

Construction Outlook



**Washington State
Construction Workforce
Conference
Renton Technical College,
March 1, 2006**

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Employment Security
Department***

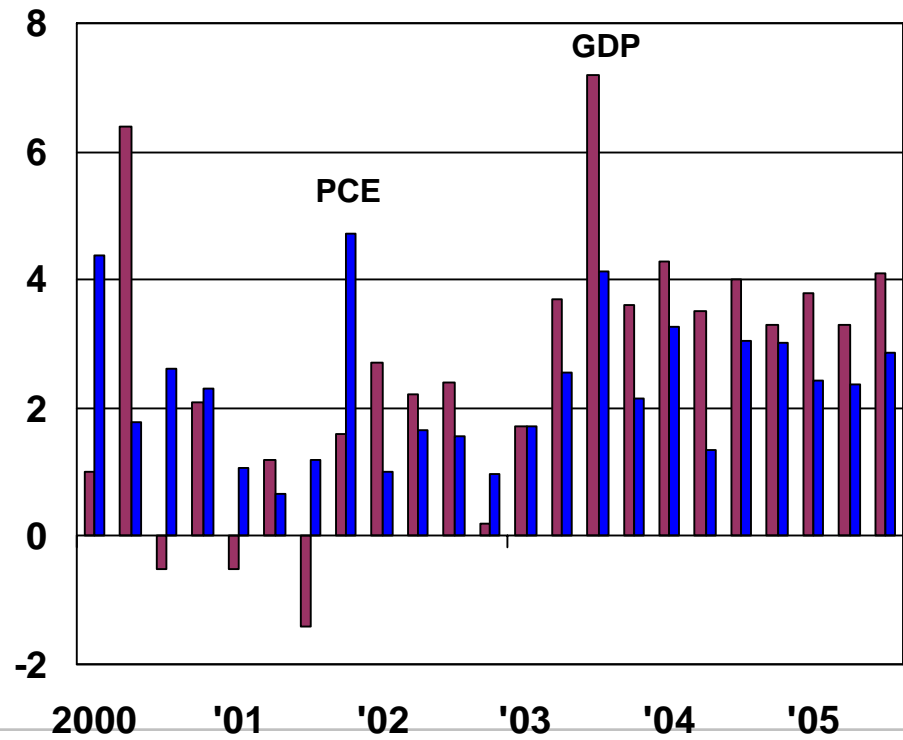
National Factors



Household Spending Exceptionally Robust

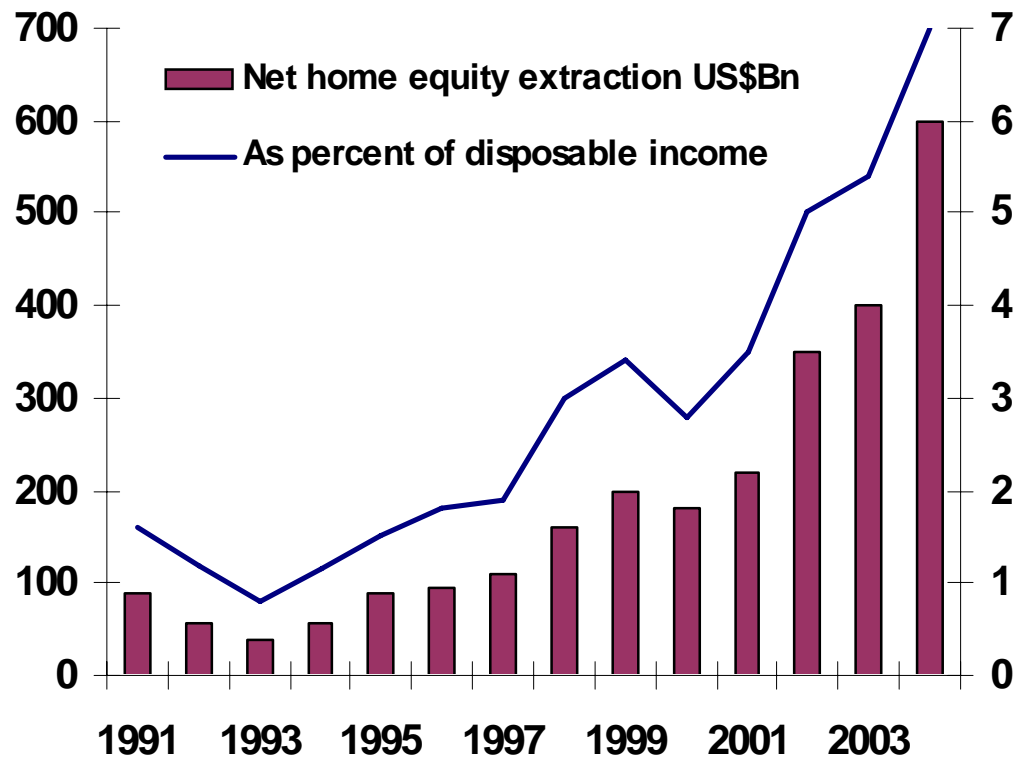
- **Consumer spending has led the way**
- **Personal consumption minimized recession**
- **Residential investment also a boost**

Gross Domestic Product
(contribution to growth)



Home Price Appreciation Boosts Spending

- Housing markets have been exceptionally strong
- Appreciation, and low interest rates, allowed households to consume their equity
- Consumer debt levels are high



Interest Rates Finally Rising

- Fed has increased short term rates 12 times in as many months
- Longer term rates have begun to rise after long delay
- Housing affected by other factors

