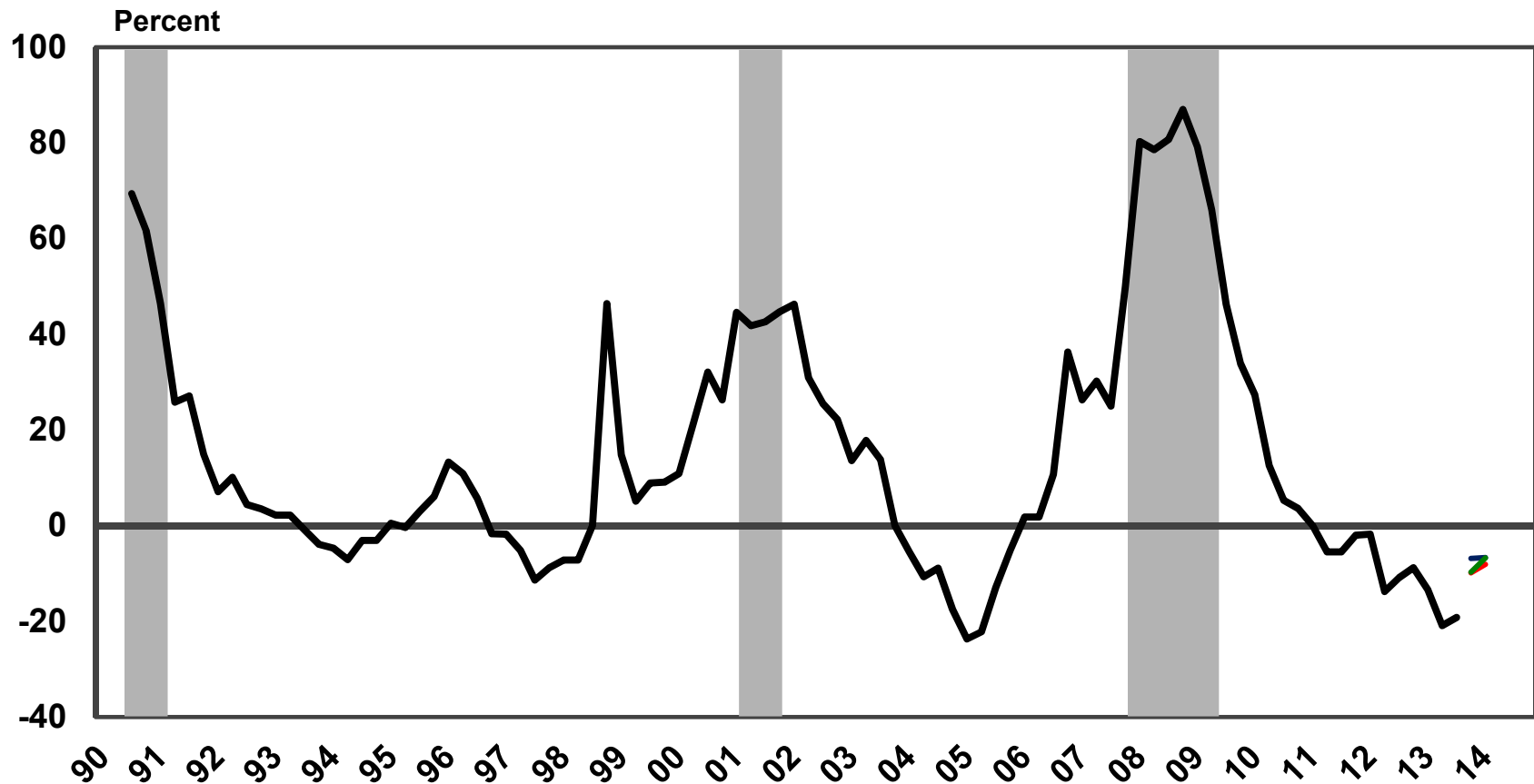


## Net % of Banks Tightening Standards for Mortgage Loans



