Construction Executive's

2021Q1 Construction Economic Update & Exclusive Forecast

By: Anirban Basu

Sage Policy Group, Inc.

The webinar will start momentarily.

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2021Q1

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Anirban Basu & The Chamber of Data

Photo: Fandom

Toward the Post-Pandemic World

By: Anirban Basu

MPP, MA, JD, PhD

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On Behalf of

Construction Executive

2021Q1 Construction Economic Forecast

March 31st, 2021

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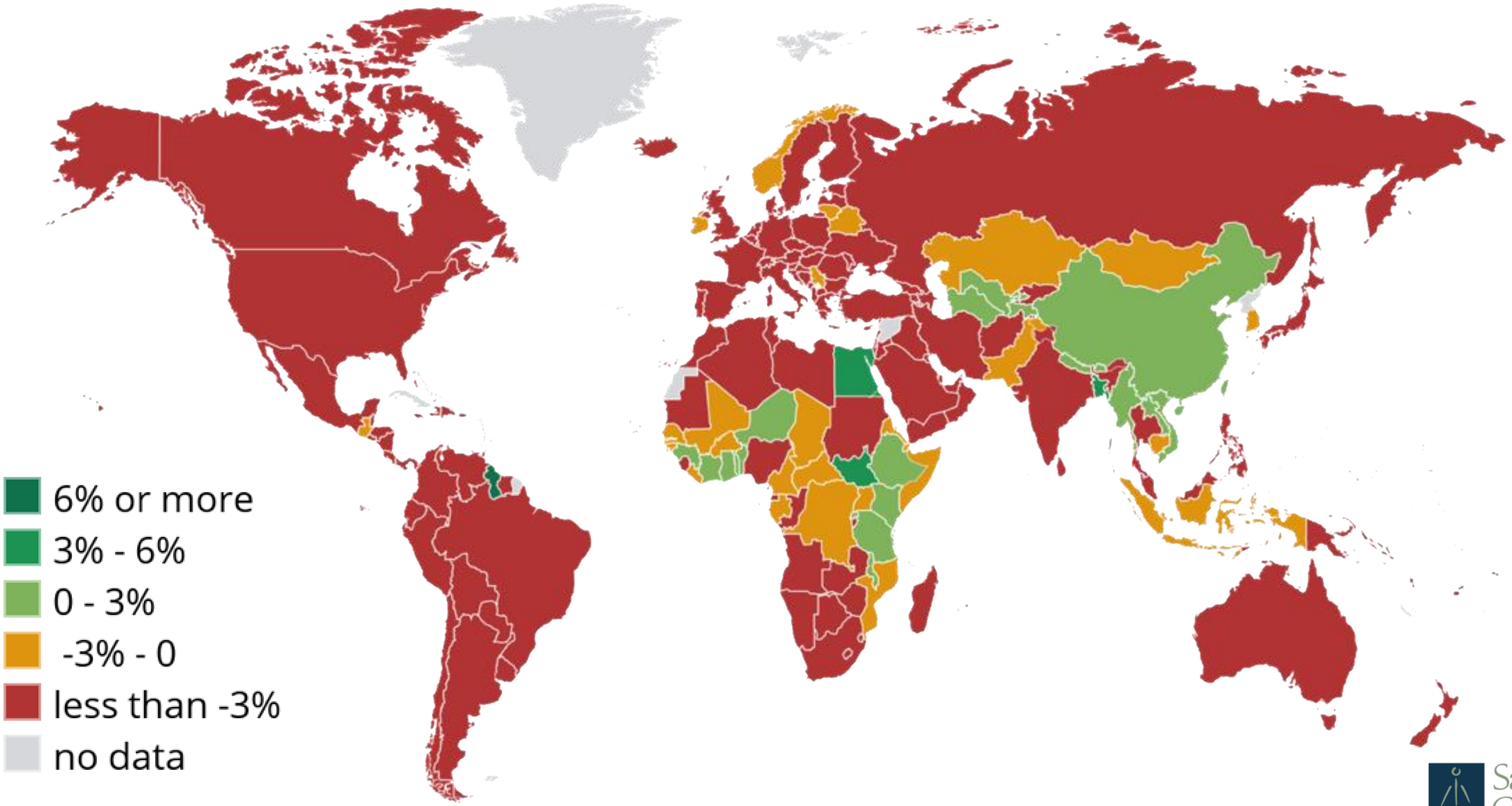
The Prisoner of My-house-kaban

