Summary

Among the 19 states with large enough survey sample sizes, 100 percent of firms that did not change staffing levels last year in Utah plan to start hiring new staff this year, more than in any other state.

It Will Get Tougher for Expanding Firms to Find Qualified Workers

As construction firms continue to slowly expand their payrolls, they will have an delayed or cancelled because of tight credit conditions. Another 51 percent of firms report no change in credit conditions compared to last year.

Most Firms Plan to Buy or Lease New Equipment in 2014

The vast majority of responding firms plan to purchase and/or lease new construction equipment. Specifically, 73 percent of firms plan to purchase some kind of construction equipment this year while 86 percent of firms plan to lease new equipment in 2014. However, the scope of those new equipment acquisitions remains limited, with 44 percent of firms saying they will invest $250,000 or less. Likewise, 53 percent of firms plan to limit their leasing investments to $250,000 this year. Firms are more optimistic about their equipment purchasing and leasing plans than they were a year ago. At the beginning of 2013, only 64 percent of firms planned to purchase new construction equipment while 77 percent of responding firms planned to lease new equipment.

Contractors Expect to Pay More for Health Care and Materials

Construction firms plan to spend more for construction materials and health care for their employees in 2014. Indeed, 81 percent of firms expect the cost of providing health care insurance for their employees will increase in 2014. This follows a year where health insurance costs increased for 79 percent of contractors. Despite these escalating health care costs, only 1 percent of contractors report they plan to offer less health care coverage for their employees this year. Only 3 percent of firms reported their health care costs went down in 2013 and only 3 percent expect to pay less to cover their employees this year.

Similarly, 90 percent of construction firms report they expect prices for key construction materials to increase in 2014. Most expect those increases will be relatively modest, with 45 percent reporting they expect the increases to range between 1 and 5 percent while only 2 percent expect prices to increase by over 25 percent. This is consistent with what contractors experienced in 2013, when 43 percent experienced a 1 to 5 percent increase in materials costs and only 2 percent experienced cost increases greater than 25 percent.

will expand this year than any other single year. Another 32 percent report they expect the market to increase in 2015 while only 32 percent expect the market will grow in 2016 or later 3( )-41s83.621 0 0 1 72 0.860 1c5.5(w)-159(in)-11( )]TJ153B1 0 0 1 72 0 1c5.Inket71gle

Demand for Building Information Modeling, Public Private Partnerships and Green Construction Varies

The use of Building Information Modeling (BIM) technology is becoming increasingly prevalent. Forty-

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The South also has the most optimists when it comes to the combined retail, warehouse and lodging segment. The net difference there was 34 percent, whereas the net difference in the Northeast was 12 percent. The net difference was 31 percent in the Midwest and 27 percent in the West.

Southern contractors also feel the most optimistic about the private office market, topping the regions with a net difference of 40 percent. Again, contractors in the Northeast were the least optimistic, with a net difference of 14 percent. The net difference for Midwestern contractors was 29 percent and it was 23 percent in the West.

The one market segment where contractors from the Northeast are the most optimistic is water and sewer construction. The net difference for contractors from that region was 30 percent. Meanwhile contractors in the Midwest were the least optimistic, with a net difference of only 13 percent. The net difference in the South was 14 percent and in the west it was 15 percent.

However, Southern contractors were the most optimistic about the 2014 outlook for highway construction market, with a net difference of 22 percent. Contractors from the West were the most pessimistic, with a net difference of -4 percent. The net difference in the Northeast was 11 percent and it was 6 percent in the Midwest.

Contractors from the South also were the most optimistic about other types of transportation construction, with a net difference of 17 percent. In marked contrast, the net difference was -21 percent in the Northeast. It was -2 percent in the Midwest and 4 percent in the West.

The only region of the country where contractors had a positive outlook for K-12 construction was the South, where the net difference was 16 percent. Contractors in the northeast were the most pessimistic, with a net difference of -9 percent. The net difference in the Midwest and the West was -3 percent.

