
Economic Outlook for California Construction

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Fermanian Business & Economic Institute

Who We Are

- Affiliated with Fermanian Business School in San Diego, California
- Point Loma Nazarene University founded in 1902
- Institute conducts economic analysis, modeling, and forecasting
- Focuses on actionable conclusions for companies, non-profit organizations, and government agencies
- Staffed by ten professionals and assistants
- Core values are quality, objectivity, and integrity

California Construction Economy Topics

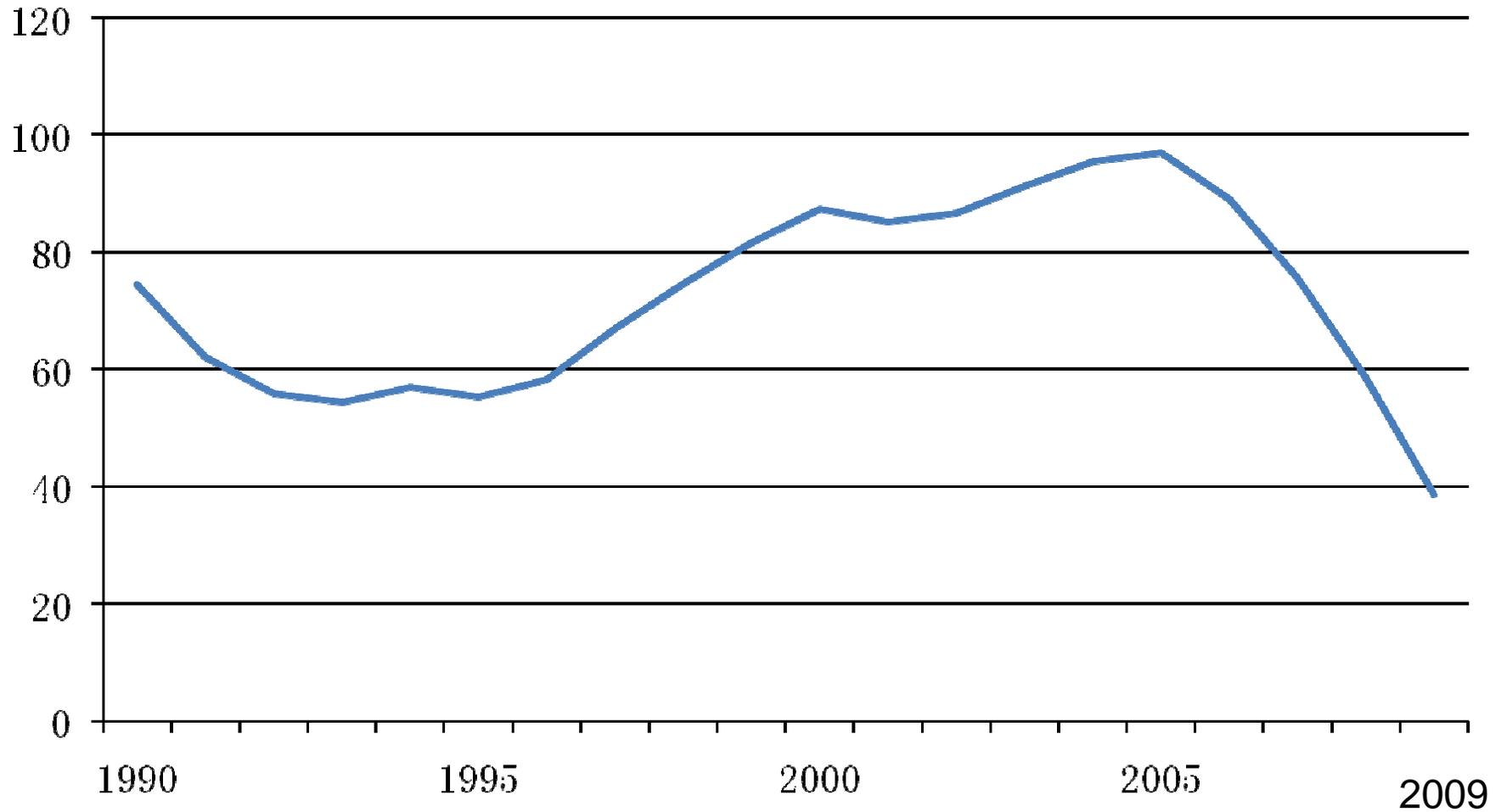
- Perspectives on the last 15 years
- Current situation
- Outlook through 2015
- Conclusions

