2010 Economic Outlook and Revenue Assessment Committee

Commercial Construction Outlook

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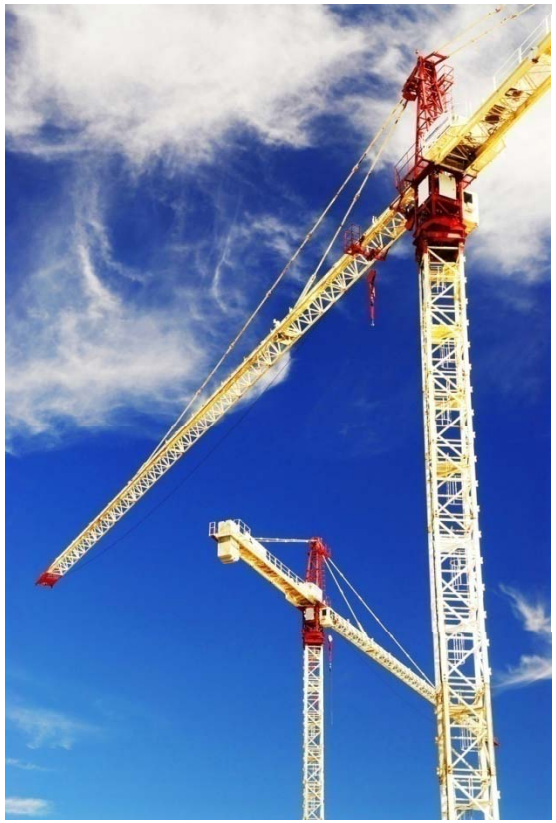
- Founded in 1934, we have over 900 members throughout Idaho – down from a historic high in 2008 and the economy is causing concern for membership renewal as Idaho's construction unemployment rate increases
- Of that, 93 are "General Contractors" and the rest are specialty contractors and associate members
- Four offices in Idaho: Boise, Coeur d'Alene, Idaho Falls, and Twin Falls
- Various member services including the Idaho AGC Health Plan covering over 6,000 Idahoans
- The Idaho AGC does *NOT* represent the residential construction industry…we are commercial contractors

Commercial Construction defined… "Non-Residential" includes:



- Schools, college & university buildings
- Retail & warehouse
- Highways & local roads
- Office
- Healthcare
- Sewer, water & public works
- Religious

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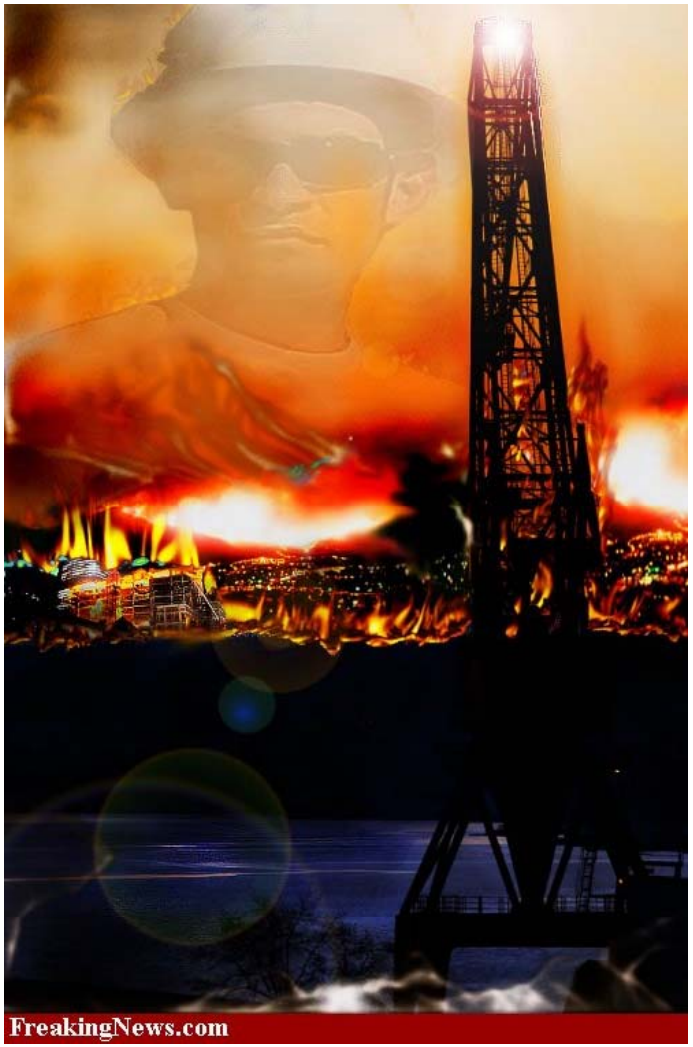
Major change from our last presentation to this committee?

