

Modest Decline in Nonresidential Construction Activity Anticipated in 2008 with More Dramatic Drop in 2009

Commercial projects likely to see largest declines, while institutional projects expected to remain stable

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Washington, D.C. – July 16, 2008 – As the nonresidential sector has experienced cutbacks in demand for new space, the projections for construction activity for new nonresidential facilities are for a mild decline in 2008, with a more significant downturn in 2009. The forecasts are more negative for commercial and industrial buildings, with an especially large drop-off in the office and retail sectors. The two largest institutional categories, healthcare and education facilities, should see a slight increase this year and could help offset some of the losses in the other project categories. The continued increase in building material costs in recent years could also adversely affect the construction industry. These are highlights from the American Institute of Architects (AIA) semi-annual Consensus Construction Forecast, a survey of the nation's leading construction forecasters which is calling for a 1.9% decline in inflation-adjusted activity in 2008, followed by a projected 6.7% decline in 2009.

"The more pessimistic forecasts this round stems from the lack of growth in the overall economy, the ripple effect from the faltering housing market and the anxiety in the credit markets leading to a restriction in lending for all types of construction projects," said AIA Chief Economist, Kermit Baker, PhD, Hon. AIA. "The one bit of good news is that this contraction in activity is likely to be considerably milder than the construction recessions of the early 1990's and earlier this decade."

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Market Segment Consensus Growth Forecasts

	2008	2009
Commercial / industrial		
• Retail	-8.3%	-9.9%
• Office buildings	-3.7%	-12.3%
• Hotels	6.6%	-9.9%
• Industrial facilities	4.6%	-5.5%
Institutional		
• Health care facilities	0.2%	1.1%
• Education	2.7%	-1.1%
• Amusement / recreation	3.6%	-8.5%
• Public safety	5.9%	-1.9%
• Religious	-11.7%	-1.2%

Baker added, "Another key concern for the industry is that the cost of construction materials has increased more than twice that of consumer products and services – up 37% versus 18% since 2004. Petroleum-based materials and other key construction commodities such as steel, concrete and stone have experienced very sharp price increases in recent years."

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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