

Nonresidential Construction Activity Expected to Soften in 2008
Modest overall increase projected with healthcare and education projects to see highest gains

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Washington, D.C. – January 16, 2008 – Weakness in the overall U.S. economy is translating to a tempered forecast for the nonresidential construction market, and spending is expected to increase by a modest 0.7 percent in 2008 in inflation adjusted terms. Led by demand for institutional projects, the growth in 2008 is expected to be at a slower pace than recent years, with commercial projects likely to see the most decrease. Also there is expected to be continued volatility in the costs of building materials. These are highlights from the American Institute of Architects (AIA) semi-annual Consensus Construction Forecast, a survey of the nation’s leading construction forecasters. “After ending 2007 on a high note, we are anticipating a significant slowing of nonresidential construction growth in 2008,” said AIA Chief Economist, Kermit Baker, PhD, Hon. AIA. “A slight decrease in activity is actually expected in 2009 with 2008 and 2009 projected to be the trough of the current construction cycle.”

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Market Segment Consensus Growth Forecasts

Commercial / industrial	2008	2009
• Hotels	5.1%	-3.1%
• Office buildings	1.7%	-3.7%
• Industrial facilities	-3.8%	0.4%
• Retail	-5.7%	-3.6%
Institutional		
• Health care facilities	5.6%	3.6%
• Education	5.5%	-0.1%
• Public safety	3.5%	0.4%
• Amusement / recreation	1.4%	-2.6%
• Religious	-1.0%	4.0%

“Oil prices in the \$100 per barrel range are not the only construction material input that is experiencing unusual price fluctuations. Iron and steel scrap have increased more than 28 percent between 2006 and 2007, with construction sand/gravel/crushed stone up over 8 percent, selected steel products up almost 6 percent and fabricated structural metal increased more than 5 percent during the same period,” Baker added. “Conversely, gypsum products are down more 23 percent over the past year, with prices for insulation, plywood, aluminum and natural gas lowering a bit as well.”

About the AIA Consensus Construction Forecast Panel

The AIA Consensus Construction Forecast Panel is conducted twice a year with the leading nonresidential construction forecasters in the United States including, McGraw Hill Construction, Global Insight, Moody’s economy.com, Reed Business Information, FMI, and the Portland Cement Association. The purpose of the Consensus Construction Forecast Panel is to project business condition in the construction industry over the coming 12 to 18 months. The Consensus Construction Forecast Panel has been conducted for 10 years.

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