California Construction The Last 15 Years

- Expansion 1994-2005
- Devastating decline during past four years

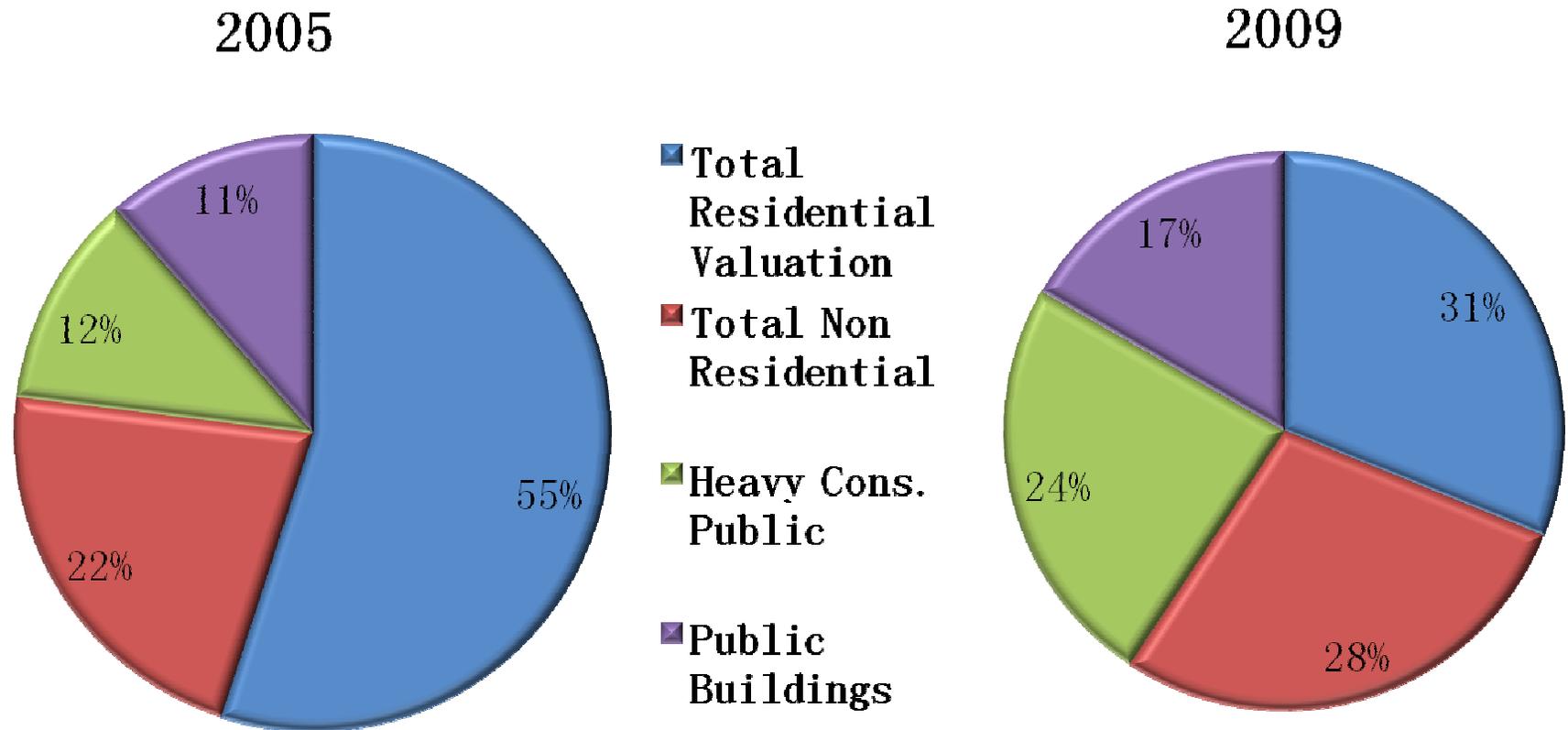
Construction Spending Rises, then Falls Sharply

Billions of Constant (2009) Dollars



Sources: Construction Industry Research Board;

