

THE WORLD OF MY BACKYARD

BY JOHN CROSS, P.E.

A region-by-region look at construction activity across the U.S.

OVER THE PAST SEVERAL YEARS in this column, I've attempted to view national construction market conditions from a variety of perspectives—economic drivers, project demographics, market share, employment and annual trends—but the construction market in the United States is not homogeneous.

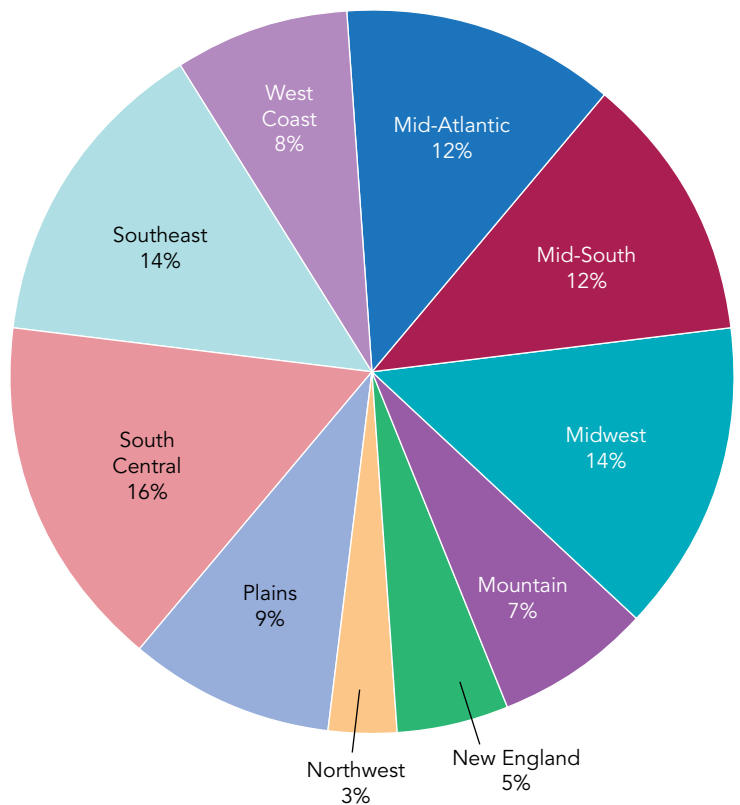
Significant variations exist in the market conditions in different areas of the country in terms of growth rates, predominant project types and material preferences. One of the challenges of discussing these regional variations is that the market conditions in every region could justify separate articles for each one. So rather than present the reasons behind the following regional conditions, I will simply share conclusions based on the AISC Business Barometer, reports from AISC regional engineers, projections from a variety of construction economists and general business trends.

It should be noted that these regions are not defined in the same way as the *Quarterly AISC Construction Statistics* publication or the current regional engineer assignments. The regions used in this study were arbitrarily chosen in an attempt to group together states with similar market characteristics. (You are free to disagree with the regional boundaries chosen, but they make more sense than the new NCAA conference boundaries!)



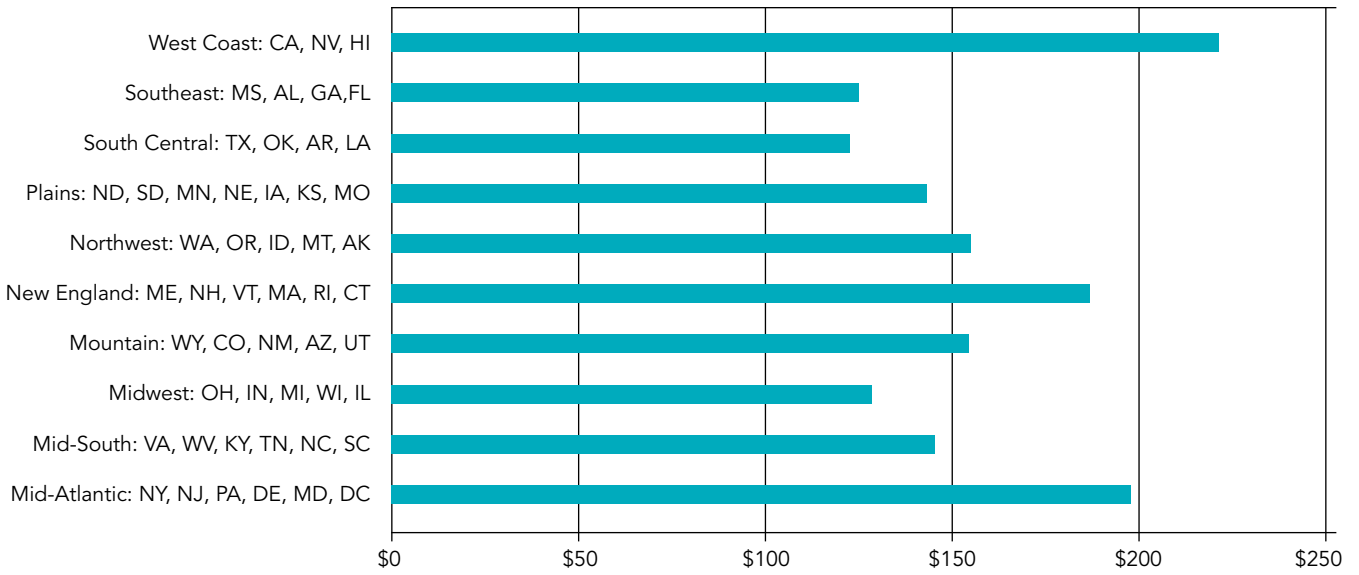
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Percentage of Domestic Market