A Global Economy Transfigured

Real GDP Growth 2020, Estimated Annual Percent Change



Source: International Monetary Fund: World Economic Outlook Database, October 2020

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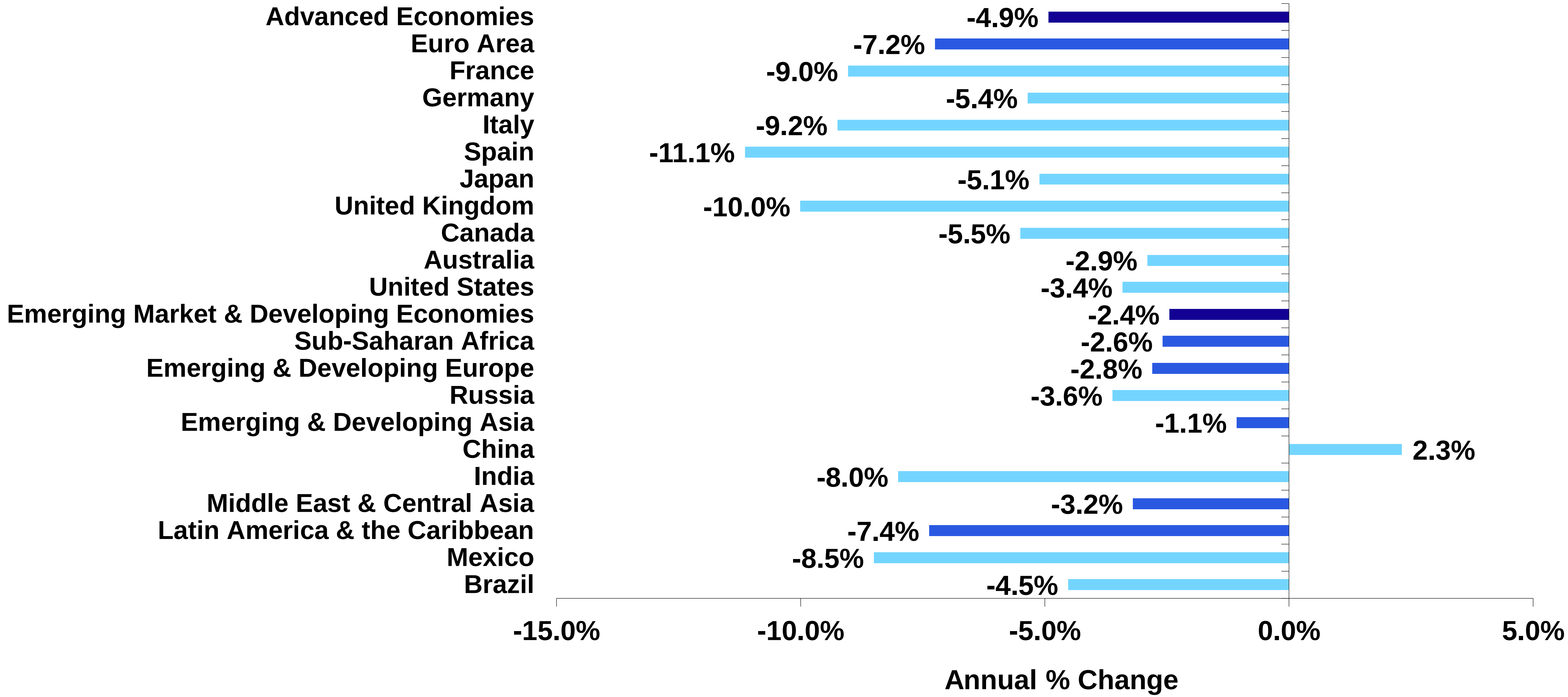
Economicus Destructus!