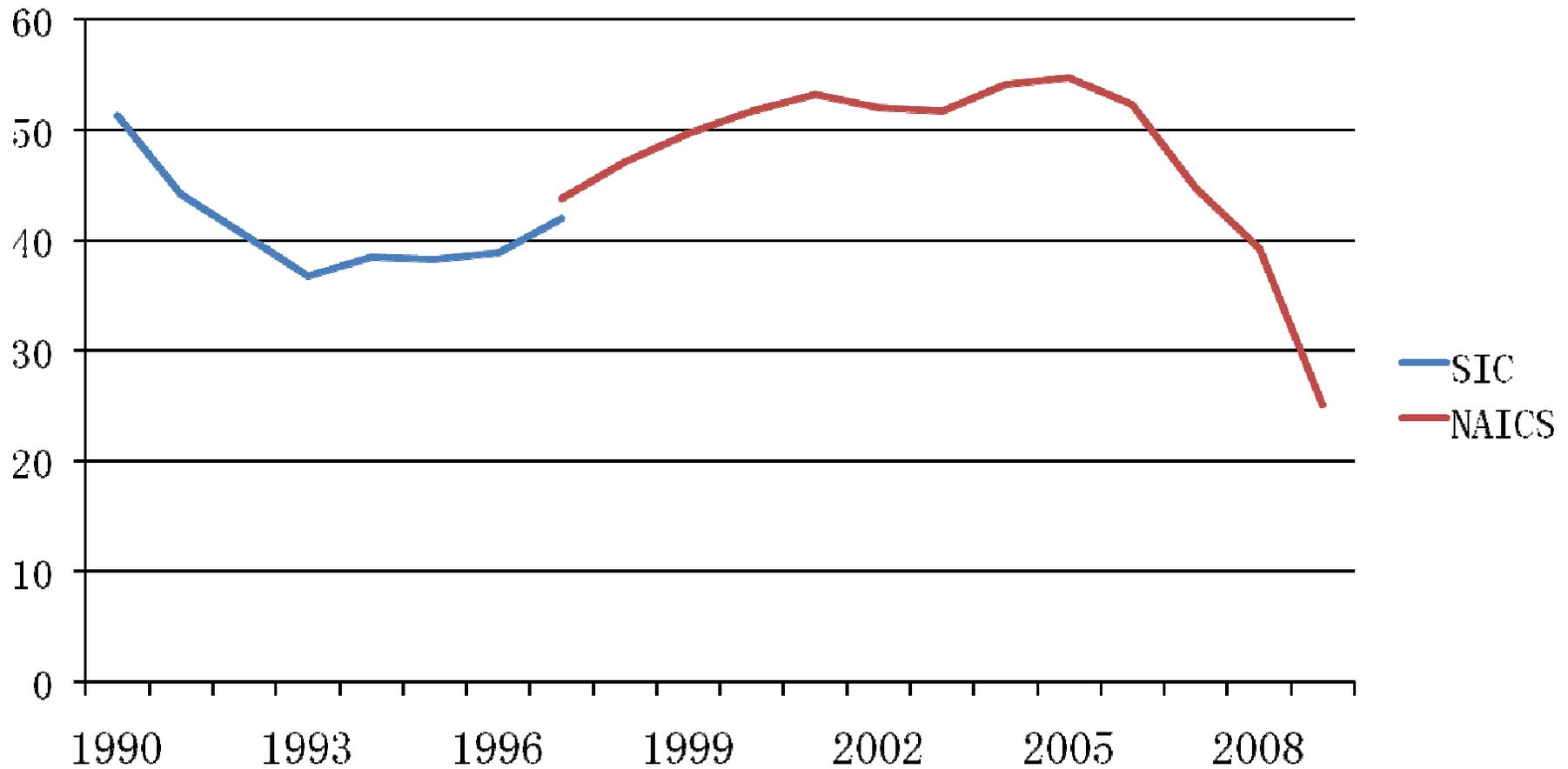
Housing's Share of Construction Spending Shrinks Percent



Sources: Construction Industry Research Board;