30-year fixed mortgage rate



Washington

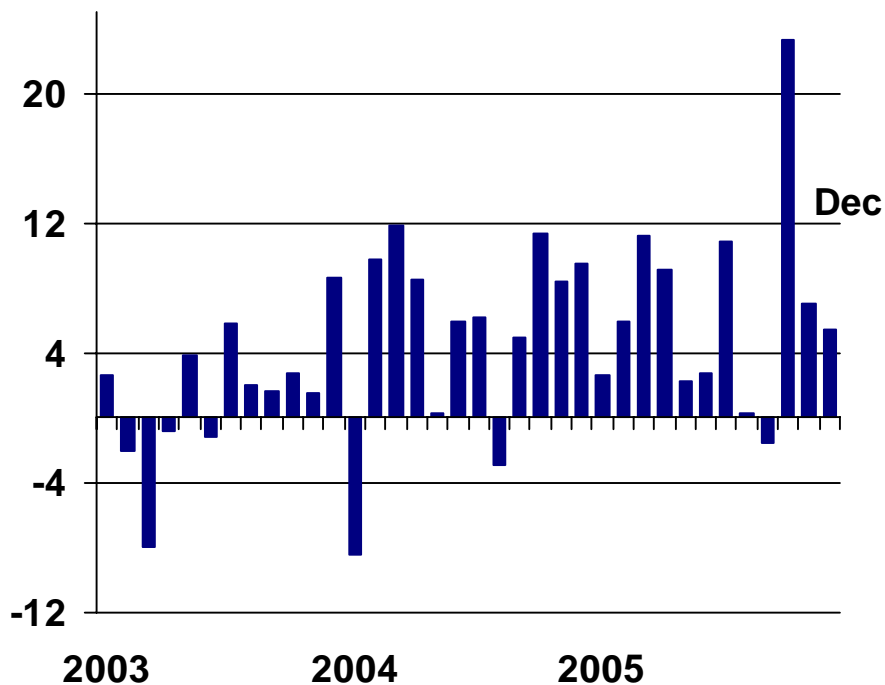




Job Recovery More Robust in 2005

- Employment gains have been strong all year
- Recent gains widespread by industry, but concentrated in urban areas
- Nearly all created in the private sector

Monthly Employment Change, WA (000s)

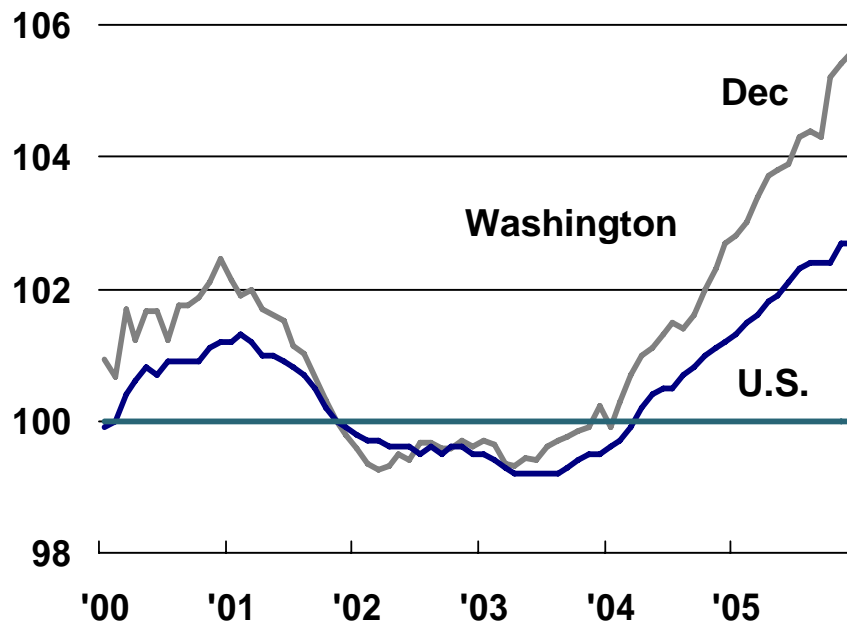




Washington Job Recovery Outpacing U.S.

- **Recession more pronounced in state**
- **Job growth has outperformed nation since early 2003**
- **Manufacturing employment rising here, not so in U.S.**

Payroll employment
(index, Nov. 2001=100)





Over-the-Year Gains Widespread by Sector

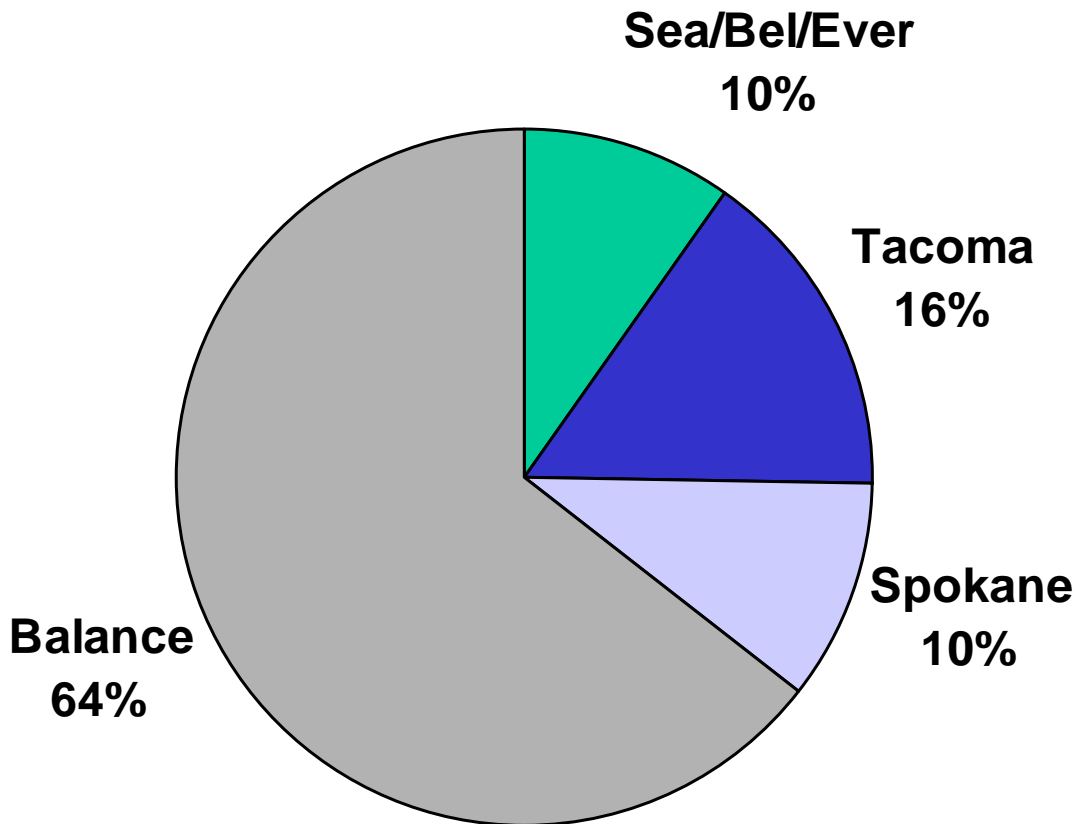
Dec. 2004-Dec. 2005 (000s)

Total nonfarm	+79.5
1. Professional and business services	+17.9
2. Construction	+13.9
3. Manufacturing	+12.0
Transportation equipment	+ 8.1
4. Education and health services	+10.7
5. Leisure and hospitality	+ 7.8
6. Retail trade	+ 6.9
7. Financial activities	+ 3.2
8. Wholesale trade	+ 3.0
9. Other services	+ 2.6
10. Information	+ 2.4
11. Government	- 0.1
12. Transportation, warehousing, and utilities	- 0.3
13. Natural resources and mining	- 0.4