- The economy was even worse than expected
- Credit crunch
- Commercial real estate
- Transportation
- State and Federal Legislative impacts
- Who could have known?



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Current economic influences

- Credit market freeze continues to affect private, state and local borrowers
- Weak economic outlook, falling state spending
- No job growth, rising unemployment
- Wages, personal income <
- Concern about the future

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Concerns are mounting

- Construction company bankruptcies
- Layoffs continue at member companies
- "Plan Room Activity" is low
- Multiple bidders on jobs that used to attract only a few
- Companies trimming benefits
- Failure of government to see long term funding necessity and big projects coming to a close
- Sense of unease and foreboding

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Construction employment

- Overall job losses in the Idaho economy escalated to nearly 50,000 between August 2008 and August 2009, a 7.5 percent loss
- Construction, which has been hemorrhaging jobs since mid-2006 as the housing bubble burst, and manufacturing, primarily in the high technology sector, accounted for over **45 percent** of Idaho's losses.
- The construction industry *(residential plus nonresidential)* employed:
  - 42,800 workers in November 2008
  - 38,100 workers in September 2009
  - 36,800 workers in October 2009
  - 37,500 workers in November 2009

- Down 12.4% in one year… *down 36.5% since October 2007*
- *Construction unemployment nears 20%*

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Construction spending

- After posting the first year-over-year increase in June, construction values across Idaho plunged again in July and August.
- Just over $1 billion in permits were issued during the first eight months of the year, 43.5 percent below the 2008 value at that point and well below the record pace of 2005.
- Residential values held their own against August 2008 at $76 million, but nonresidential construction, which was responsible for the year-over-year increase in June, came in at just half the $72 million posted in August 2008.
- Annual construction values have been dropping since they hit $4 billion in 2005.

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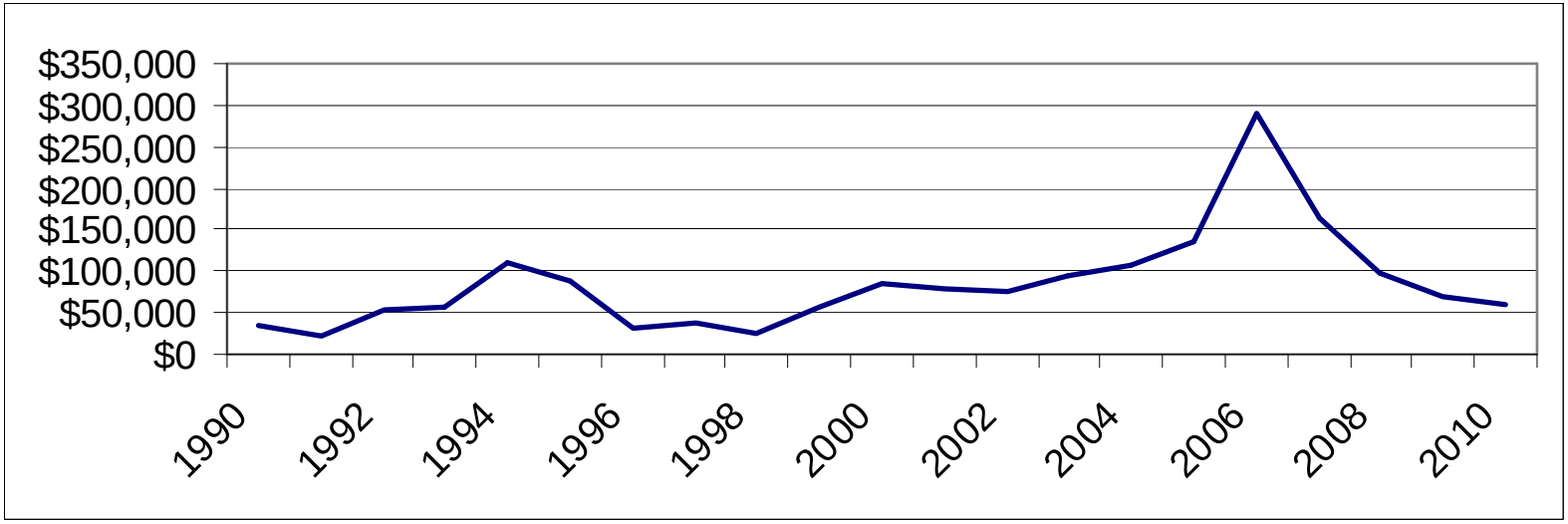
Multi-Family Construction



