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Fewer states show job gains; AIA survey suggests worker shortages may be the reason

Seasonally adjusted **construction employment** rose in 36 states from August 2015 to August 2016, declined in 13 states and the District of Columbia, and was unchanged in Nebraska, an AGC [analysis](#) of Bureau of Labor Statistics (BLS) [data](#) released on Tuesday showed. The number of states with increases was the smallest since April 2013, which may indicate either a slowing in construction activity or contractors having greater difficulty in finding acceptable workers. The highest percentage gains again occurred in Iowa (19%, 14,400 jobs) and Hawaii (12%, 4,300), followed by Colorado (11%, 16,800) and Idaho (9.2%, 3,500). Iowa and Massachusetts set new records. The top four states in number of jobs added were again California (29,300 jobs, 4.0%), Florida (22,000, 5.1%), Colorado and Iowa. Kansas lost the highest percentage and number of construction jobs (-7.7%, -4,700), followed in percentage decline by Montana (-7.2%, -1,900), North Dakota (-6.5%, -2,200) and Wyoming (-5.7%, -1,300). Alabama lost the second-largest number of construction jobs (-3,500, -4.3%), followed by North Dakota, Montana and Kentucky (-1,900, -2.5%). From July to August, seasonally adjusted construction employment increased in 24 states, shrank in 25 states and D.C., and was unchanged in Montana. (AGC's rankings are based on seasonally adjusted data, which in D.C., Hawaii, Nebraska and four other states is available only for construction, mining and logging combined.)

"Almost a third of architecture firms noted that they are seeing fewer bids from contractors recently on many or most of their projects, apparently as a result of labor shortages among contractors," the American Institute of Architects [stated](#) today in its "Work-on-the Boards" report, based on questions in the August Architecture Billings Index (ABI) survey. "Additionally, over a third of architecture firms reported fewer contractor bids on some of their projects. This problem was pervasive among firms of all sizes and specializations and all major regions of the country...A similar share of architecture firms reported higher contractor bids on projects, again potentially due to construction labor shortages. Over a third of firms reported higher bids submitted on many or most projects, and a comparable share reported higher bids on some projects....Firms also commented on actions that contractors have taken to deal with tight labor conditions. Most commonly mentioned was delayed construction schedules, where almost 30% of firms reported that they have increased a lot. Offsite fabrication of key building components was mentioned by several architects as a response by contractors to the labor shortage. Less commonly mentioned was reliance on technology (e.g. BIM [Building Information Modeling], on-site automation of construction tasks) or internal training programs implemented by contractors as strategies for dealing with labor shortages." (In AGC's workforce survey, [released](#) on August 31, increased use of in-house training was cited by 48% of respondents; increased use of labor-saving technology by 21%; offsite prefabrication, 13%; and virtual construction methods such as BIM, 7%.) The ABI score inched below the breakeven 50 mark in August for the first time since January, with a reading of 49.7, seasonally adjusted, down from 51.5 in July. The ABI measures the percentage of surveyed architecture firms that reported higher billings than a month earlier less the percentage reporting lower billings; any score over 50 indicates billings growth.

The **value of construction starts** "soared 21%" from July to August at a seasonally adjusted annual rate, following "lackluster activity" in July, Dodge Data & Analytics [reported](#) on Thursday. "The August rise for total construction starts featured an especially elevated amount for nonresidential building [up 42% from July], which was helped by the start of a \$3 billion petrochemical plant in Louisiana, the \$1.7 billion Wynn Casino in the Boston...area, and a \$508 million terminal upgrade at Seattle-Tacoma International Airport. The nonbuilding construction sector also experienced strong growth [25%], with its public works segment lifted by the start of a \$3 billion natural-gas pipeline project in...Alabama, Georgia and Florida. In addition, residential building contributed with a moderate August gain [5%], reflecting another advance for multifamily housing which included groundbreaking for the \$900 million Wanda Vista Tower in Chicago....Through the first eight months of 2016, total construction starts on an unadjusted basis were...down 7% from a year ago. As 2016 is proceeding, the year-to-date [YTD] decline for total construction is becoming smaller, affected to a lesser extent by the comparison to the massive projects reported during the first half of 2015 and now benefitting from the start of several massive projects in this year's second half. If projects valued at \$1 billion or more are excluded, total construction starts during the first eight months of 2016 would be down a slight 1% [YTD]. 'The sharp rise in August [supports] the belief that the construction industry still has room for further expansion despite some recent deceleration,'" stated chief economist Robert Murray. "Nonresidential building decreased 10% [YTD], with commercial building down 1%, institutional building down 8%, and manufacturing building down 45%. Residential building [increased] 3%, with single family housing up 7% while multifamily housing receded 4%."

Housing starts decreased 5.8% at a seasonally adjusted annual rate from July to August, but increased 6.1% YTD, the Census Bureau [reported](#) on Tuesday. Single-family starts slid 6.0% for the month but gained 9.1% YTD. Multifamily (buildings with 5 or more units) starts declined 6.9% from July but edged up 0.3% YTD. **Building permits**, a fairly reliable predictor over time of near-term starts, slipped 0.4% for the month and 0.8% YTD. Single-family permits rose 3.7% for the month and 8.4% YTD. Multifamily permits sank 8.4% from July and 15% YTD. Multifamily permits YTD (256,000) are close to YTD starts (251,000), suggesting there is little or no backlog of unstarted projects, which may mean multifamily construction slows soon.