Source: Employment Security Department, LMEA



Contribution to Statewide Job Growth, March 2002 to November 2004

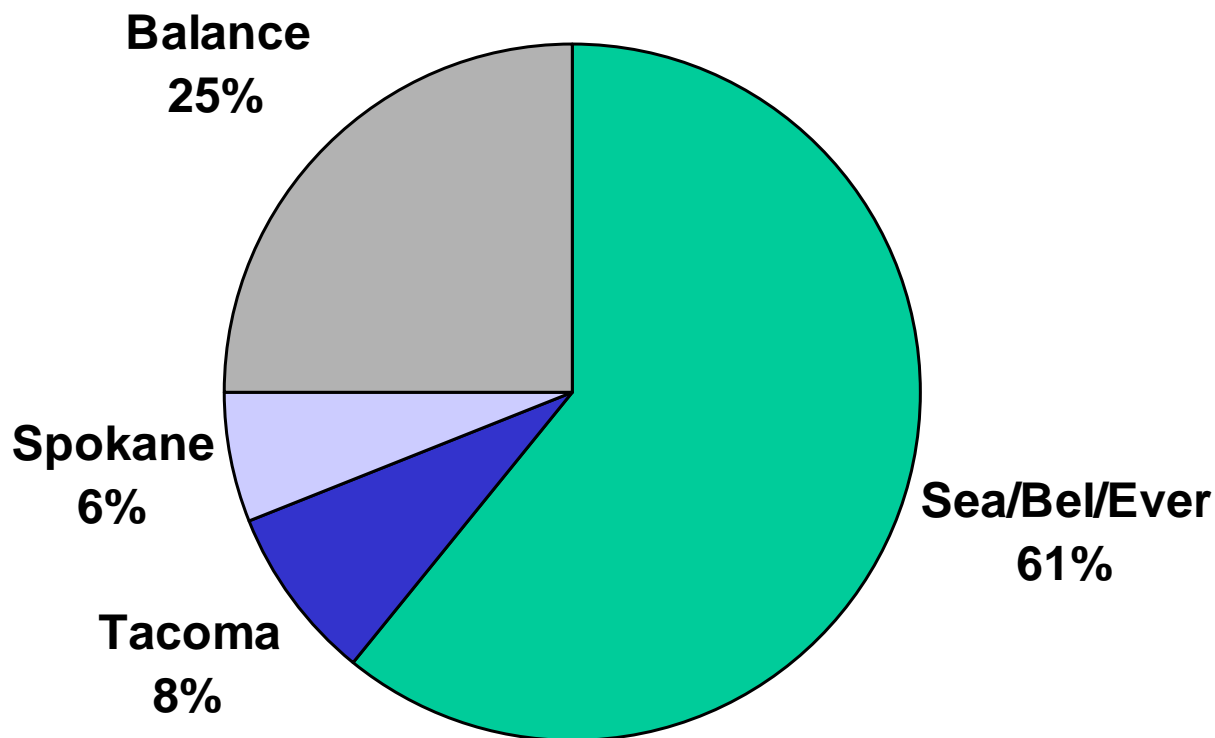




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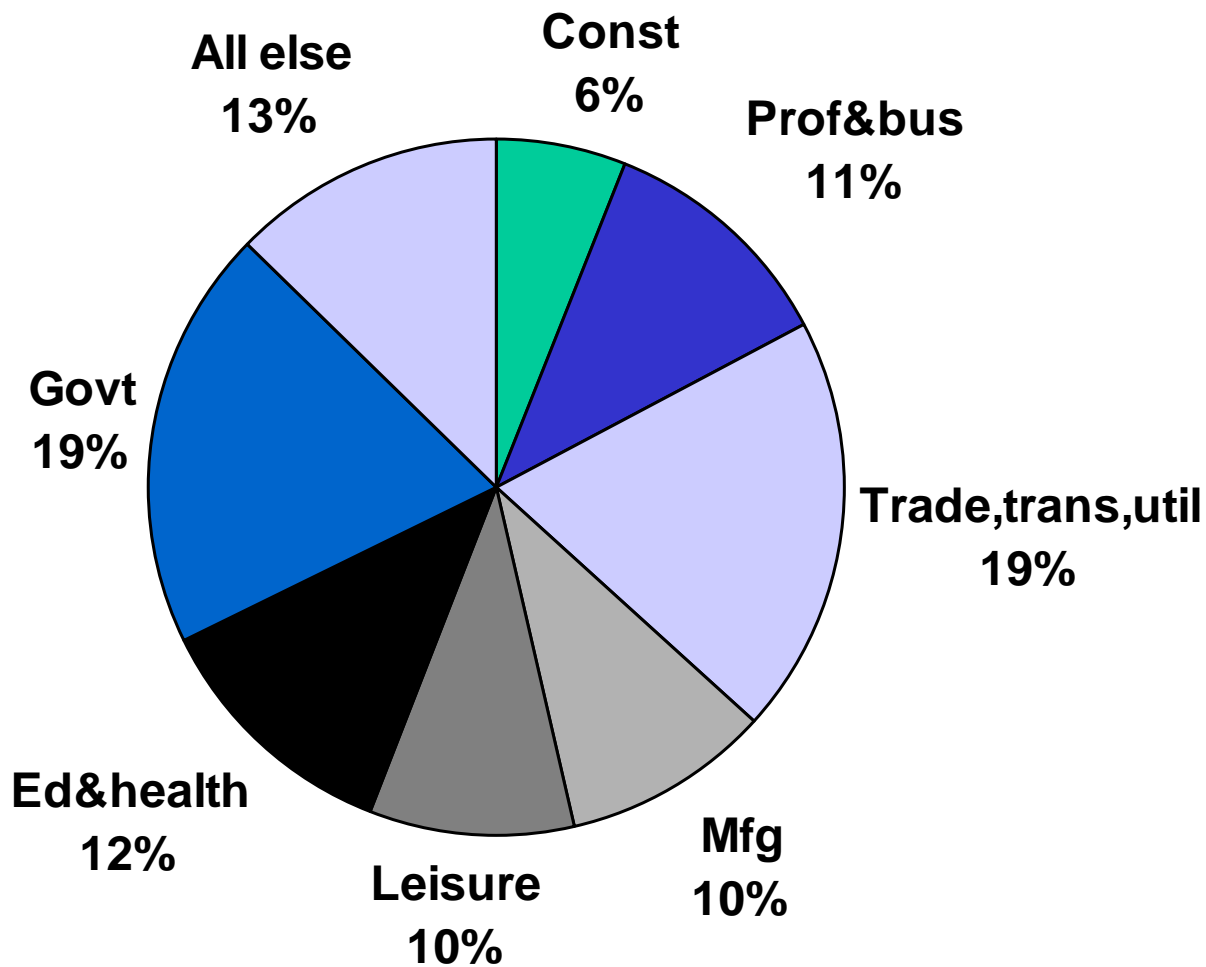
Contribution to Statewide Job Growth, Dec. 2004 to Dec. 2005



