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U.S. Construction Industry Statistics Released

CONSTRUCTION
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During late January and early February 2015, the U.S. Census Bureau released construction related statistics for 2014. Seasonally adjusted annual rates for construction spending for the month of December were increased over November 2014 (0.4%) and December 2013 (2.2%) and overall, annual total construction spending was up 5.6% for 2014 over 2013. Double-digit growth in lodging, office, conservation and development, manufacturing, commercial and power contributed to an increase in spending in 2014 on both private (7.2%) and public (1.8%) construction.

While 2014 was a growth year for many industries in construction spending, health care, religious, public safety, communication and water supply all showed declines over 2013 value of construction put into place in the United States.

Residential construction showed a modest 3.8% growth in 2014 over 2013, with substantial growth in both new single-family and multi-family units. Homebuilders remain optimistic for 2015, as several key indicators suggest a bubble of potential buyers remain and inventory levels have improved to more appropriate levels, since foreclosures have slowed, property values have increased and mortgage rates have remained low. Builders point to a national rental vacancy rate of 7% for the fourth quarter of 2014, the lowest in over 20 years and a Northeast rate even lower at 5.8%. Also fueling further speculation of future growth is the fact that the largest growth in total housing inventory in 2014 was to renter-occupied units, which now comprise 31.5% of the market compared to 30.1% in 2013. Builders also point to the national homeownership rate of 64% at the end of 2014, and the Northeast rate of 61.9%, (rates which neared 70% in 2004 and are at their lowest levels in over 20 years).

Tempering builders' optimism on the residential side for 2015 is the home ownership rate for the under-35 years-old category, sitting at 35.3% in the fourth quarter of 2014. The millennial generation has been slow to get into the housing market, hampered by more stringent lending requirements, higher down-payments and more student debt than previous generations. Typically, this age group is around 40% home ownership.

The U.S. Census Bureau, along with the U.S. Department of Housing and Urban Development, jointly announced in late January that building permits, housing starts and housing completions all outpaced those for 2013. Furthermore, the average national sales price of houses sold in 2014 was $343,400, a 5.8% increase over 2013. The largest growth was seen in the Northeast, where the average sales price was $541,000, a 15.1% increase over 2013.

While most statistics indicate that 2014 was a solid growth year, that growth was not consistent across all industries, and forecasts for 2015 continue to be mixed and vary by industry. Residential, commercial and manufacturing markets expect 2015 to be a double-digit growth year while public works and utilities estimates are more pessimistic. In Western Pennsylvania, contractors who have seized the opportunities created from the Marcellus Shale boom cautiously watch as oil prices have plummeted the past few months. Those decreases have been significant enough to cause some local oil producers to scale back capital development projects in 2015. Regardless of the industry that your company serves, major influences such as energy and materials prices, public spending, qualified labor availability and interest rates will continue to impact your ability to achieve your 2015 goals and to repeat the growth many contractors experienced in 2014. Contact a Schneider Downs Construction Industry Group member to see where our Big Thinking and Personal Focus can help.

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