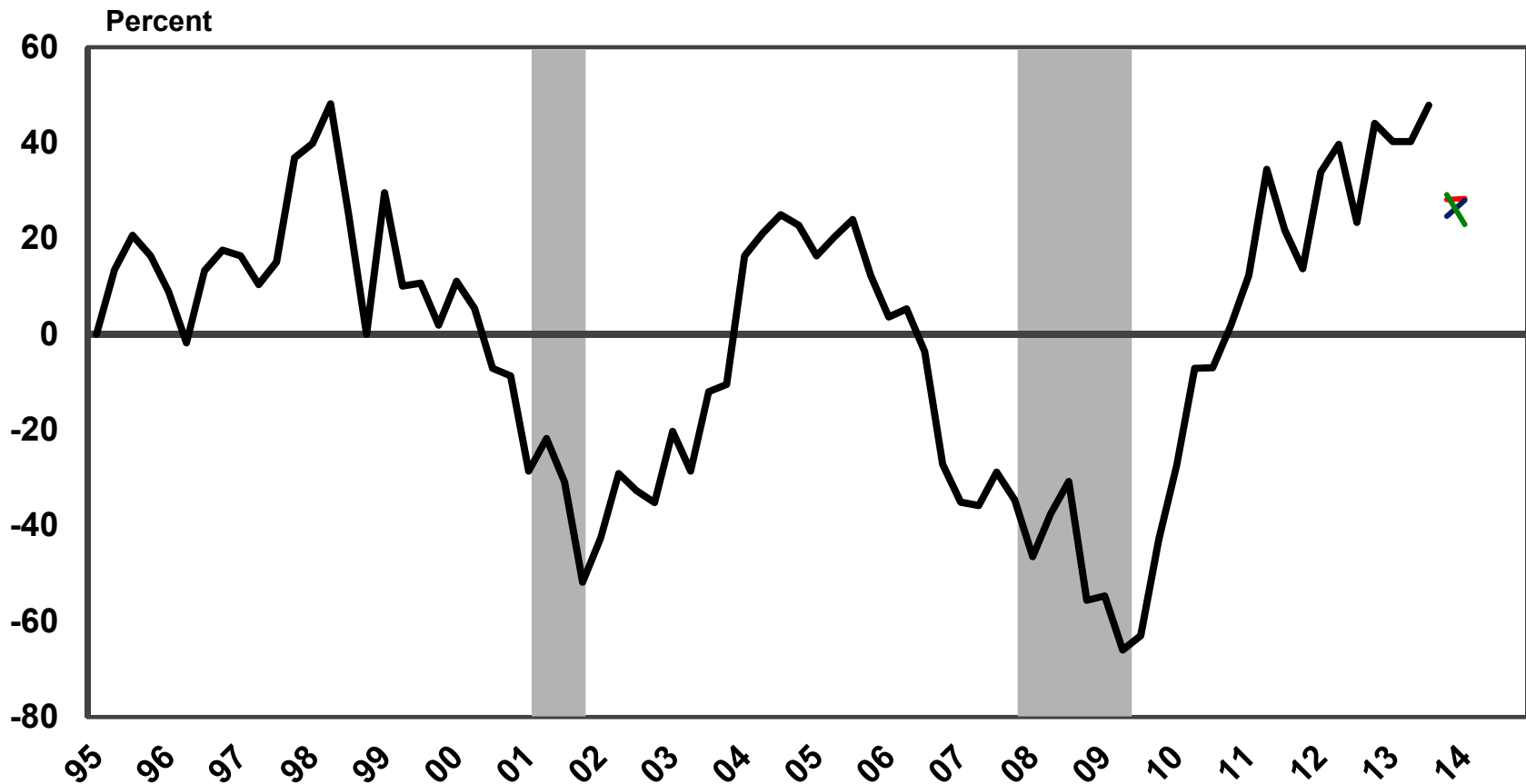
Source: Federal Reserve Board of Governors  
Shaded areas represent recession