Source: Employment Security Department, LMEA



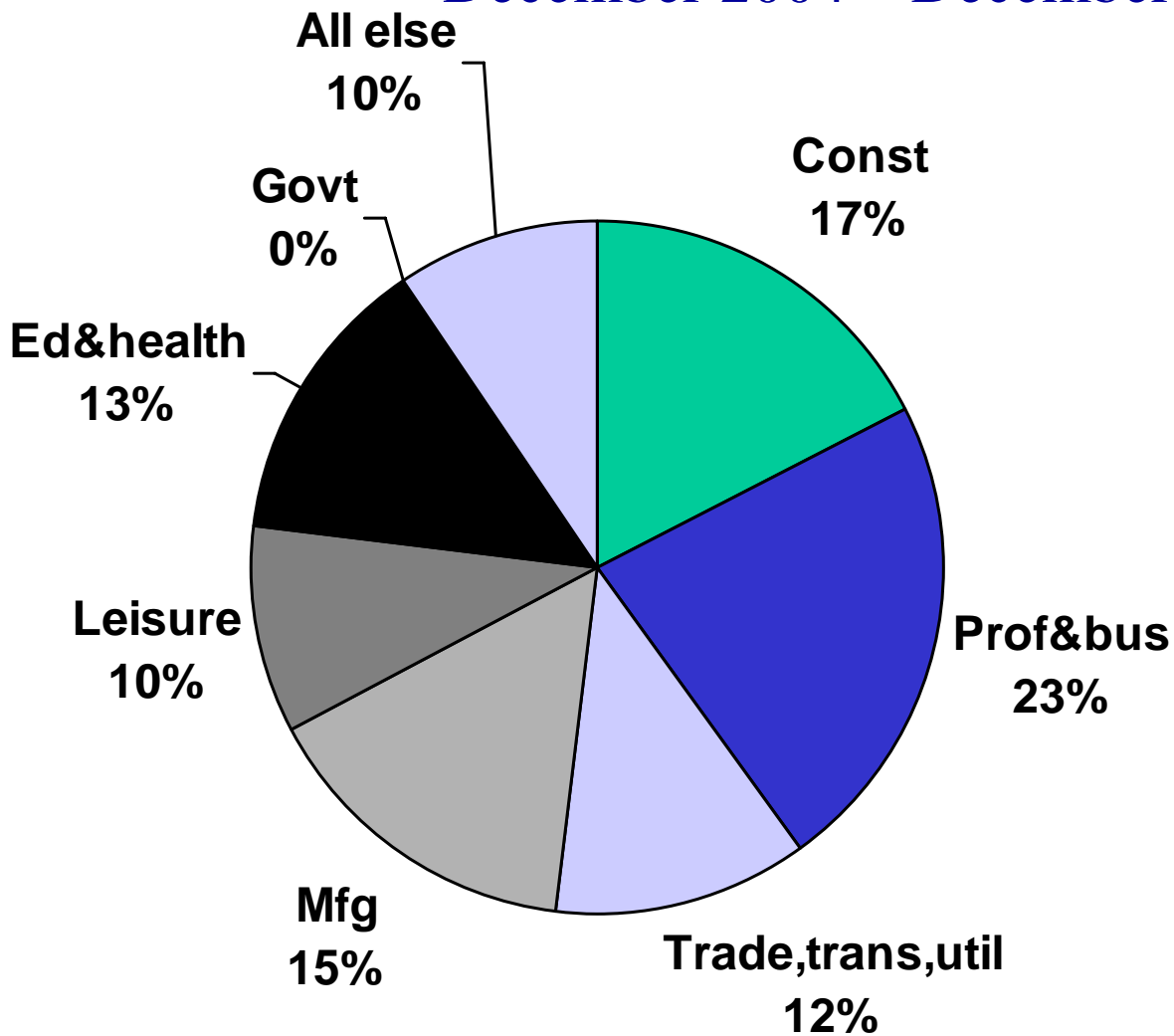
Percent of Nonfarm Employment, December 2004