California's Construction GSP Expands, then Contracts

Billions of Constant (2009) Dollars



e=estimate

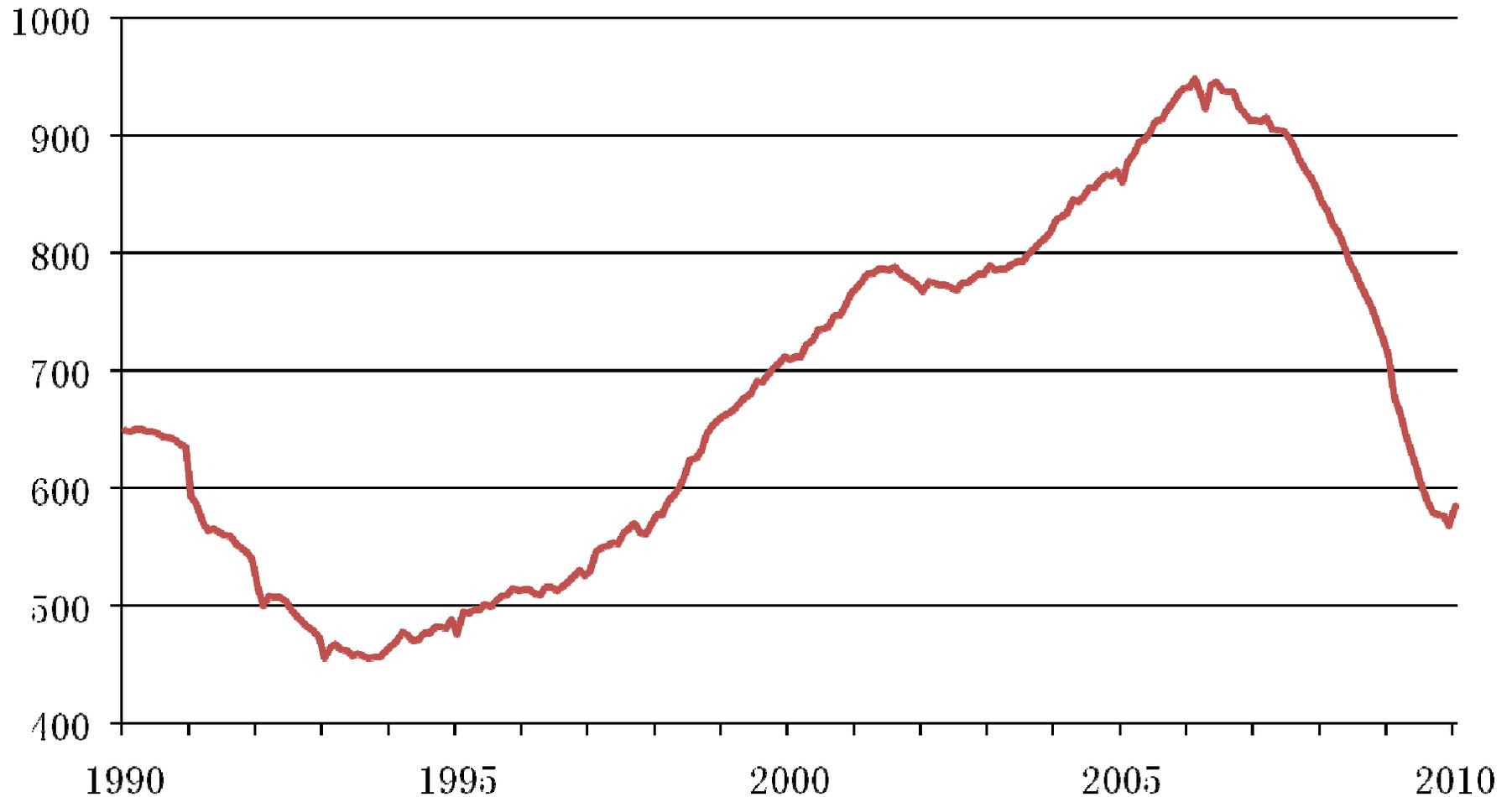
Sources: Construction Industry Research Board;

California Construction Current Situation

- 364,000 jobs lost in four years
- All segments down sharply
- Housing bottoming; nonresidential still dropping; public building weak