'$000.00

Source: McGraw-Hill/Dodge Construction Reports

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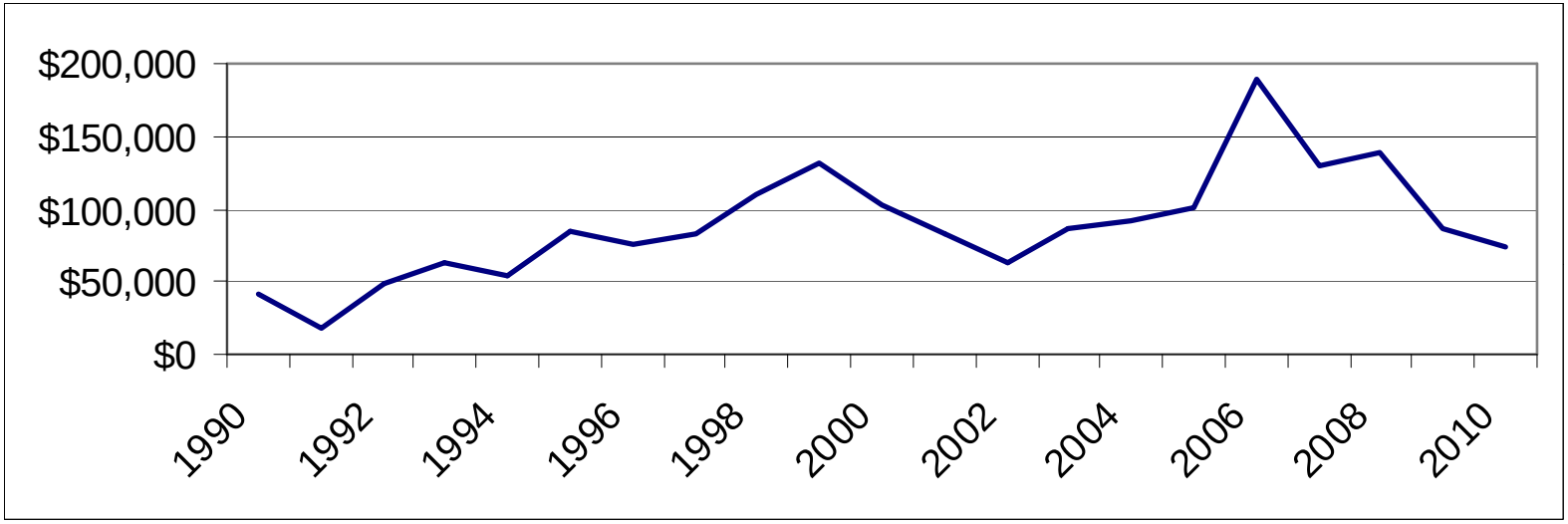
Idaho Retail Construction



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Source: McGraw-Hill/Dodge Construction Reports