Source: Employment Security Department, LMEA



Contribution to Job Gains, December 2004 – December 2005



Source: Employment Security Department, LMEA

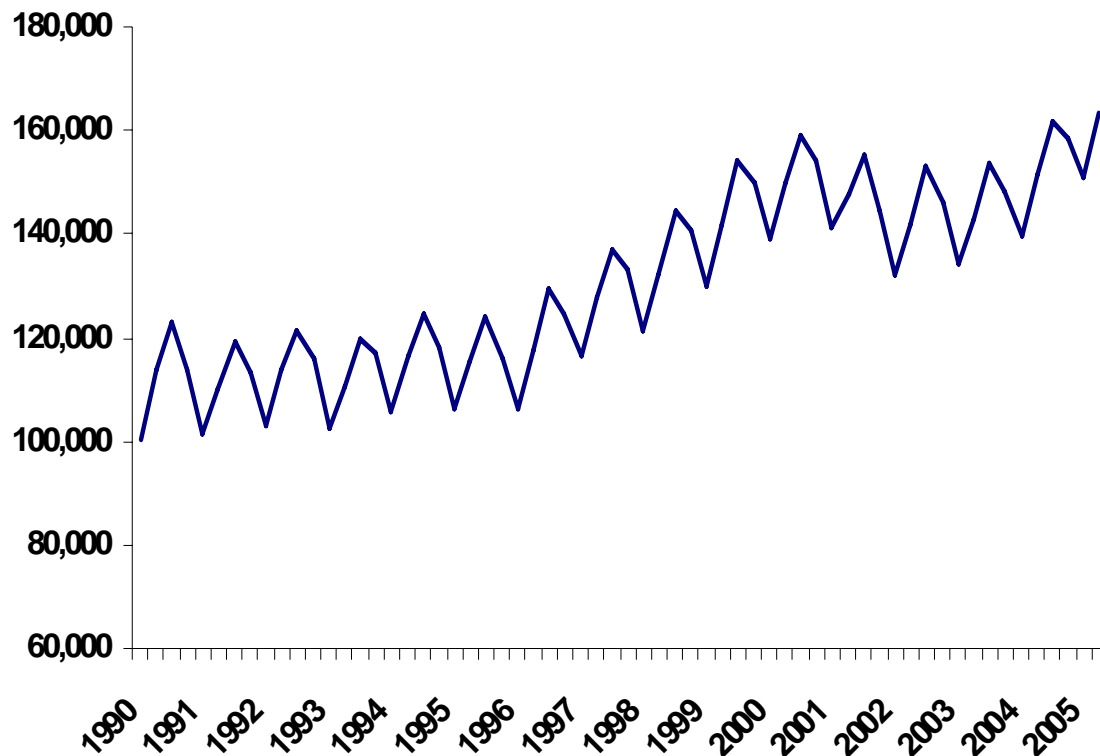
The Construction Industry





Construction Employment in Washington

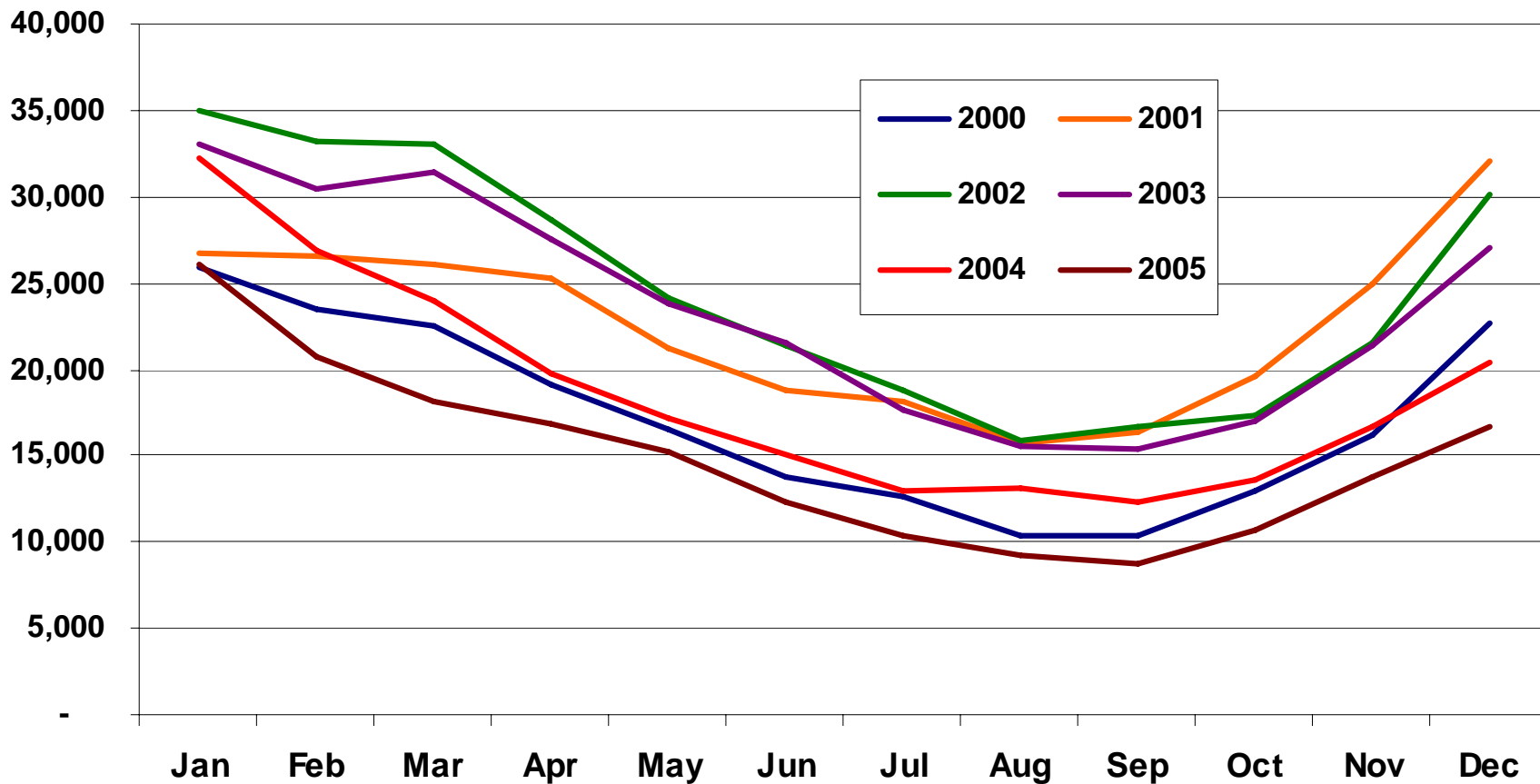
- Trending Upward
- Shows strong seasonality (3rd qtr peak)
- Most recent 3rd qtr was highest (163,444 employed)





Construction Seasonality Still Prevalent

Unemployment Insurance Claims 2000-2005



Source: Employment Security Department, LMEA



King has not been the driver of Construction Employment Growth

Area	1990 2nd Quarter	2005 2nd Quarter	% change	abs change
Olympic (i.e. Kitsap)	4,343	6,389	47%	2,046
Pacific Mountain (i.e. Thurston)	5,281	7,506	42%	2,225
Northwest Washington	7,751	12,012	55%	4,261
Snohomish County	10,557	17,285	64%	6,728
King County	50,138	59,009	18%	8,871
Pierce County	11,319	18,968	68%	7,650
Southwest Washington	7,440	12,722	71%	5,282
North Central (i.e. Chelan)	3,054	4,272	40%	1,217
Central Washington (i.e. Yakima)	2,774	4,618	66%	1,844
Eastern Washington	1,362	2,792	105%	1,430
Benton-Franklin	2,947	5,783	96%	2,836
Spokane	6,606	11,066	68%	4,460
total	113,572	163,444	44%	49,872

Source: Employment Security Department, LMEA

Pretty Similar in Size



Where in Construction is Growth Coming From?

Industry	1990 2nd Quarter	
	Avg Employment	Quarterly Wage
Specialty trade contractors	34,107	\$ 5,947
Heavy and civil eng. construction	18,690	\$ 7,556
Construction of Buildings	34,107	\$ 5,947

Industry	2005 2nd Quarter	
	Avg Employment	Quarterly Wage
Specialty trade contractors	100,409	\$ 9,456
Heavy and civil eng. construction	21,225	\$ 12,987
Construction of Buildings	41,810	\$ 10,071

Industry	Change	
	Avg Employment	Quarterly Wage
Specialty trade contractors	194%	59%
Heavy and civil eng. construction	14%	72%
Construction of Buildings	23%	69%



How Specialty Contractors Break out

Specialty trade contractors sub- Industry	Employment		qtr wage	
	1990 2nd Quarter			
Building equipment	22,868	\$	6,700	
Building finishing	17,475	\$	5,190	
Building foundation & exterior	11,800	\$	5,171	
Other specialty trade	8,632	\$	5,422	

