

# 2008 Market Forecast

Kiley Advisors LLC  
Women Contractors Association  
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## 2008 Dawns with Economic Concerns

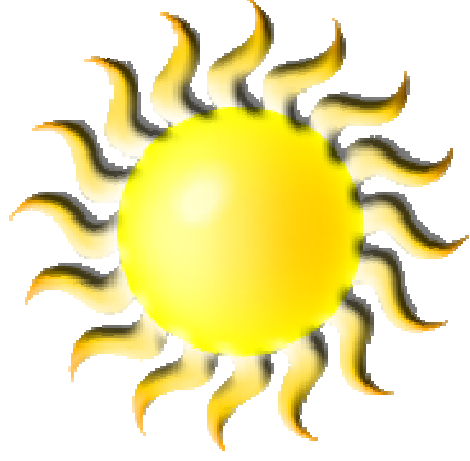
- Recession Talk
- Stock Market Volatility – Fed Action
- SubPrime Write down – tighter credit
- Declining Housing Values, Consumer Confidence Eroding

And . . .



## Other Concerns

- Presidential Election Year – Hesitancy
  - International Turbulence
    - Iraq/Afghanistan –
    - Iran or Pakistan
- Note: Not Expected to worsen yet . . . .
- A Look at Facts suggest a Brighter Picture . . . .



# Facts

- National GDP is still expected to experience positive 1.7 – 2.0% (moderating from last years 2.2%)
- Global Economies will remain strong – perhaps moderating slightly

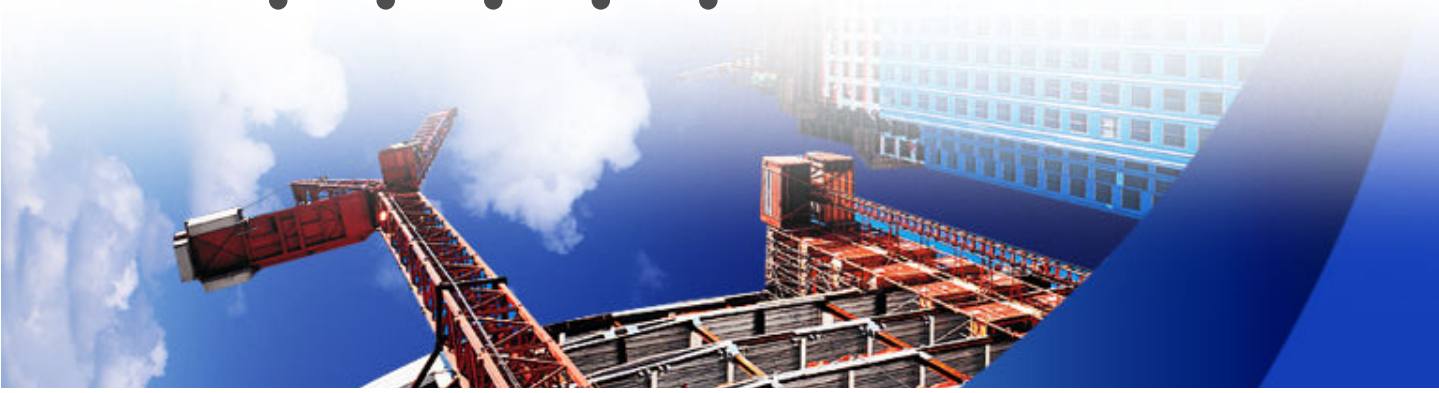
– e.g.

Global GDP	2008 Projected (Est.)	2007 Projected (Est.)
China	10.8%	11.5%
India	8.6%	8.6%
Korea	4.8%	5%
Euro Zone	2.2 -2.4%	2.8%
Brazil	4%	4.4%