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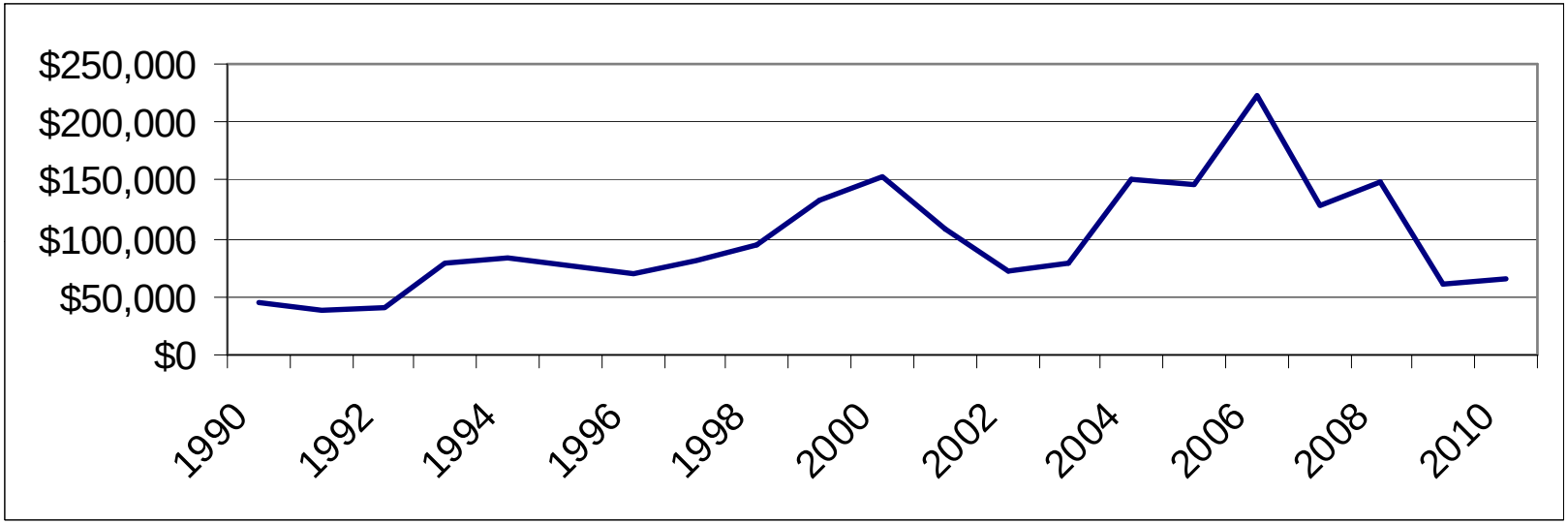
Idaho Office Construction



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Source: McGraw-Hill/Dodge Construction Reports

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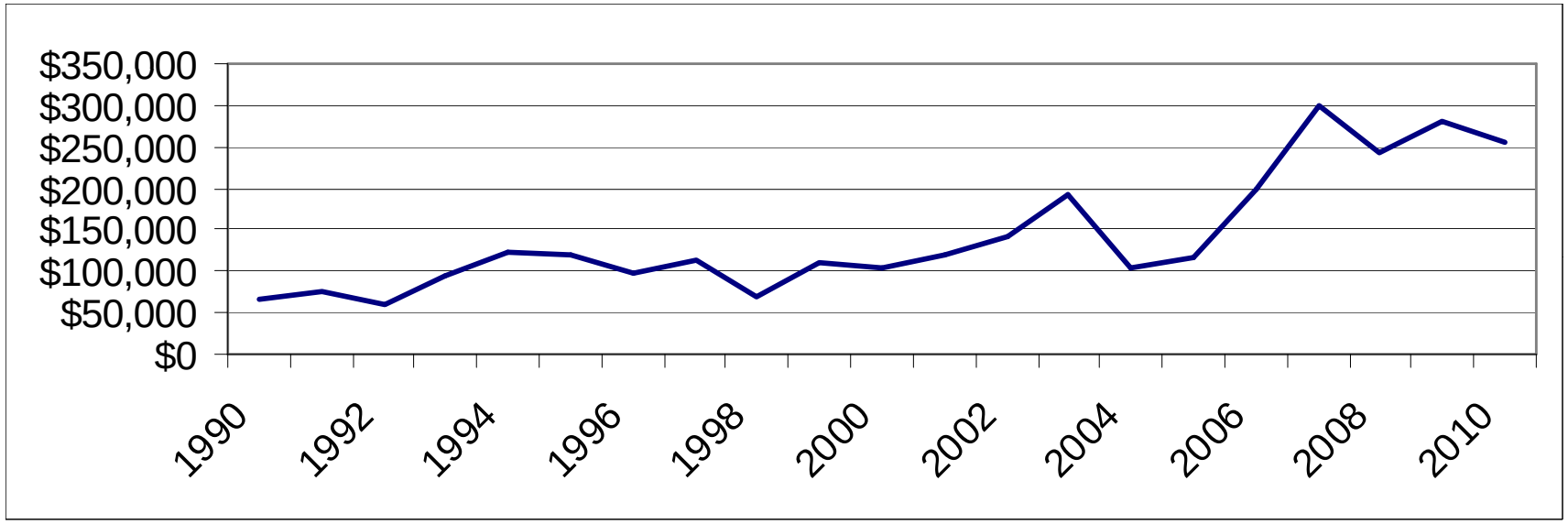
Idaho Education Construction



