



## Forecast: Construction job market outlook could improve in '10

By MONICA UNHOLD, The Daily Transcript

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The ranks of unemployed construction workers increased nationwide in October, with all sectors hemorrhaging jobs, according to data released Nov. 6 by the U.S. Bureau of Labor Statistics.

However, construction employment numbers are expected to taper off in 2010 according to an economic forecast released Monday by the Associated Builders and Contractors Inc.

San Diego's construction job market mirrors the national one, with a slightly stronger public works sector largely due to an increase in military projects, said Scott Crosby, president and chief executive officer of the ABC San Diego Chapter.

The United States lost 62,000 construction jobs in October. The figure was slightly encouraging juxtaposed with the average of 67,000 jobs per month over the past six months and 117,000 during the prior six months.

Since December 2007, employment in the construction sector has fallen by 1.6 million jobs.

Nonresidential building construction lost 3,200 jobs in October while homebuilders lost 5,600 jobs despite a recent increase in residential construction spending.

The hardest hit sectors include nonresidential specialty trade contractors, which lost 30,000 jobs last month and 441,000 since October 2008 -- a 17.4 percent reduction in the work force.

The heavy construction sector also experienced a large reduction in jobs, dropping nearly 14,000 in October, or more than 12 percent since last year.

"Unfortunately, at least two key segments of the nonresidential construction industry continue to experience significant job decline," said Anirban Basu, chief economist for the ABC, in a statement. "Despite stimulus spending, heavy and civil engineering construction and specialty trade contractors are still losing jobs. Based on today's report, it remains unlikely that job losses will end on a monthly basis until well into next year."

In order to help local construction firms survive in tough times, Crosby plans to help ABC members take advantage of an increase in government and particularly military building projects.

"I want to focus on helping contractors transition into public works," Crosby said.

The hope is that the public works sector will have the capacity to sustain the industry until the commercial sector turns around, which Crosby expects to occur in 2011 or 2012, he said.

"Eventually our hope is that when federal work starts to dry up other sectors will have rebounded," Crosby said.

Crosby's estimate for a recovery mirrors the ABC's 2010 economic forecast. The forecast predicts nonresidential construction jobs to fall by another 2.2 percent, while employment in the residential sector will increase by 6.2 percent.

The national forecast is a good indicator of San Diego's construction market, Crosby said.

According to the forecast, the recession is over, but an economic upswing will not be seen in the coming year.

"While the industry battled the effects of the recession in 2009, expect 2010 to be a transitional but sluggish year on the road to recovery," Basu stated. "Overall, the nonresidential construction industry has been impacted by a combination of financing constraints, massive job loss and a lack of confidence in local economies across the nation due to falling tax revenues."

The ABC report also cautions of setbacks resulting from an increase in construction costs of between 4 percent and 6 percent each year, over the next several years due international factors such as an increase in demand for construction materials as a result of China's building boom.

Materials costs aside, public works projects are a national bright spot.

The American Recovery and Reinvestment Act of 2009 (ARRA) is beginning to support water, sewer and road resurfacing, and modernization projects in public buildings, Basu stated.

The sectors expected to improve slightly in 2010 include public power projects and both public and privately funded health care projects.

Commercial, office, manufacturing and educational projects are projected to continue declining.

A large backlog of institutional construction projects has steadily been translating to actual construction spending, according to the report.

"Segments that are less closely aligned with federal spending are generally poised for another rough year in 2010," Basu said.

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