The South also has the most optimistic outlook for public building construction, with a net difference for that segment of 7 percent. The Northeast also has the most pessimistic contractors in this segment, with a net difference of -22 percent. The net difference in the West and Midwest was 5 percent.

The number of contractors predicting the market would expand and would shrink in the Northeast and the South was evenly split. Contractors in the West were the most optimistic about this market segment, with a net difference of 2 percent. Midwestern contractors were the most pessimistic, with a net difference of -12 percent.

Workforce challenges also vary by region. For example, only half of contractors from the Northeast report having hard time filling positions. By contractors, 71 percent of contractors from the Midwest report they are having a hard time filling positions.

Two-thirds of contractors in the West are having a hard time filling positions while 59 percent of contractors in the South report difficulties filling key positions.

Contractors from all regions are relatively consistent in their expectation that it will remain hard, or get even harder, to fill professional positions in 2014. Seventy percent of contractors in the West feel the labor market will remain tough, or get even tougher, followed by 69 percent of contractors in the Midwest, 64 percent of contractors in the South and 57 percent of contractors in the Northeast.

They were also fairly consistent about their outlook for filling craft worker positions. Seventy-nine percent of contractors in the Midwest expect it will get harder, or remain tough to fill craft worker positions. Meanwhile, 75 percent of contractors in the South believe it will get harder, or remain hard, to hire craft workers in 2014, followed by 74 percent of contractors in the West and 65 percent in the Northeast.

Finally, contractors were equally optimistic by region about when the overall construction market would grow again. Forty-two percent of Midwestern contractors report they expect the market to grow again this year, followed by 38 percent of contractors in the West, 35 percent in the Northeast and 33 percent in the South.

Conclusion

There is no doubt that contractors are more optimistic about 2014 than they have been since the start of the downturn. They expect virtually every market segment to expand or at least remain stable. Many firms plan to expand their payrolls, add new equipment and pursue new market opportunities. Yet with growth will come new challenges for firms as they struggle to find enough skilled workers, cope with escalating materials and health care costs and struggle to comply with expanding regulatory burdens.

There are clear steps Washington officials can take to support the industry and ensure a successful year. Foremost among those is taking steps to make it easier for education officials to establish career and technical programs to help prepare the next generation of workers. They also need to reform the tax code, rethink their approach to health care reform and incentivize investments in costly construction equipment. Meanwhile, federal officials need to reconsider imposing so many costly new regulatory burdens on employers, especially when so many of these measures are likely to produce limited benefits.

Federal officials need to also find new ways to address the growing funding shortfalls and maintenance backlogs that are contributing to a significant deterioration of public infrastructure. Addressing these funding shortfalls will further improve the outlook for key public construction market segments. At the same time, making our infrastructure more efficient will provide an additional boost to the economy, helping stimulate greater private sector demand for construction services.

While competitive pressures remain difficult and are likely to get worse, 2014 should be a better year for the construction industry than any year since 2009. While the industry still has a long way to go before it returns to the employment and activity levels it experienced during the middle of the last decade, conditions are heading in the right direction. At last, optimism returns to the construction industry.

About the Survey

AGC conducted the survey that serves as the basis for the 2014 Construction Hiring and Business Forecast during December 2013 and the first week of January 2014. Over 800 firms from every state and the District of Columbia completed the survey. (Varying numbers responded to each question.) Participating firms represent a broad cross-section of sizes. Thirty-two percent report performing $10 million or less worth of work in 2013. Twenty-two percent performed between $10 million and $30 million worth of work, 13 percent between $30 and $50 million, 12 percent between $50 and $100 million, 15 percent between $100 and $500 million, and 6 percent performed over $500 million worth of work. Contractors who completed the survey were entered into a raffle to win a $100 Amazon gift certificate. Other than that, firms and their employees were not compensated or in any other way reimbursed for completing the survey.

The regions covered in the survey included the following states:

Northeast
Connecticut, Main

West
Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, New Mexico, Nevada, Oregon, Utah, Washington, Wyoming