## Net % of Banks Tightening Standards for Commercial Real Estate Loans



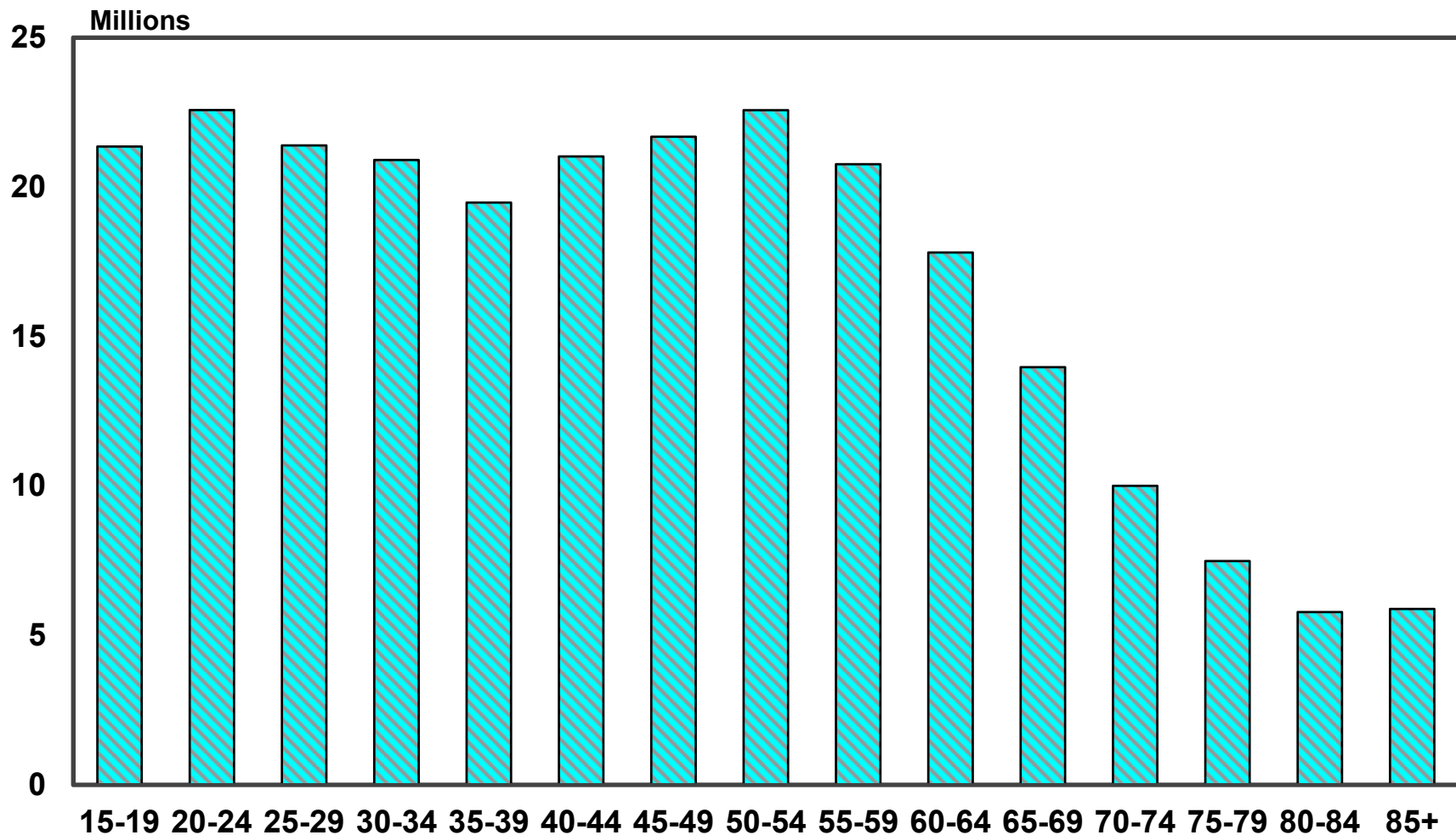
Source: Federal Reserve Board of Governors  
Shaded areas represent recession