2005 2nd Quarter				
Building equipment	37,747	\$	11,295	
Building finishing	27,336	\$	7,909	
Building foundation & exterior	22,244	\$	8,344	
Other specialty trade	13,082	\$	9,271	

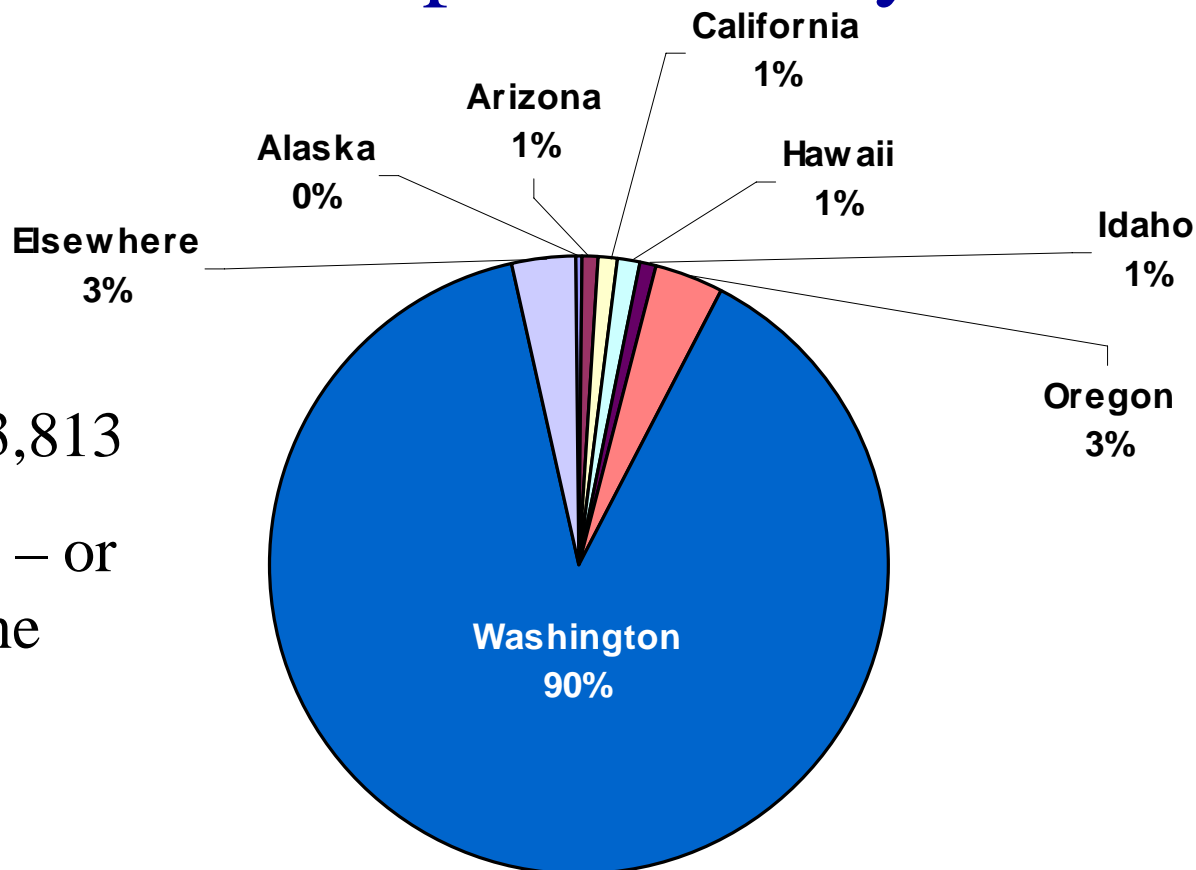
	Change	
	%	Number
Building equipment	65%	14,879
Building finishing	56%	9,861
Building foundation & exterior	89%	10,444
Other specialty trade	52%	4,450

Growth Areas



Construction An Export Industry?

- The total Value of Construction work estimated at \$27,533,813
- Of this \$3,006,279 – or almost 11% was done out of state





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Occupations



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Top Construction Occupations

2002 Washington estimated employment

Occupation	Median Wage	Growth Rate	Employment		
			In Construction	All Industries	% in Construction
Carpenters	\$ 21.33	1.9%	20,159	36,104	56%
Construction Laborers	\$ 15.76	2.0%	14,903	22,286	67%
Supervisors of Const. & Extraction Workers	\$ 29.06	1.7%	10,349	17,858	58%
Electricians	\$ 25.27	1.5%	10,186	15,497	66%
Plumbers, Pipefitters, and Steamfitters	\$ 24.54	1.5%	6,510	9,594	68%
Painters, Construction and Maintenance	\$ 16.27	1.8%	5,533	13,737	40%
Bookkeeping, Accounting, & Auditing Clerks	\$ 14.91	1.5%	5,433	45,047	12%
Operating Engrs & Other Equip Operators	\$ 24.93	1.5%	5,401	7,864	69%
Drywall and Ceiling Tile Installers	\$ 25.09	1.8%	3,632	4,761	76%
Construction Managers	\$ 41.13	1.9%	3,618	9,317	39%



Outside of Construction where are Carpenters Employed?

Industry	Employed
Ship and boat building	464
Employment services	226
Local Govt.	215
Education	190
Federal Govt.(exept Postal)	185
Other wood product manufacturing	184
Household goods repair and maintenance	170
Machinery & supply wholesalers	163
Household and institutional furniture mfg.	149



Construction Managers?

Industry	Employed
Architectural and engineering services	200
Lessors of real estate	55
Management of companies and enterprises	48
Local Govt.	46
Offices of real estate agents and brokers	28
Education	22
Remediation and other waste services	18
Waste treatment and disposal	15
Rail transportation	15
Management and technical consulting	11
Activities related to real estate	10



Painters?