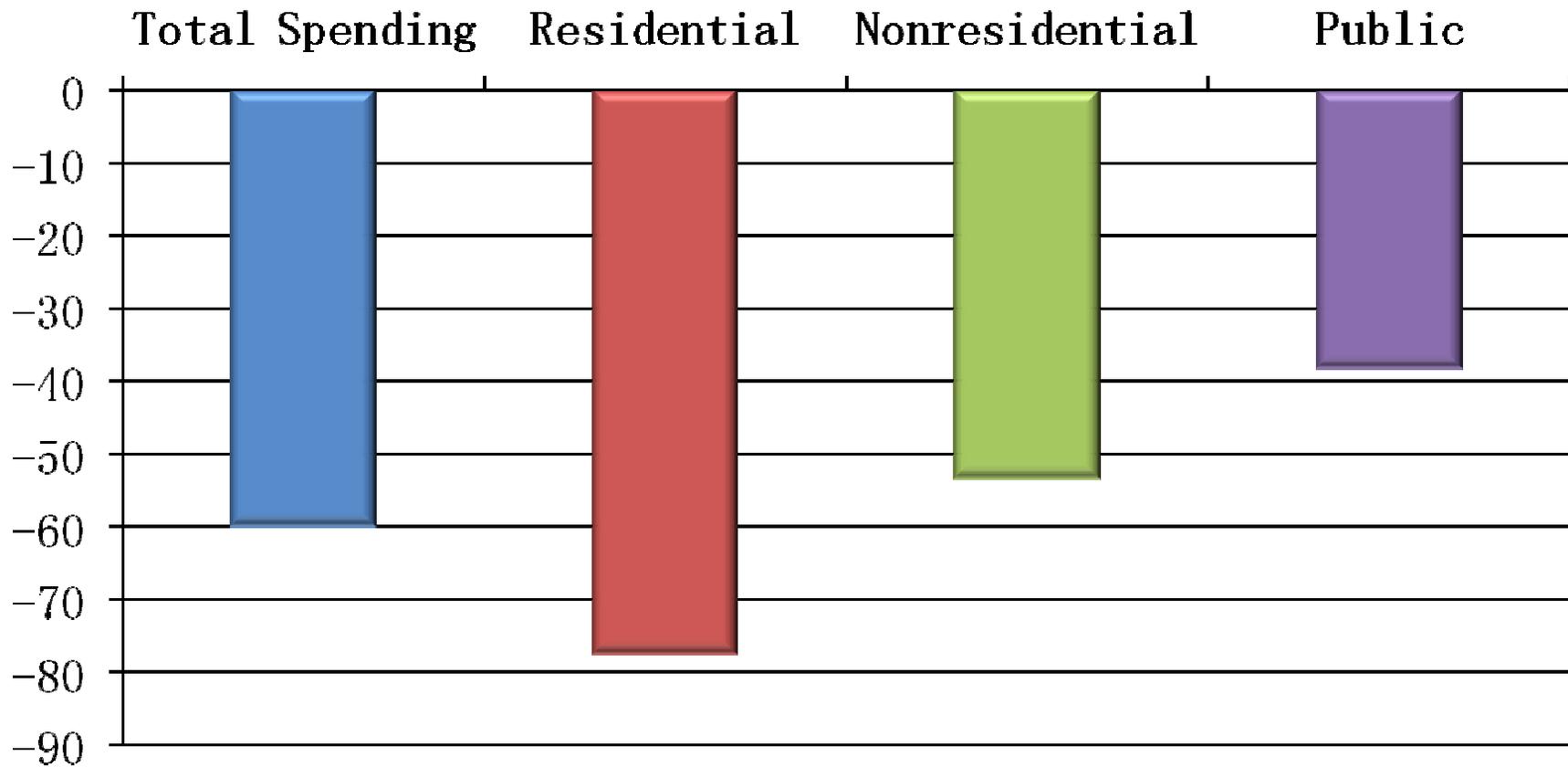
California Suffers Severe Construction Job Loss

Thousands of Jobs



Sources: Haver Analytics; California Employment Development Department;

All Major Building Segments Post Steep Spending Drops Percent Change from Prior Peaks to 2009



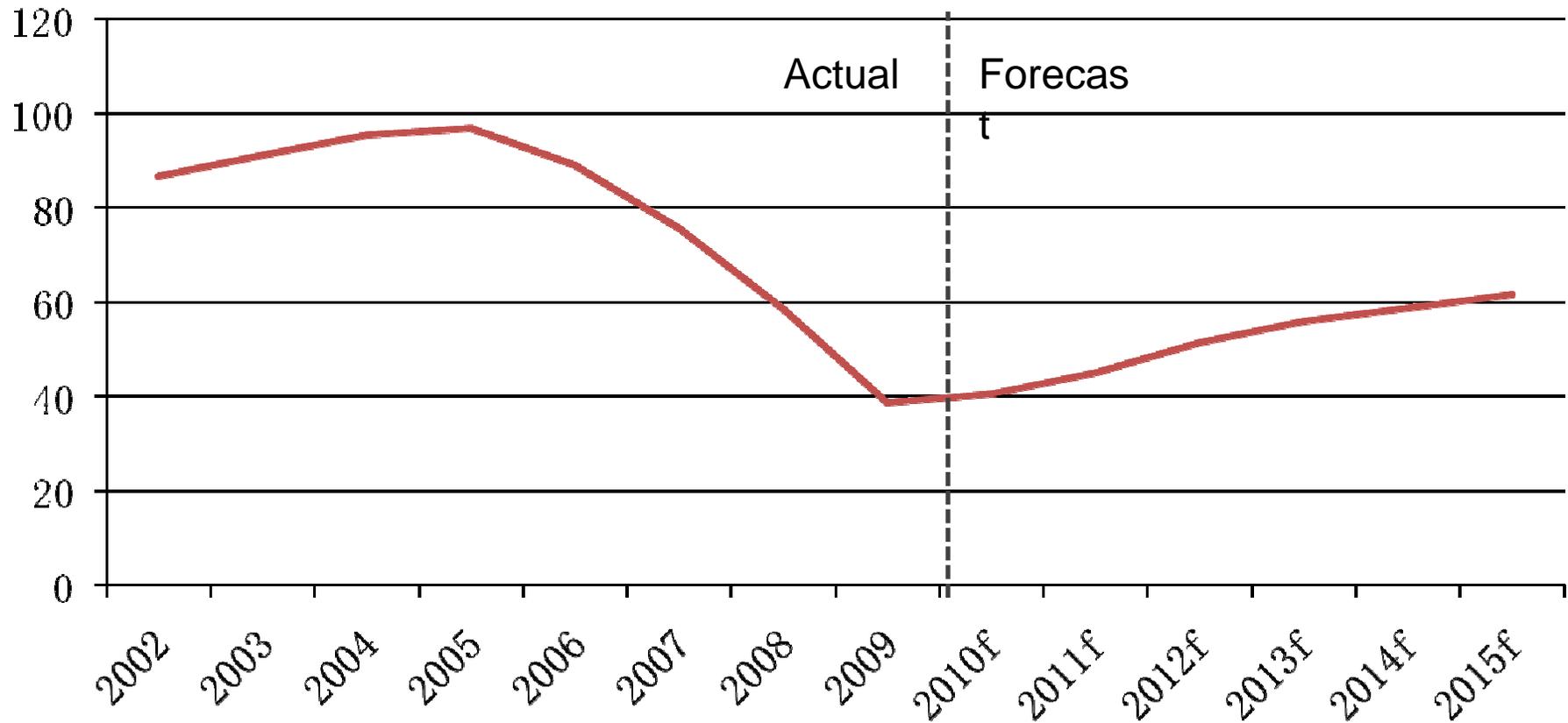
Sources: Haver Analytics; California Employment Development Department;