Estimated Growth in Output by Select Global Areas, 2020



2020 Global Output Growth: -3.5%

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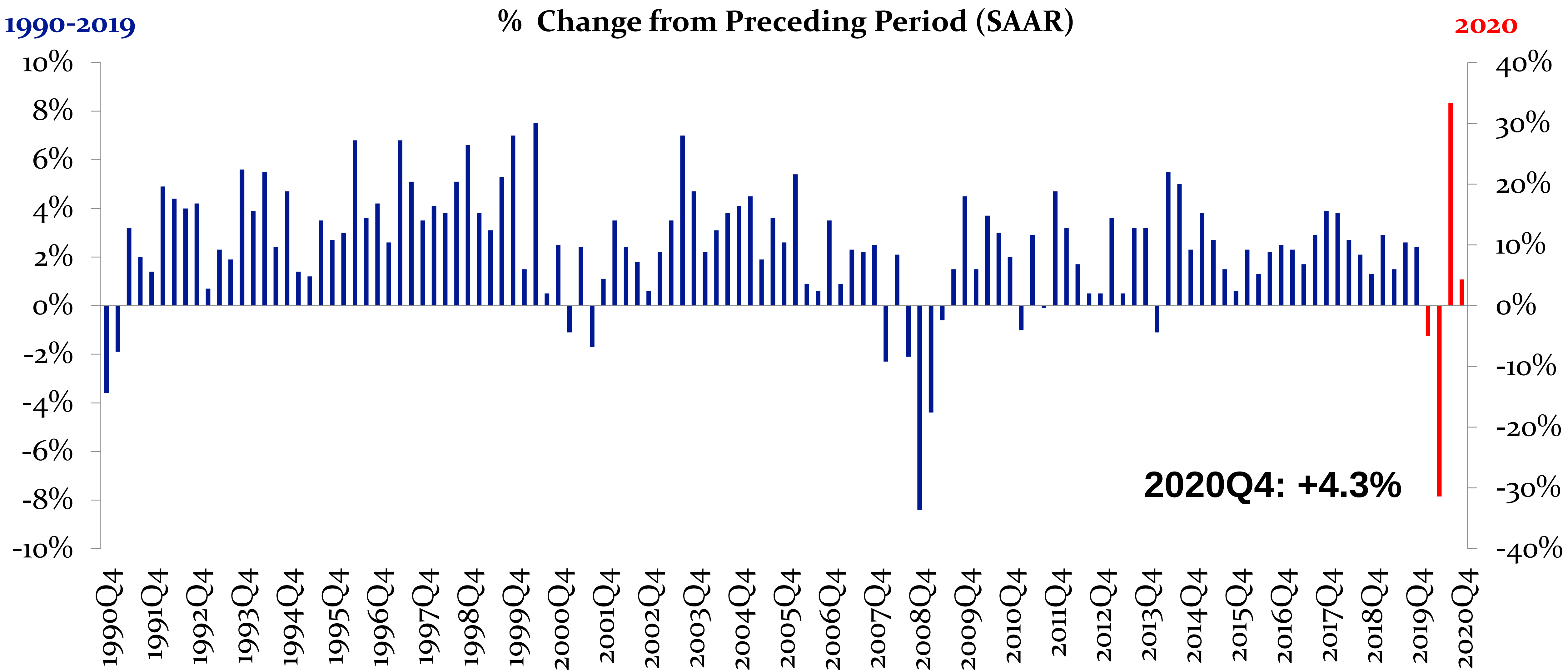
Source: International Monetary Fund: World Economic Outlook Update, January 2021

Gross Domestic Product

*1990Q4 – 2020Q4**



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Source: U.S. Bureau of Economic Analysis   *3rd (Final) Estimate

Audience Poll

Has the promise of a vaccine added optimism to your company's 2021 outlook?