## Net % of Banks Reporting Stronger Demand for Commercial Real Estate Loans



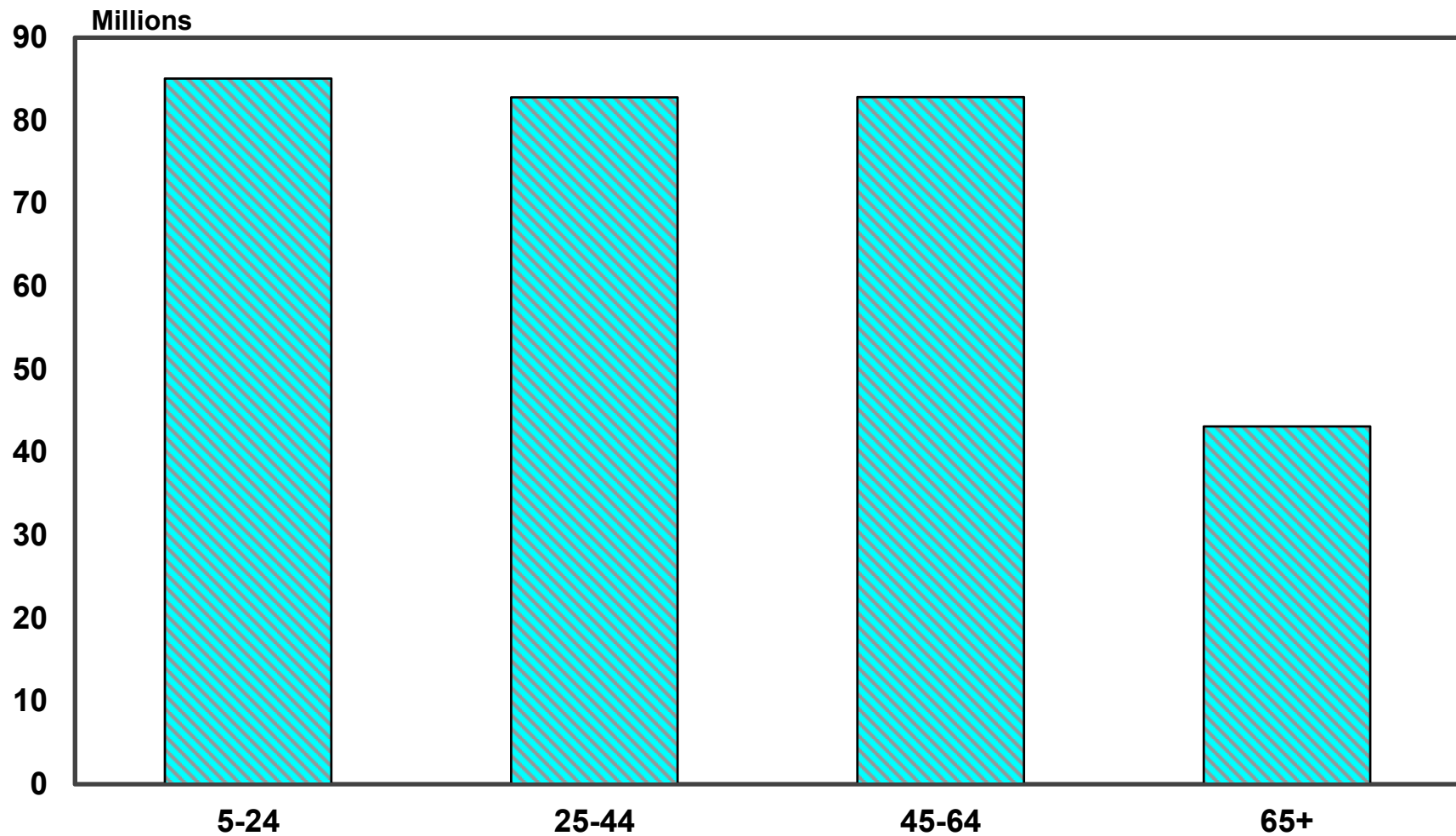
Source: Federal Reserve Board of Governors  
Shaded areas represent recession