California Construction Outlook

- **Housing:** Upturn, but constrained--overhang of foreclosed homes and limited finance
- **Nonresidential:** Recovery delayed until 2012—cyclical lags and refinancing problems
- **Public:** Relatively flat—fiscal pressures on federal, state, and local governments

Total Construction Spending Recovers, but Only to Two-Thirds 2002-06 Level

Billions of Constant (2009) Dollars

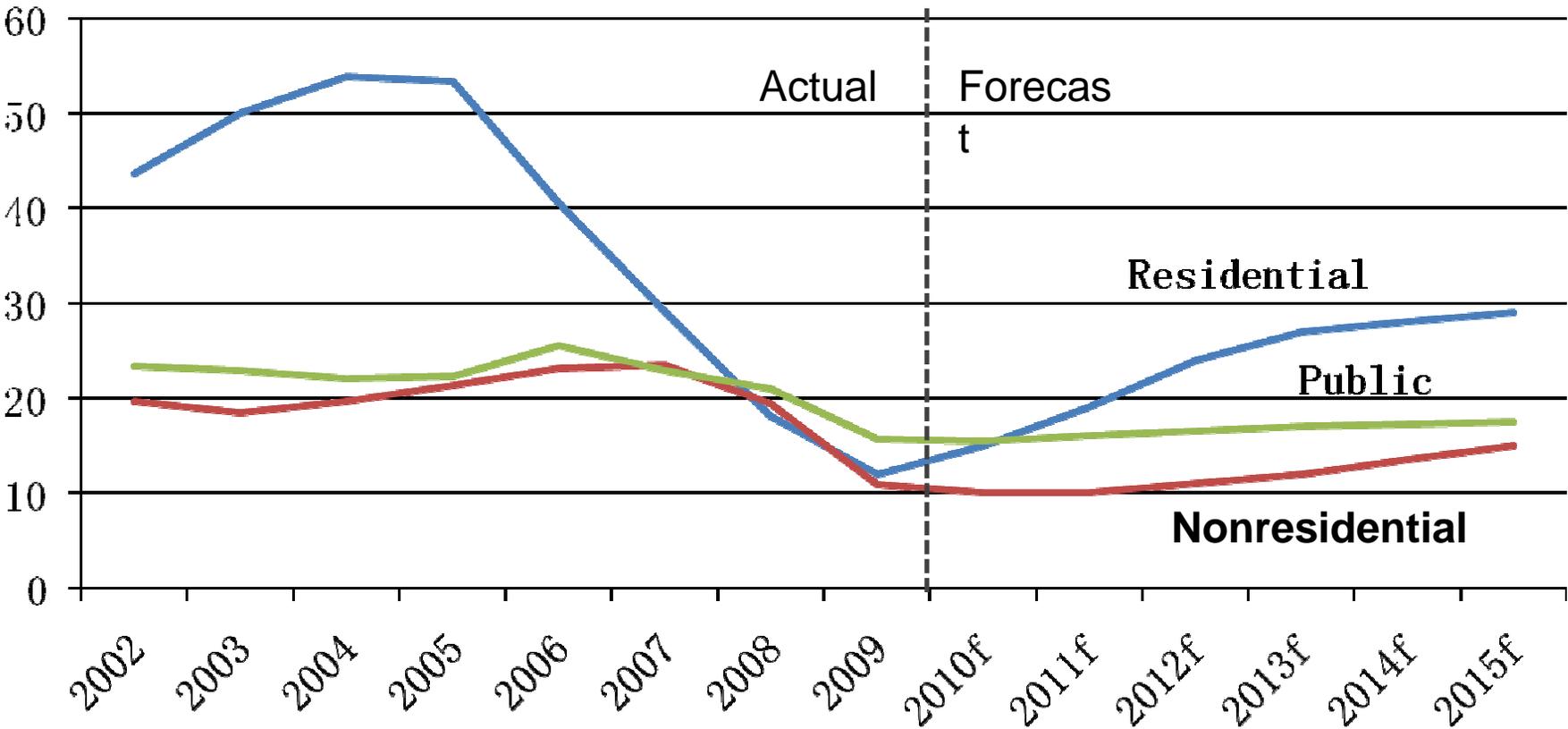


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Sources: Construction Industry Research Board;

Construction Spending Segments Move Higher, but All Below 2002-06 Levels

Billions of Constant (2009) Dollars

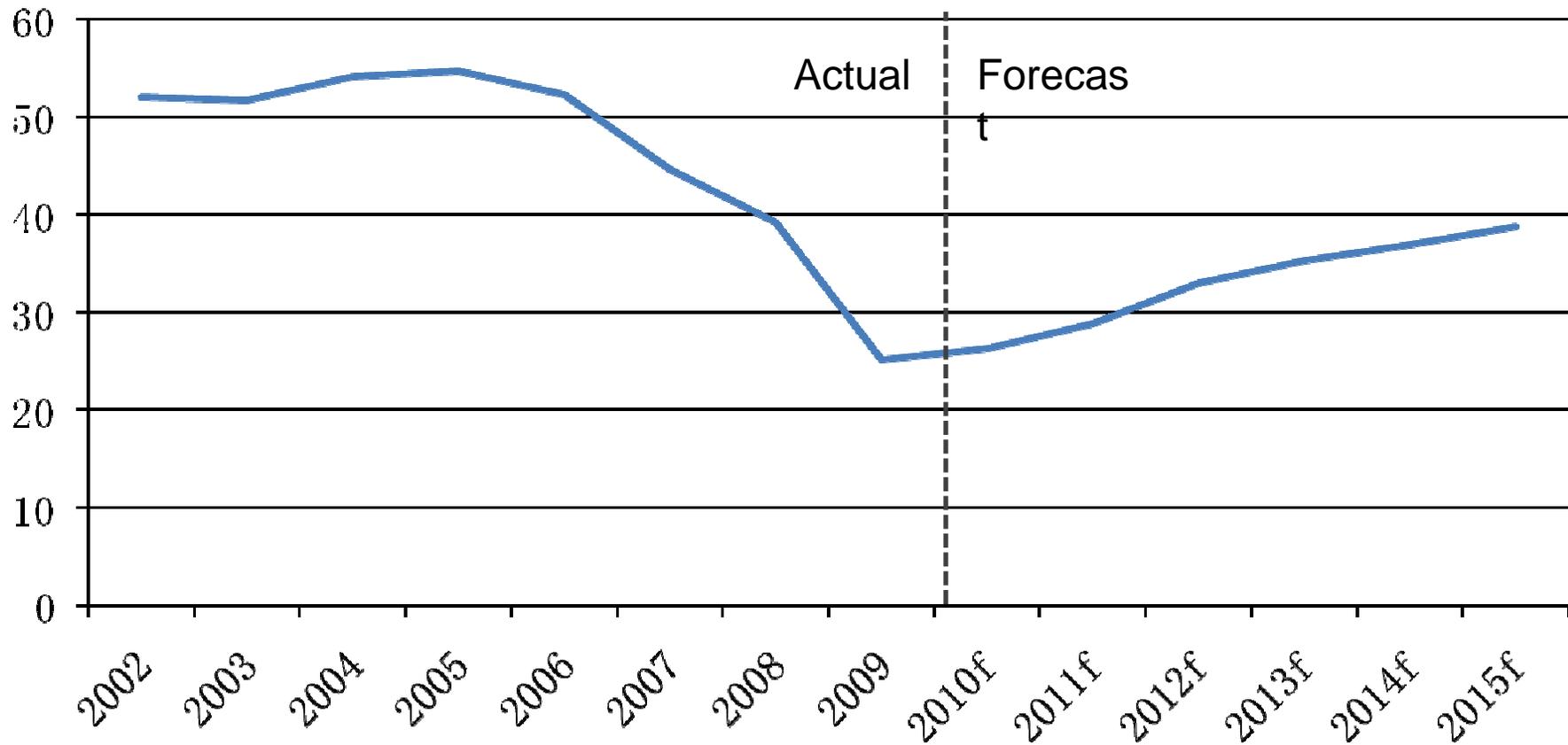


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Sources: Construction Industry Research Board;