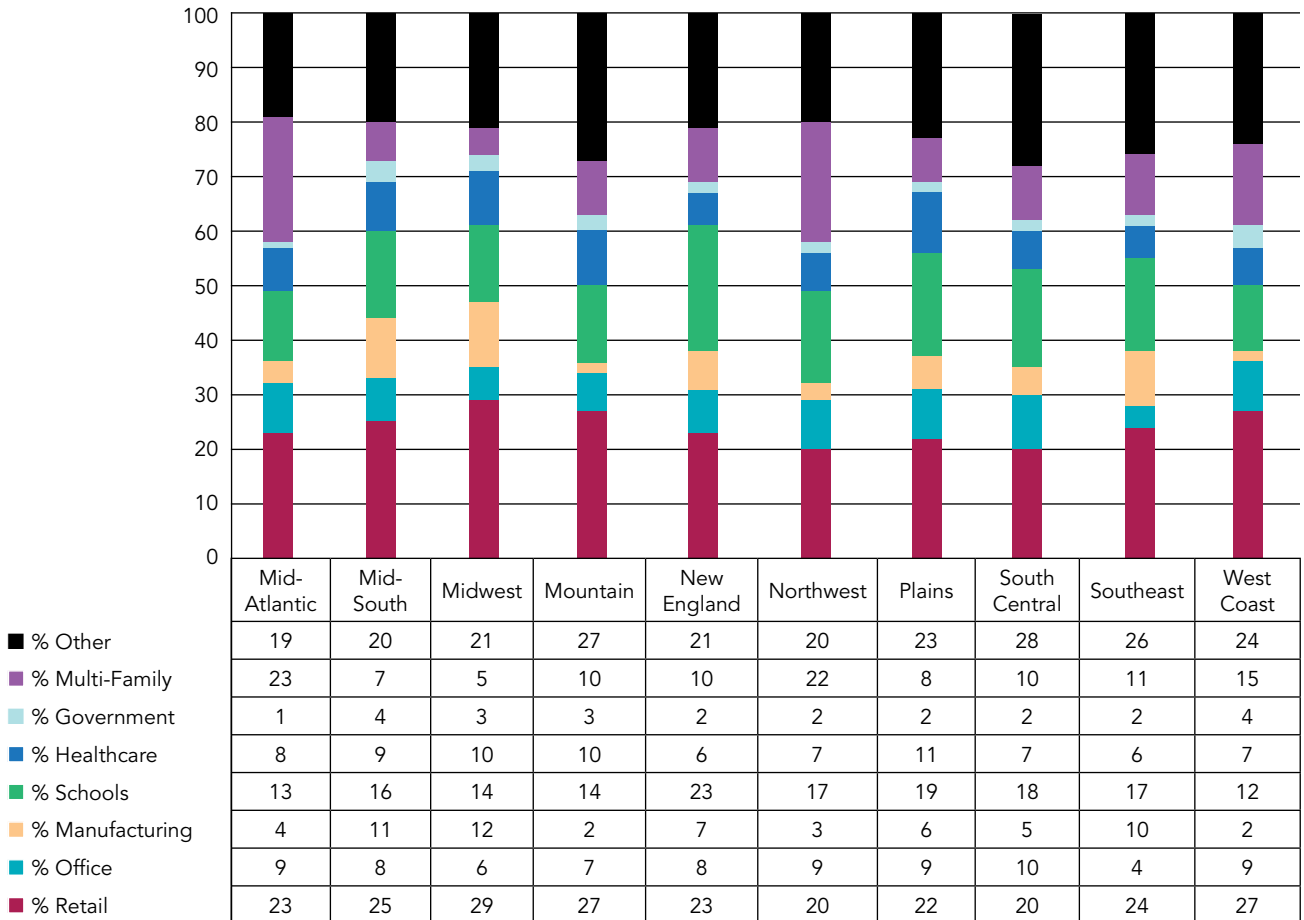


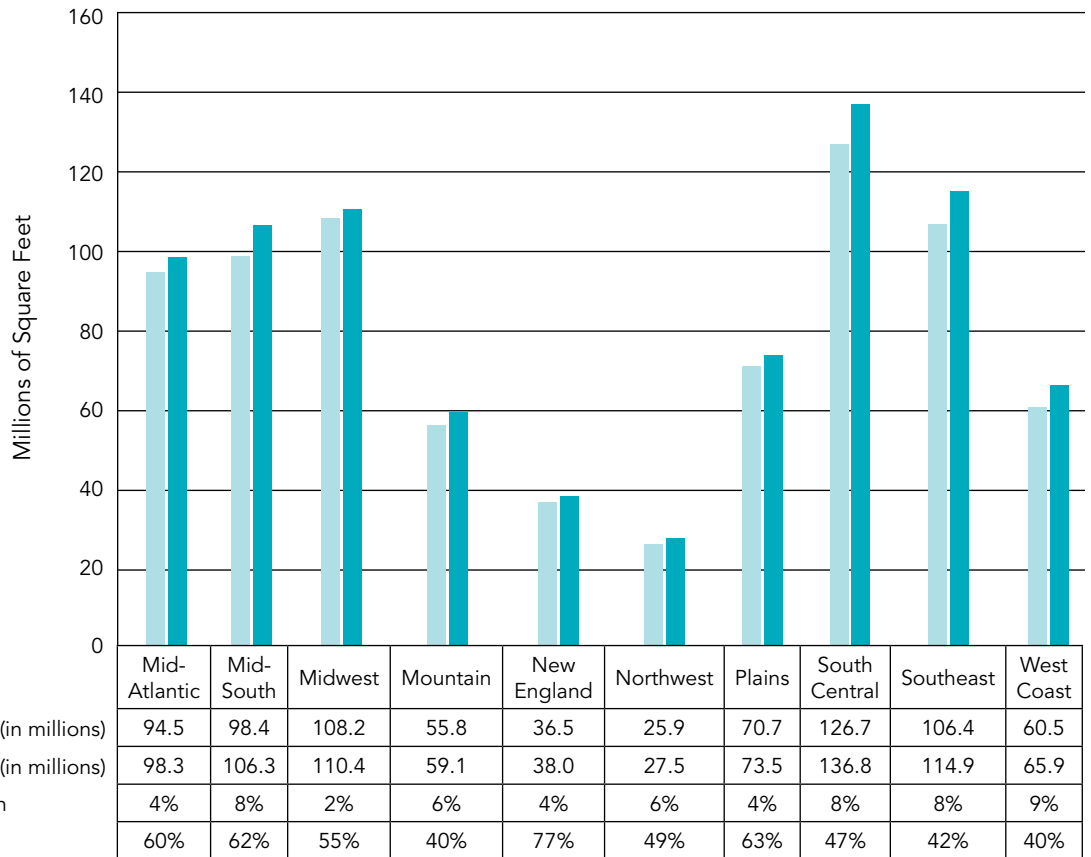
As an example of the differences that exist between regions, there is an approximately \$100 variation between the average per-sq.-ft cost of construction between the high end (West Coast) and low end (South Central) projects. This variation is a result of many factors—average number of stories, seismic requirements, dominant project type, etc.—but still instructive in appreciating the differences between regions.

Average Project Cost per Square Foot



Project Type Distribution by Region





Predicted 2013 Starts (Square Footage)

The project mix in each region varies significantly. Multi-family residential projects greater than four stories in height account for more than 20% of construction activity in the Mid-Atlantic and Northwest regions but are less than 10% of activity in the central area of the country (Midwest, Plains and Mid-South regions). Similarly, school construction is continuing at a high pace in New England (25%) while lagging on the West Coast (12%).

Just as current trends vary by regions, so does the outlook for activity in 2013. Based on current trends, including an increase in rental rates and the level of vacancies in various metro areas, it is projected that the greatest level of growth in 2013 will occur on the West Coast (9%) with the South (Mid-South, Southeast and South Central regions) close behind at 8%. At the same time the Midwest at 2% will show the slowest growth. Overall U.S. non-residential building and multi-story residential construction is anticipated to grow 6% in 2013.

Market share for structural steel varies across the United States, from a high of 77% in New England to a low of 40% in both the Mountain and West Coast regions. Even in these latter regions structural steel remains the dominant framing system selection, as the remaining market share in these areas is split between pre-engineered steel building, concrete, masonry and wood systems.

What does all this mean? Conditions vary by region of the country impacting the type and size of projects being constructed. Attention must be paid to these differences as overall construction trends are tracked and addressed. But even as some regions show a greater propensity for growth in 2013 than other regions, the level of growth from the still depressed starting point of 2012 is minimal in all regions. Even assuming a successful resolution of the fiscal cliff issue in the U.S., 2013 will not be a break-out year for construction in any area of the country; it will end up feeling a great deal like an extension of 2012.

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