

## Architectural slowdown is a barometer of a downturn

by Randy Bright <http://www.tulsabeacon.com/?p=3453#more-3453>

Architect Weekly asked five experts to give their predictions on how AEC (architecture, engineering and construction) industries will do during 2010. The consensus of the five was, “hunker down and wait out the nuclear winter of a deep global recession.”

The first to report was the Chief Economist for the American Institute of Architects, Kermit Baker. He reported that statistics have shown that nonresidential construction had dipped below expectations in the second half of 2009, and that there was no optimism that that would change before the second half of this year.

Baker said, “what we have been looking for in the last six months is some evidence that we’re climbing out of this - and I have to say, those signs have been quite elusive.”

He predicts a 12.6 percent decline in retail construction, a 17 percent decline in hotels and office buildings, and a 28.4 percent decline in industrial construction.

The second expert, Ed Sullivan, is the chief economist for the Portland Cement Association. (Portland cement is a key ingredient of concrete.) He reported that the global recession had hit the concrete industry hard, and that 16 of around 100 cement plants in America had closed. This means that our domestic capacity for production of cement is down about 9 percent, which will increase the price of concrete when the recession is over.

Sullivan predicts a 22 percent decline in construction during 2010 and doesn’t think that the demand for concrete and steel will begin to increase significantly until 2012. He said, “recessions clean out the excess of past boom periods...by that time, I think you will see the potential for some good growth.”

Michelle Karavias, Business Monitor International analyst who is based in London, is a bit more optimistic than Baker or Sullivan, believing that we will see a 1.2 percent growth in 2010. She said, “the private sector has the money, the states don’t have the money, the feds don’t have the money.” She believes that the stimulus money was “paltry” in comparison with the amount that it would really take to stimulate the economy - \$2.2 trillion.

She also said, “the United States needs to get the regulations in place and the public opinion in place to make it more attractive for private industry to fund projects.” She believes that if we were to focus on high-speed rail that many international investors would come to America, but that the \$8 billion allotted in the American Recovery and Reinvestment Act is insufficient to do the task. She believes that the amount needed is about \$600 billion.

Architects are a great barometer of the future economy, since if they are not working now, there isn’t going to be construction six months later. Lenore Lucey, the Executive Vice President of

the National Council of Architectural Registration Boards (NCARB) has reported a surge in the number of people applying to take the ARE (Architect Registration Exam). She said, “what we are hearing anecdotally is that many people who are unemployed or underemployed are using the time to take the ARE to better position themselves in the workforce.” She also reported that they are seeing licensing records being transmitted from state to state, indicating that architects are moving for jobs.

Steve Gido of ZwiegWhite reported that even though architectural firms were struggling to stay open, the poor economy had not had much effect on the numbers of mergers and acquisitions of architectural firms. He believes that those numbers will increase in 2010 for several reasons. First, capital gains taxes are scheduled to increase, so some firm owners will be more motivated to sell now rather than later. Second, larger firms will want to acquire firms with experience in designing facilities in the health care, science and laboratory fields, believing that that is where the future work will be. Third, younger architects are less interested in buying out the firms they work for from the older architects that own them and want to retire.

Overall, it’s not great news on the economic front, and I can’t see how it can improve much as long as we have the Congress and the president that we have now. Because of the health care and the cap-and-trade issues, business owners in America (and to a great extent, the rest of the world) can’t make decisions (especially regarding hiring) when they don’t know what the rules are going to be. We all know that costs are going to skyrocket if they succeed in passing the health care bill, and if any version of cap-and-trade is passed, it will certainly destroy our economy. Who wants to make an investment with those kinds of odds?

Until we get a government that allows the market system to produce a stable economy, we can expect these ever-deepening cycles of booms and recessions to continue. When will we tire of this nonsense enough that we will do something about it?

©2010 Randy W. Bright

Randy W. Bright, AIA, NCARB, is an architect who specializes in church and church-related projects. You may contact him at 918-664-7957, [rwbrightchurcharch@sbcglobal.net](mailto:rwbrightchurcharch@sbcglobal.net) or [www.churcharchitect.net](http://www.churcharchitect.net).

This entry was posted on Thursday, January 14th, 2010 and is filed under [Columns](#).