California's Construction GSP in 2015 Still Off 30% from 2005 Peak

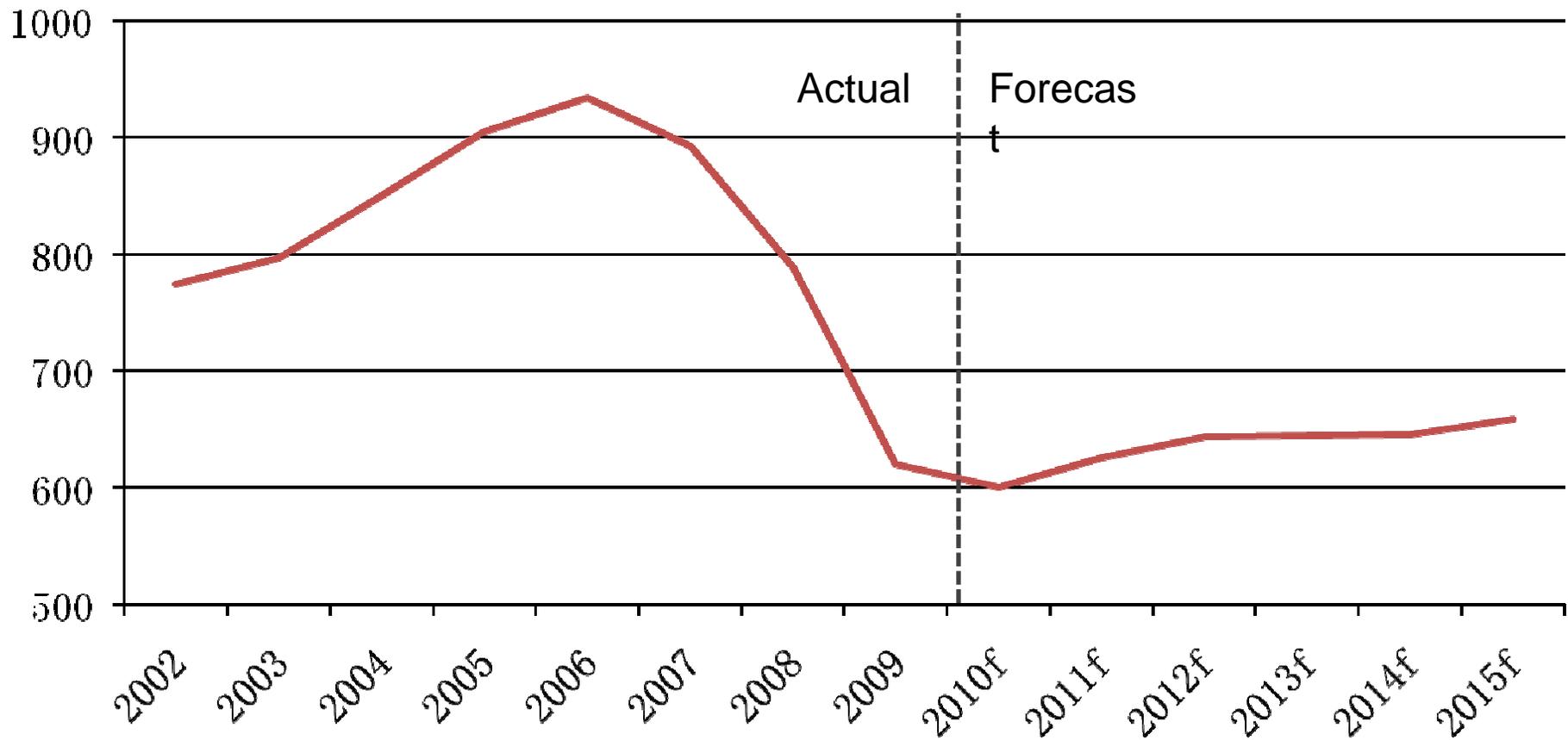
Billions of Constant (2009) Dollars



f=forecast

Sources: Haver Analytics; PLNU

Construction 2015 Employment Down 250,000 Jobs from 2005 Peak Thousands



f=forecast Sources: Haver Analytics; California Employment Development Department;

Recap—California's Construction Industry

- Massive swings during past 15 years
- All segments are down sharply
- Housing will lead the recovery
- By 2015, Industry still a shadow of its 2002-06 levels

Conclusions/Recommendations

- The Goal: Achieve air quality standards and restore a healthy economy
- Side Effect of a Weakened Economy: Less air pollution
- Delaying Rule until 2015 would:
 - Give firms needed breathing room
 - Enable investments in new generation of equipment available by 2015