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Source: McGraw-Hill/Dodge Construction Reports

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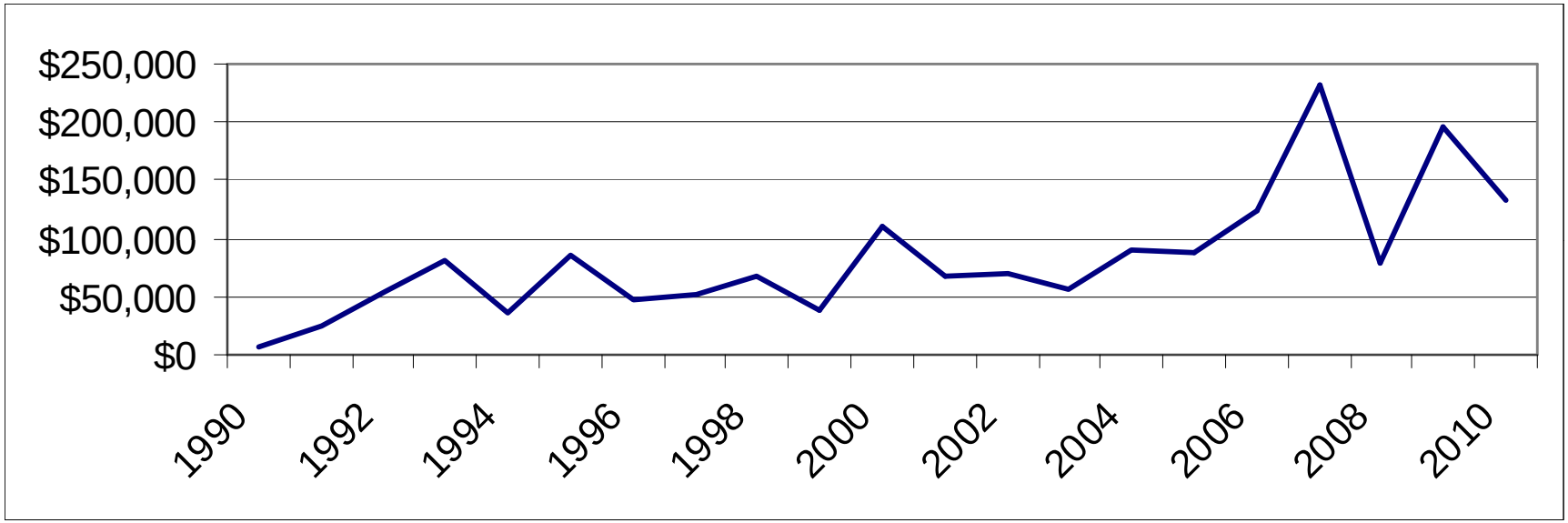
Idaho Health Care Construction



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Source: McGraw-Hill/Dodge Construction Reports