# Population by Age Cohort in 2012



Source: U.S. Census Bureau

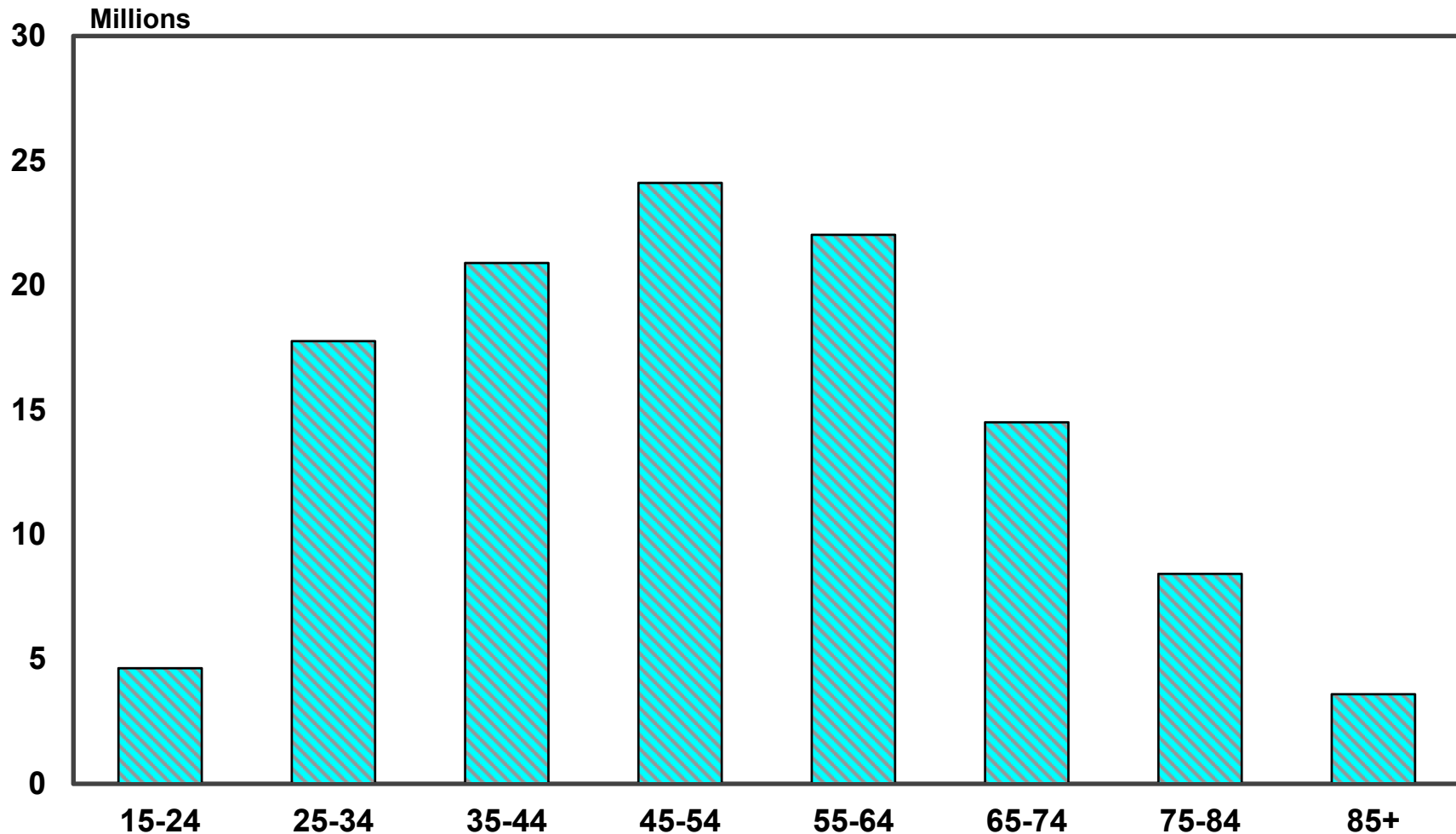
# Population by Age Cohort in 2012



Source: U.S. Census Bureau

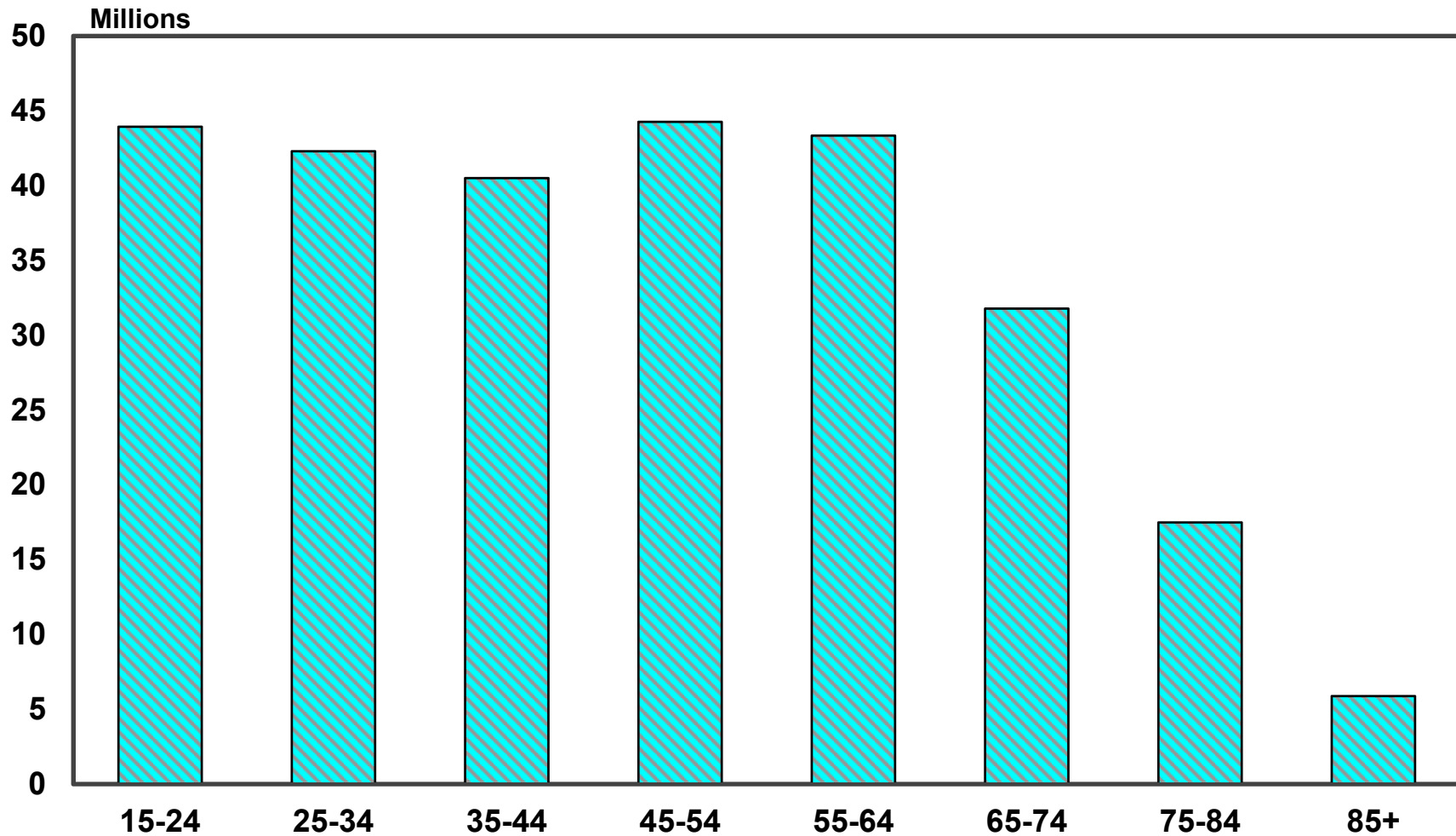
## Demographics and housing

# Head of Household by Age Cohort in 2012



Source: U.S. Census Bureau, American Community Survey (ACS)

# Population by Age Cohort in 2012



Source: U.S. Census Bureau