2013/14 Construction Outlook and Industry Direction
Construction Spending by Quarter (in millions)

Source: U.S. Census Bureau
Predictor of Construction Demand
Architecture Billing Index

NATIONAL
July Another Solid Month for Business at Architecture Firms

Graphs represent data from July 2012–July 2013

Above 50 = ✅ Below 50 = ⬅
50 = No change from previous period

= Inquiries

Source: American Institute of Architects
Construction Employment
1969 - 2013

Construction Payroll Jobs

Construction Employment
Down 1.92 million
from peak in 2006
up 367 thousand from low

Source: Calculated Risk Blog; BLS
## Construction Employment

### Boston Area

<table>
<thead>
<tr>
<th>Area</th>
<th>Industry</th>
<th>May ’12</th>
<th>May ’13</th>
<th>% Change</th>
<th>Gain/Loss</th>
</tr>
</thead>
<tbody>
<tr>
<td>Connecticut</td>
<td>Construction</td>
<td>51,500</td>
<td>55,000</td>
<td>6.8%</td>
<td>3,500</td>
</tr>
<tr>
<td>Maine</td>
<td>Construction</td>
<td>26,500</td>
<td>27,200</td>
<td>2.6%</td>
<td>700</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>Construction</td>
<td>114,700</td>
<td>120,500</td>
<td>5.1%</td>
<td>5,800</td>
</tr>
<tr>
<td>New Hampshire</td>
<td>Construction</td>
<td>22,600</td>
<td>24,100</td>
<td>6.6%</td>
<td>1,500</td>
</tr>
<tr>
<td>Rhode Island</td>
<td>Construction</td>
<td>16,100</td>
<td>15,000</td>
<td>(6.8%)</td>
<td>(1,100)</td>
</tr>
<tr>
<td>Vermont</td>
<td>Construction</td>
<td>14,500</td>
<td>14,000</td>
<td>(3.4%)</td>
<td>(500)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>245,900</td>
<td>255,800</td>
<td>4.0%</td>
<td>9,900</td>
</tr>
<tr>
<td>Boston-Cambridge-Quincy</td>
<td>Construction</td>
<td>50,700</td>
<td>59,800</td>
<td>17.9%</td>
<td>9,100</td>
</tr>
</tbody>
</table>

Source: Associated General Contractors of America
## Construction Employment
### Sample Areas of Growth

<table>
<thead>
<tr>
<th>Area</th>
<th>Industry</th>
<th>May ’12</th>
<th>May ’13</th>
<th>% Change</th>
<th>Gain/Loss</th>
</tr>
</thead>
<tbody>
<tr>
<td>Boston, MA</td>
<td>Construction</td>
<td>50,700</td>
<td>59,800</td>
<td>17.9%</td>
<td>9,100</td>
</tr>
<tr>
<td>Phoenix, AZ</td>
<td>Construction</td>
<td>86,000</td>
<td>99,000</td>
<td>15.1%</td>
<td>13,000</td>
</tr>
<tr>
<td>Baton Rouge, LA</td>
<td>Construction</td>
<td>39,500</td>
<td>45,300</td>
<td>14.7%</td>
<td>5,800</td>
</tr>
<tr>
<td>Dallas/Fort Worth, TX</td>
<td>Construction, Mining &amp; Logging</td>
<td>167,500</td>
<td>186,000</td>
<td>11.0%</td>
<td>18,500</td>
</tr>
<tr>
<td>Santa Ana, CA</td>
<td>Construction</td>
<td>69,300</td>
<td>75,700</td>
<td>9.2%</td>
<td>6,400</td>
</tr>
<tr>
<td>Denver, CO</td>
<td>Construction, Mining &amp; Logging</td>
<td>72,400</td>
<td>77,900</td>
<td>7.6%</td>
<td>5,500</td>
</tr>
<tr>
<td>Los Angeles, CA</td>
<td>Construction</td>
<td>107,100</td>
<td>113,800</td>
<td>6.3%</td>
<td>6,700</td>
</tr>
<tr>
<td>Houston, TX</td>
<td>Construction</td>
<td>177,700</td>
<td>186,600</td>
<td>5.0%</td>
<td>8,900</td>
</tr>
</tbody>
</table>

Source: Associated General Contractors of America
U.S. Construction Market Outlook 2014

- Commercial Building  +17%
- Public            -5%
- Residential       +26%
- Overall growth    +9%

Source: McGraw Hill Construction
What is going on in Washington?
AGC’s Legislative Agenda – 2013

• Fiscal Cliff
  – 10% cut in federal construction spending
  – Depressed demand for Public construction

• Prime Contract Terms and Conditions
  – Aggressive risk shifting downstream
  – Contract terms regressing
  – Federal contract requirements including veteran and disability rules
  – ConsensusDocs

• Health of Subcontractor Community
  – Owner selection of subcontractors
  – Risk pushed downward- can it be handled/treated?
  – Defaults
Insurance Impact Outlook

- **Liability**
  - Interest rates
  - Inadequate subcontractor coverage
  - Regulatory and judicial changes
  - Contractual changes

- **Professional Liability**
  - Project Delivery Methods

- **Property**
  - Increased catastrophes
  - Recovering market impact on scheduling
Insurance Impact Outlook

- **Workers Compensation**
  - NCCI adjustments to EMR calculation
  - New and returning employees to workforce
  - Aging workforce
  - Medical inflation

- **Auto**
  - Outdate Driver Selection & Training
  - Annual/Ongoing evaluation of MVR’s
  - Personal Use
  - Distracted Driver prevention
Risk management practices for all contractors

- There are sound risk management practices that we expect to find in any well-managed construction firm, including:
  - Management and leadership commitment
  - Hazard identification and risk assessment
  - Employee selection, orientation and training
  - Substance abuse prevention
  - Fall management
  - Slip, trip and fall (STF) prevention
  - Soft tissue injury prevention
  - Fleet management
  - Return-to-work/absence management
  - Accident/incident investigation
Questions
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