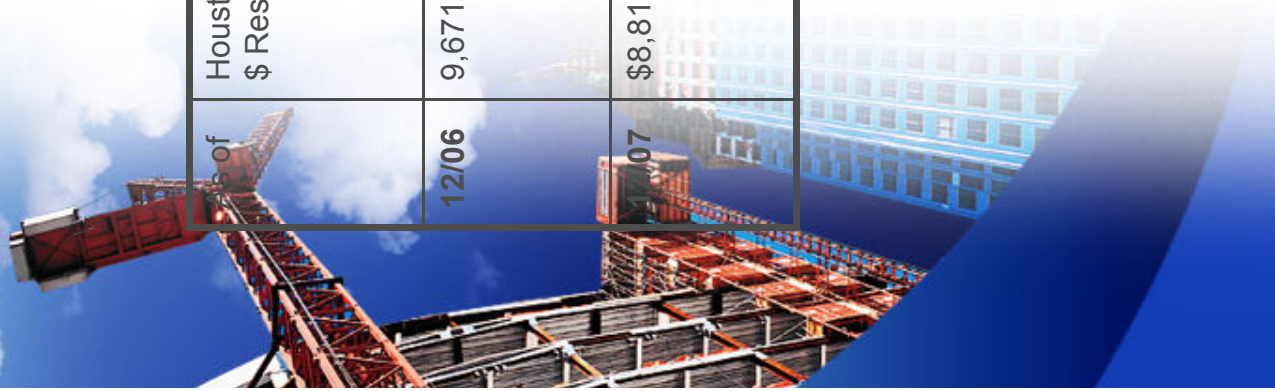
# Hooray for Houston

- Picture Much Brighter than the National
- Population and Job Growth will Continue
- Energy Capital Status
- GHP Economic Development Program
- “Make Houston a Great Place”



# 2007 – An Amazing Year For Non-Residential

End of	Houston MSA - \$ Residential	% chg	% of Houston MSA Market: <b>Residential</b>	Houston MSA \$ <b>Non- Residential</b>	% chg	% of HMSA Market: <b>Non- Residential</b>	Houston MSA Total Contracts	% chg
12/06	9,671,059,000		69.4%	4,256,676,000		30.6%	13,927,735,000	
12/07	\$8,813,772,000	<b>-9%</b>	65.4%	\$4,664,714,000	<b>+ 10%</b>	34.6%	\$13,478,486,000	<b>-3%</b>



# Key Drivers

- Interest Rate & Money Supply
- Employment/Population Growth
  - 55 -60K new jobs
  - Unemployment rate 4.2%  
(State 4.3%, National 4.8%)
- Energy Prices
  - Oil – \$84/bbl
  - Natural Gas – \$8.01/mcf
- Absorption, Vacancy & Rental Rates
  - Office: 15 straight quarters
  - Light Industrial: 19 straight quarters
  - Vacancy 11%: Class A 11%; Woodlands 3%
  - Rental Rates ++ everywhere



# Other Drivers

- Exports
  - Low \$ - helps downstream companies
  - **Architects Hiring**
    - Most still looking
  - **Architects Building Index**
    - 50+ - positive outlook
    - December 55.4



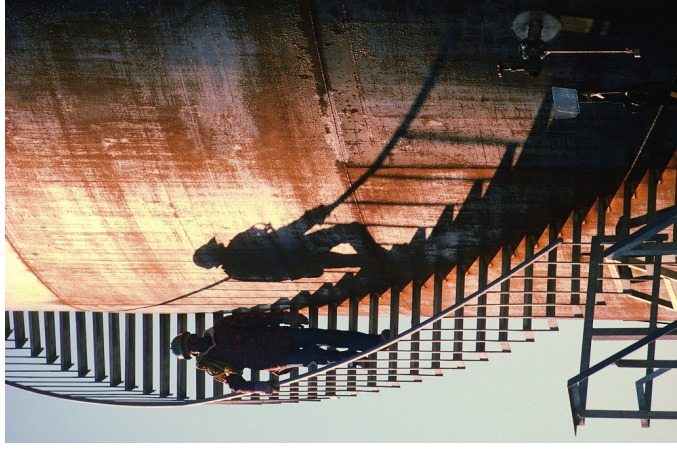
## Sector & Segments

- Residential – Mixed Picture
- Single Family – Down a bit – 30,000 units
- Multi Family – Remains Strong – 7,500 units under construction; 18,000 units in planning
  - Vacancy: 11% (2008 projection)
  - Rental Rates + 3.5%
- Highway/Civil/Municipal (another Mixed Picture)
  - TxDot – Down
  - Other Cities/Counties/Municipalities - Strong