Industry	Employed
Federal Govt.(exept Postal)	312
Private households	159
Lessors of real estate	140
Local Govt.	127
Education	85
Ship and boat building	49
Activities related to real estate	36
Remediation and other waste services	35
Facilities support services	34



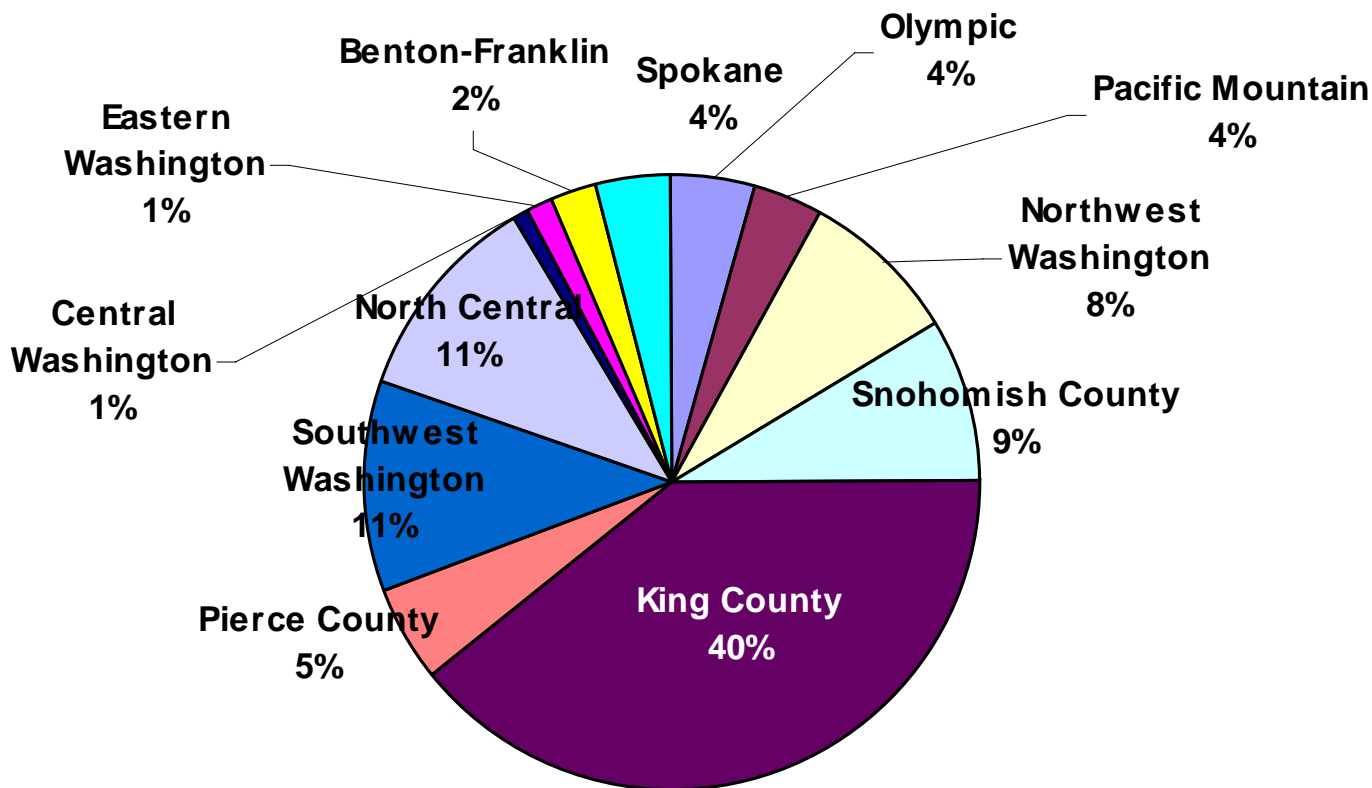
What Positions were hardest to Fill?

Occupational Title	Vacancies	Seasonal/ Temporary	Requiring Cert.	Requiring Exp.	Education Beyond High School
Grand Total	2,754	4%	44%	66%	23%
Carpenters	571	2%	33%	62%	7%
Plumbers, pipefitters, and steamfitters	242	0%	50%	57%	15%
HVAC mechanics and installers	193	0%	81%	80%	42%
Construction laborers	193	6%	43%	50%	17%
Roofers	178	8%	49%	65%	10%
Telecommunications line installers and repairers	140	0%	6%	6%	0%
Supervisors of const. trades & extraction workers	117	4%	52%	96%	51%
Electricians	111	8%	96%	75%	19%
All other sales and related workers	62	7%	51%	78%	7%
Civil engineers	56	0%	34%	59%	100%
Cement masons and concrete finishers	48	0%	24%	100%	12%
Truck drivers, heavy and tractor-trailer	38	16%	100%	84%	0%
Drywall and ceiling tile installers	38	0%	15%	100%	0%
Insulation workers	35	0%	65%	61%	0%
Mechanical engineers	33	0%	86%	100%	100%
Cost estimators	30	0%	35%	100%	50%
Painters, construction and maintenance	28	17%	83%	17%	0%
All other helpers, construction trades	24	0%	0%	0%	0%
Sheet metal workers	23	0%	25%	100%	0%

Source: Employment Security Department, LMEA: October 2005 Job Vacancy Survey



Where did Construction Vacancies Occur?