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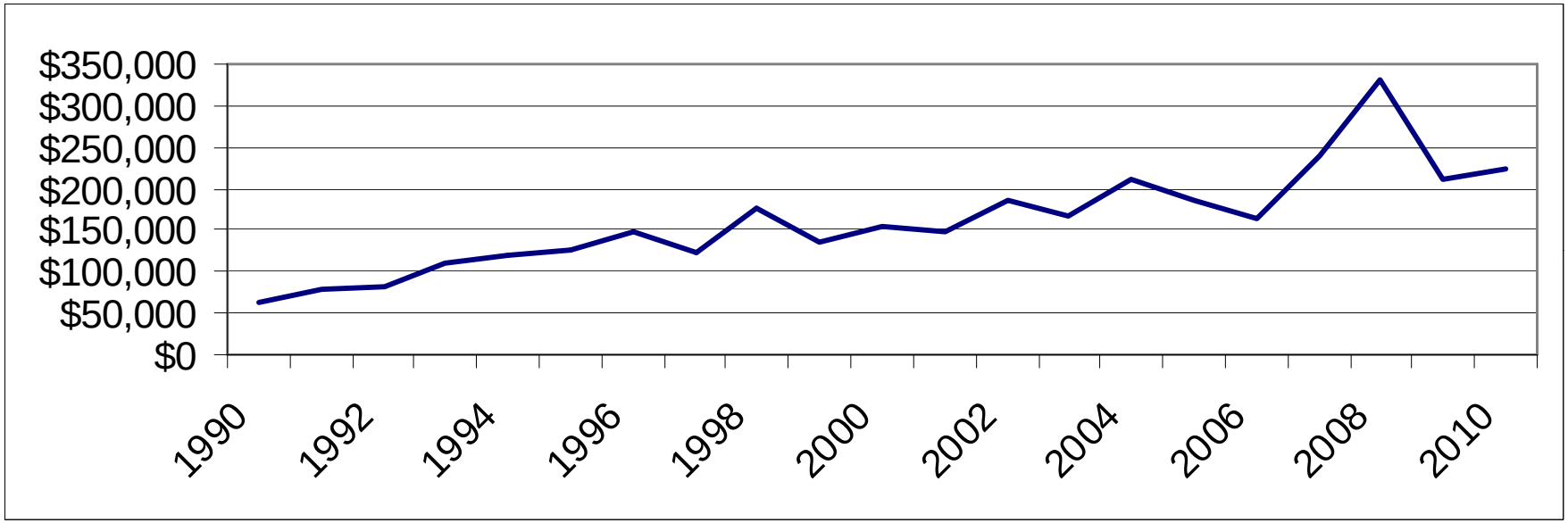
Idaho Highway & Road Construction



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Source: McGraw-Hill/Dodge Construction Reports

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Crystal Ball?

($000.00)	2005	2006	2007	2008	2009	2010
Education	$115,484	$198,112	$299,906	$242,599	$279,795	$254,175
		171.5%	**151.4%**	**80.9%**	**115.3%**	**90.8%**
Highway	$184,511	$163,888	$238,552	$332,646	$210,556	$224,680
		88.8%	**145.6%**	**139.4%**	**63.3%**	**106.7%**
Manufacturing	$33,018	$61,409	$27,819	$148,871	$45,501	$42,100
		186.0%	**45.3%**	**535.1%**	**30.6%**	**92.5%**
Medical	$87,785	$123,368	$223,956	$79,252	$195,800	$132,794
		140.5%	**181.5%**	**35.4%**	**247.1%**	**67.8%**
Multi res	$136,713	$289,976	$164,985	$96,405	$58,761	$60,875
		212.1%	**56.9%**	**58.4%**	**61.0%**	**103.6%**
Office	$147,221	$222,356	$127,962	$148,945	61,515	65,817
		151.0%	**57.5%**	**116.4%**	**41.3%**	**107.0%**
Retail	$100,808	$188,311	$130,370	$138,756	$86,022	$74,398
		186.8%	**69.2%**	**106.4%**	**62.0%**	**86.5%**
Single Fam	$3,594,173	$3,084,401	$1,986,130	$1,137,504	946,656	991,059
		85.8%	**64.4%**	**57.3%**	**83.2%**	**104.7%**
Water Supply	$22,684	$32,700	$23,713	$31,049	$42,120	$39,869
		144.2%	**72.5%**	**130.9%**	**135.7%**	**94.7%**
Total	$4,931,009	$5,010,577	$4,025,471	$2,975,743	$2,315,272	$2,386,531
		101.6%	**80.3%**	**73.9%**	**77.8%**	**103.1%**

'$000.00

Source: McGraw-Hill/Dodge Construction Reports

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However!

- In the midst of an economic storm unlike any the construction industry has seen since the 1930's, there are political forces that threaten to prolong the agony:
  - Congress will likely fail to pass a six-year transportation reauthorization
  - Idaho continues to inadequately fund transportation
  - The Senate version of the recently-passed federal health care plan singles out construction for punitive fees and taxes
- We also think the worst is yet to come in commercial real estate.

In summary….

- We predict 2010 will be challenging for the Idaho non-residential construction industry – one of the worst in Idaho history….
- We see little positive help from government sectors
- Are there any questions?

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