# Heavy Industrial On Fire

- 50+ Billion in Gulf Coast
- Texas Leads in Alternative Fuels Plants
- Motiva Plant Craft worker needs:  
1200/day now – 6000/day later



# Commercial and Light Industrial - Strong Again

- 2 Star Segments
  - Medical – Dr. Wainerdi’s Announcement
  - Schools – Bond \$ Galore
- All others too
  - Office & Light Industrial
  - Institutional – Colleges & Universities
  - Churches – Steady always
  - Hotel/Motel – Lots of Activity
  - Retail – Hardest to Call
  - City/County/Municipal



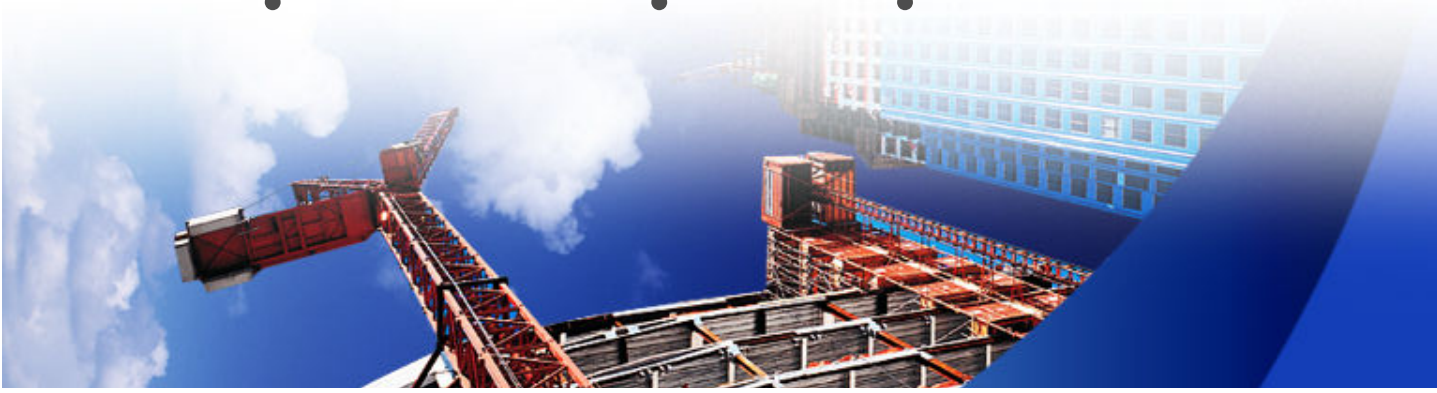
# Labor & Material Costs

- **Labor Costs**
  - CLRC Negotiated Labor Agreements
    - Avg. 4.5% 1<sup>st</sup> year increases South Central Region; 2<sup>nd</sup>-3<sup>rd</sup> year moderated slightly from 2006
  - PAS Open Shop Craft Worker Rates
    - Should increase 5% in 2008
    - Demand/Shortages – particularly for skilled workers
  - Health Care Costs
    - Up 7-8%
- **Material Costs**
  - 6-8% per AGC Economist Ken Simonson
  - Oil-related to produce/transport
  - Imported goods due to declining dollar
  - Some relief in gypsum/lumber, etc. used in residential