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Outlook



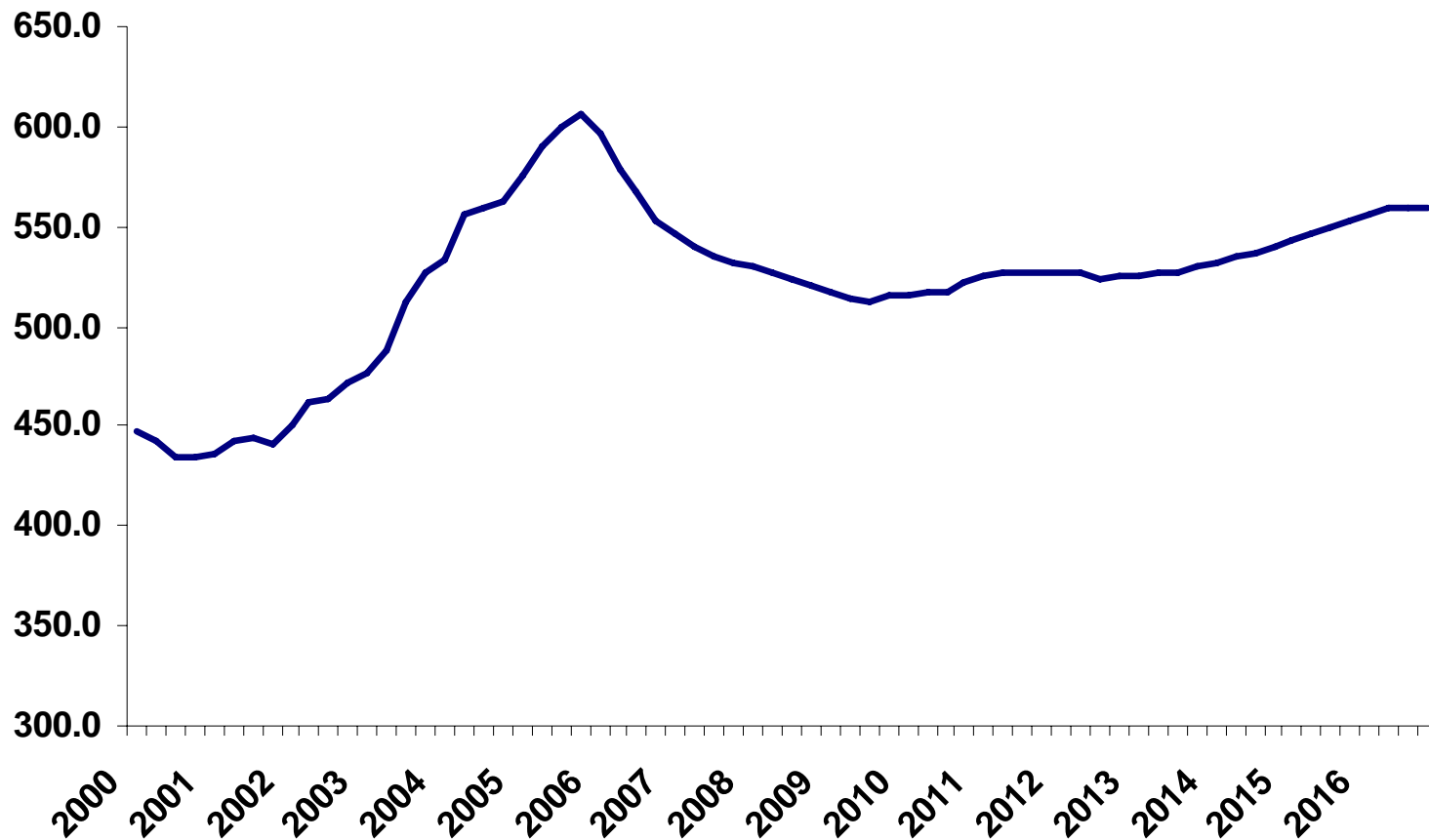
Outlook for the National Economy

- Demand still firm and output rebounding after hurricanes-related decline
- Energy prices a big risk to consumer and business spending
- Inflation still in check, but Fed Funds still below neutral
- Job markets will continue to improve
- There's still work to be done



National Production Peaking in 2005?

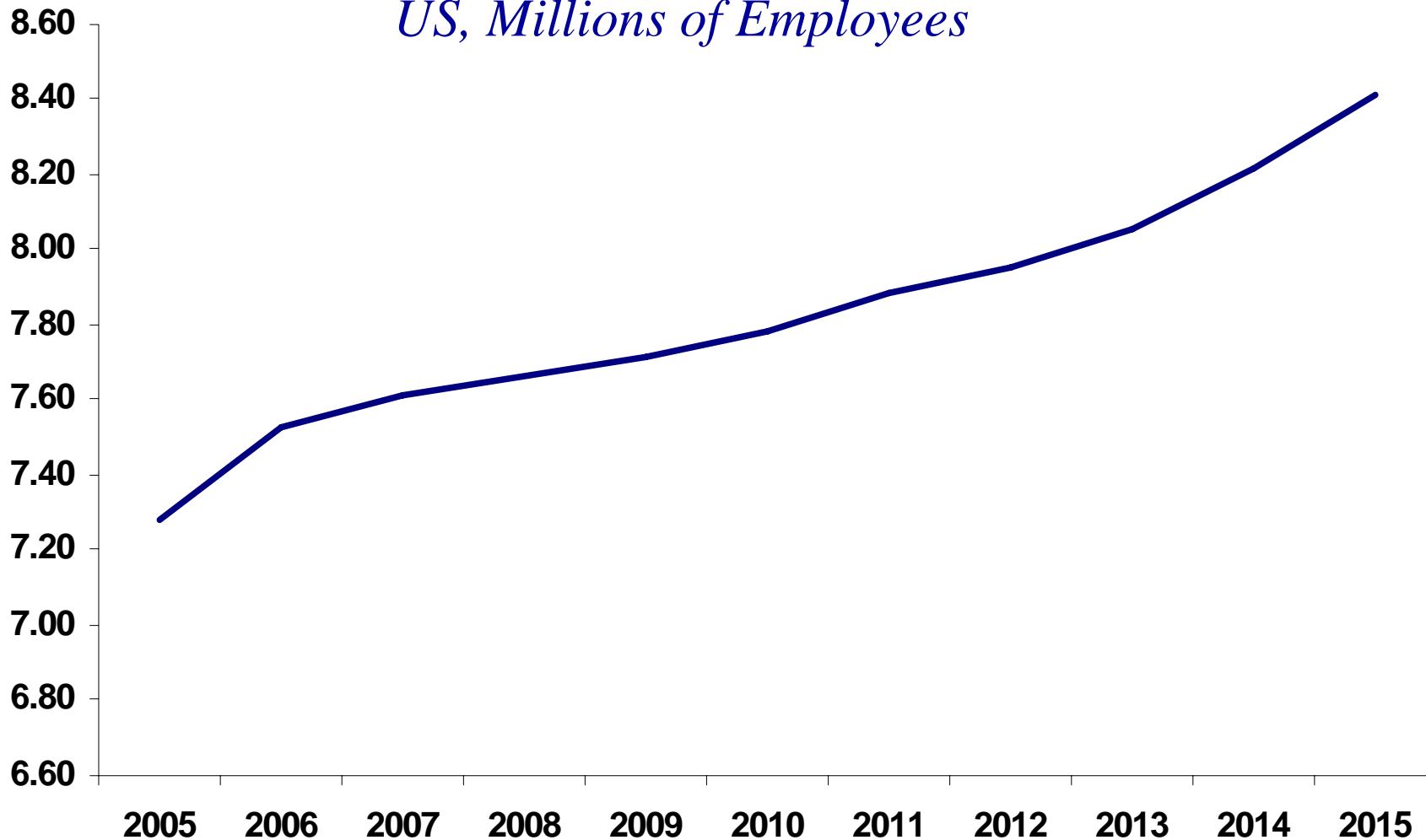
Forecasted Value of Construction, Billions of 2000 dollars





However, employment growth forecasted as steady

US, Millions of Employees





Forecast for WA Construction Industries

Construction Industry	Employment		Growth Rate	
	2006Q2	2012	2002-07	2007-12
Residential building construction	26,786	28,112	2.8%	1.3%
Nonresidential building construction	17,584	21,059	1.4%	0.9%
Utility system construction	9,314	9,413	2.6%	1.1%
Land subdivision	1,825	2,699	2.1%	1.1%
Highway, street, and bridge construction	7,109	7,818	2.9%	1.0%
Other heavy construction	2,736	2,877	0.7%	0.6%
Building foundation & exterior contractors	22,578	23,669	2.8%	1.5%
Building equipment contractors	39,772	44,730	2.3%	1.1%
Building finishing contractors	27,921	29,039	2.3%	1.1%
Other specialty trade contractors	13,729	15,053	2.8%	1.3%
All Industries			1.5%	1.3%

Questions/comments



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