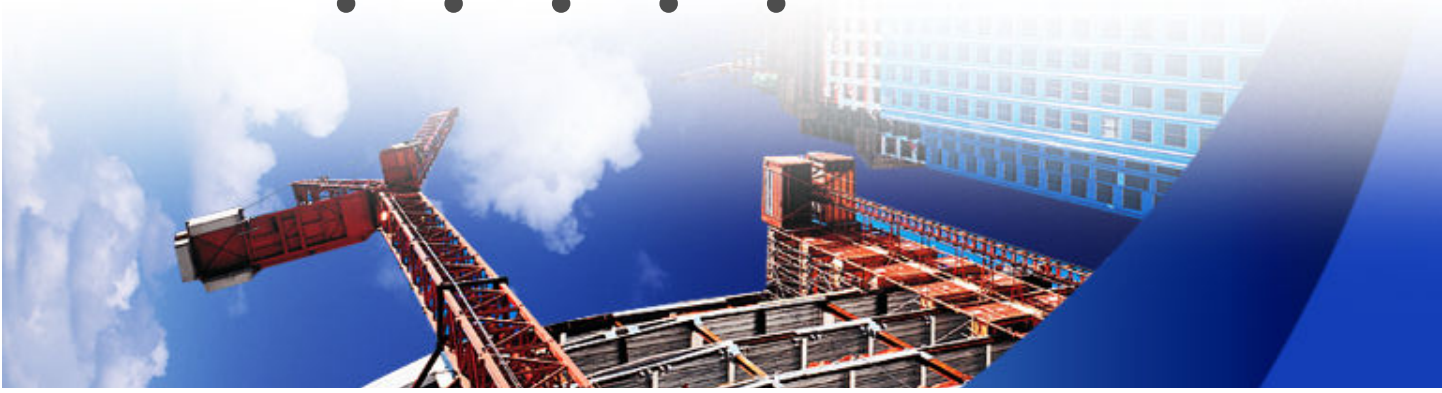
# Human Resources/Workforce Challenges

- **Expanding Workers' Rights**
  - Expanded FMLA - Caretaker Legislation - ADA changes
  - Larger segment of protected class employees (boomers) = more litigation
  - Supreme Court Reviewing 10-12 cases (age/retaliation)
- **Immigration Reform**
  - More State Laws - Local Ordinances
  - Increased Enforcement
- **The War for Talent**
  - Real! Industrial Activity; Compete – Defensive
  - Multi-lingual skills; Diversity Training
  - Older workforce re-hires
  - Work/Life Balance
  - Training – Upward Mobility



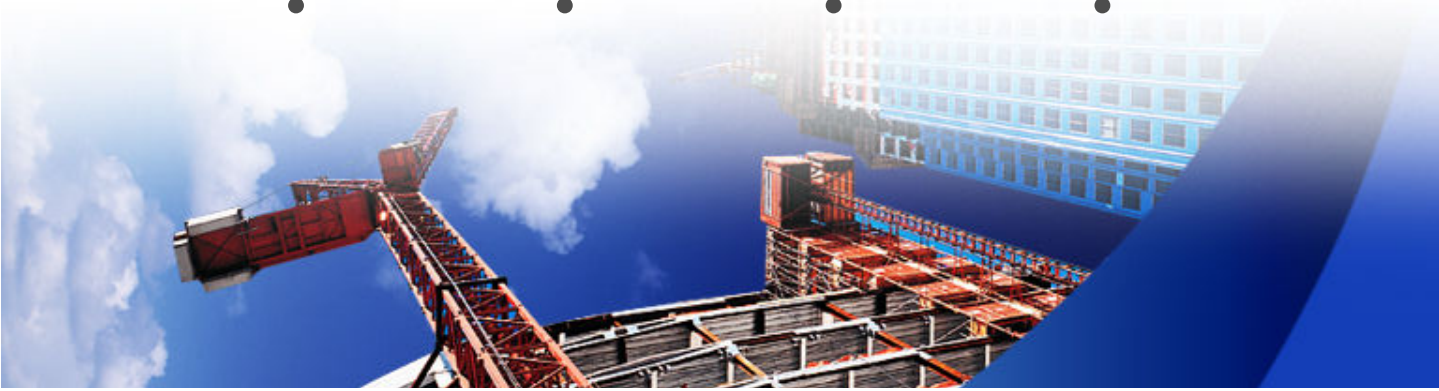
# Four Generations in the Workplace

- Radio Babies: born 1930 – 1945 (63M)
- Baby Boomers: born 1946-1964 (78M)
- Generation X: born 1965-1976 (48M)
- Generation Y: born 1977 – 1990 (80M)
- Millennials: born 1991 or later



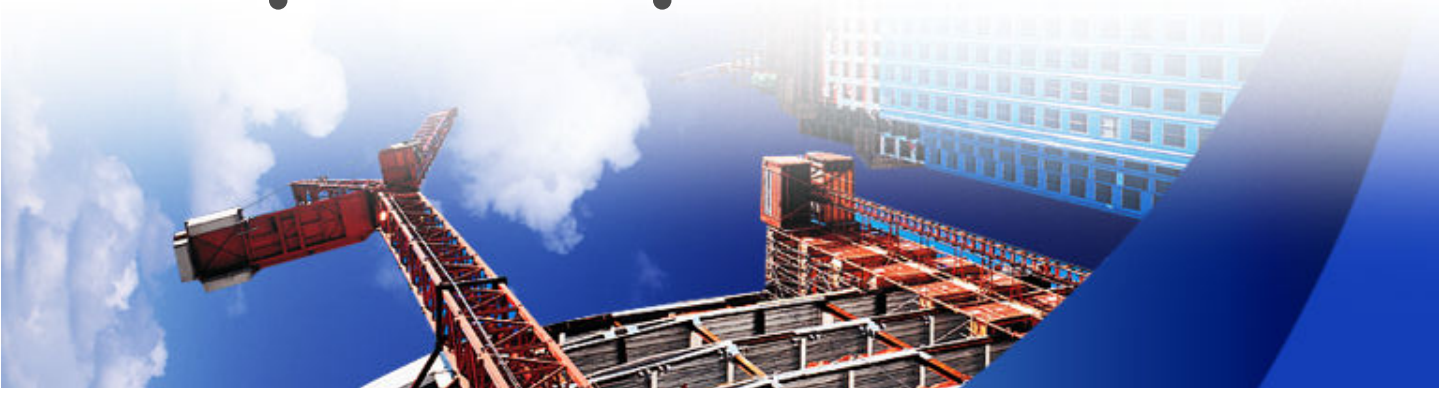
# Perspectives and Stereotypes

- Radio Babies
  - Events: WWII, Korean War and the Space Age
  - Heroes: Neil Armstrong, President Truman
  - Conservative, fiscally prudent, loyal
- Baby Boomers
  - Events: Cold War, Civil Rights Movement and Vietnam
  - Heroes: John Glenn and JFK
  - Ambitious, greedy, materialistic
- Generation X
  - Events: Watergate, single parents, dual income families
  - Heroes: movie stars, TV stars
  - Independent, cautious, flighty
- Generation Y
  - Events: School shootings, terrorist attacks, AIDS
  - Heroes: ????
  - Impatient, expressive, ambitious



# Retaining the Different Generations

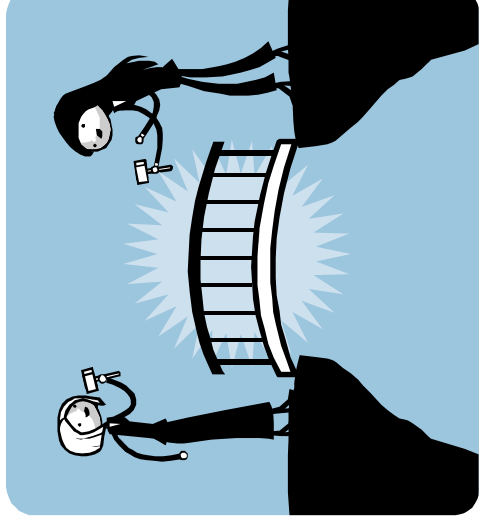
- The importance of “tailoring”
  - Work/Life Balance
  - Benefits Packages
  - Training/Development
- Avoid Stereotyping
  - You CAN teach an old dog new tricks
  - Creativity and ethics are still present





## Building Bridges

- One size does not fit all
- Understand and draw upon each generation's unique perspectives and experiences
- Position your company as one that values and embraces diversity



# Other Issues

- Green Building
  - LEED Accreditation
- BIM
  - Increased use/demand
- Immigration Reform



# Summary

- Moderating growth, but still a positive picture
- Company leaders need to pay attention to the workforce challenges
- “We might be thanking our lucky stars that we live in Texas –”



*The information contained in this report was obtained from various publications and sources. Special thanks to CB Richard Ellis, American Metro Studies, O'Connor & Associates, Grubb & Ellis, Greater Houston Partnership, Ron Simonson, National AGC economist, Industrial Info Resources, University of Houston Institute for Regional Forecasting, Reed Construction Data, McGraw-Hill, PKF Consulting, and other sources mentioned who supplied information and assistance for this forecast.*

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713-840-1775

# Thank You!