- Yes
- No

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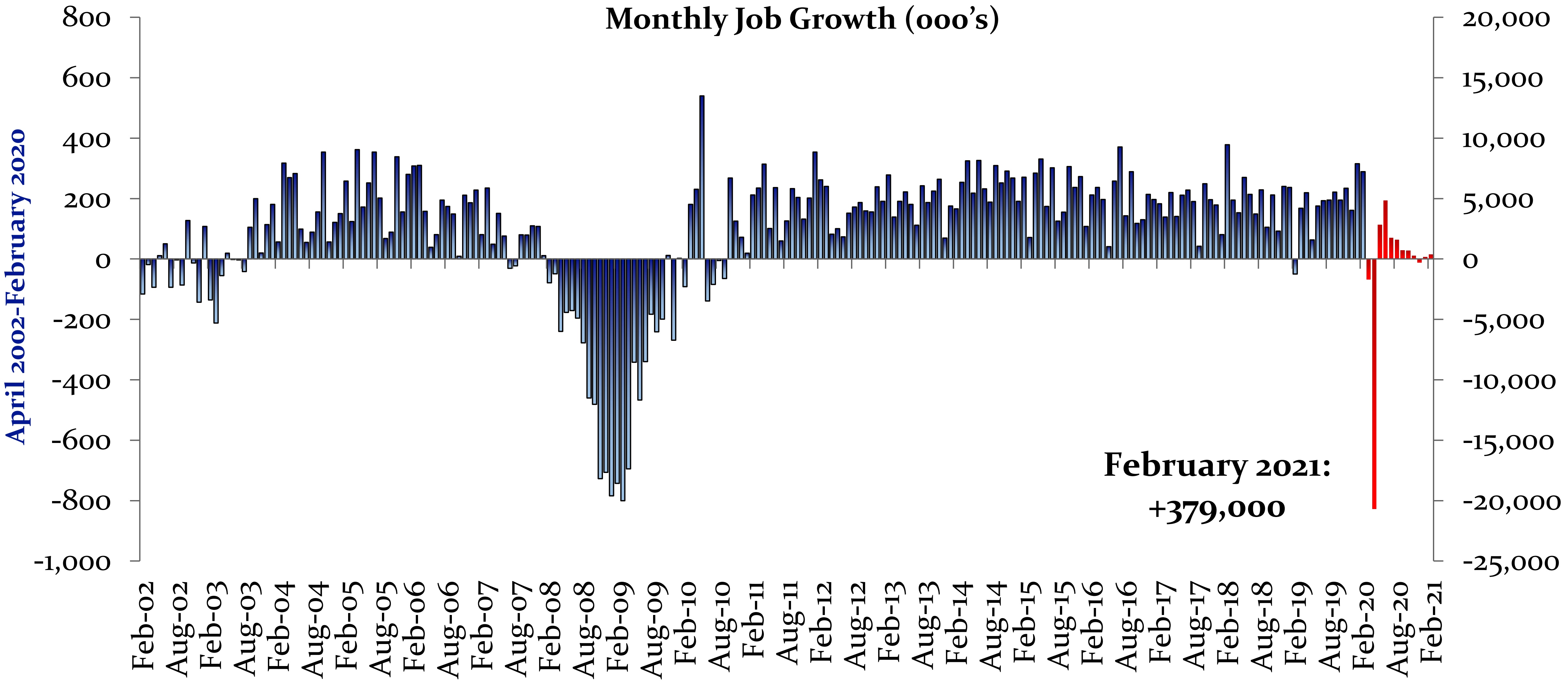
The Goblet of Lost Jobs

Photo: Harrypotterfanzone.com

Net Change in U.S. Jobs

February 2002 – February 2021



Source: U.S. Bureau of Labor Statistics

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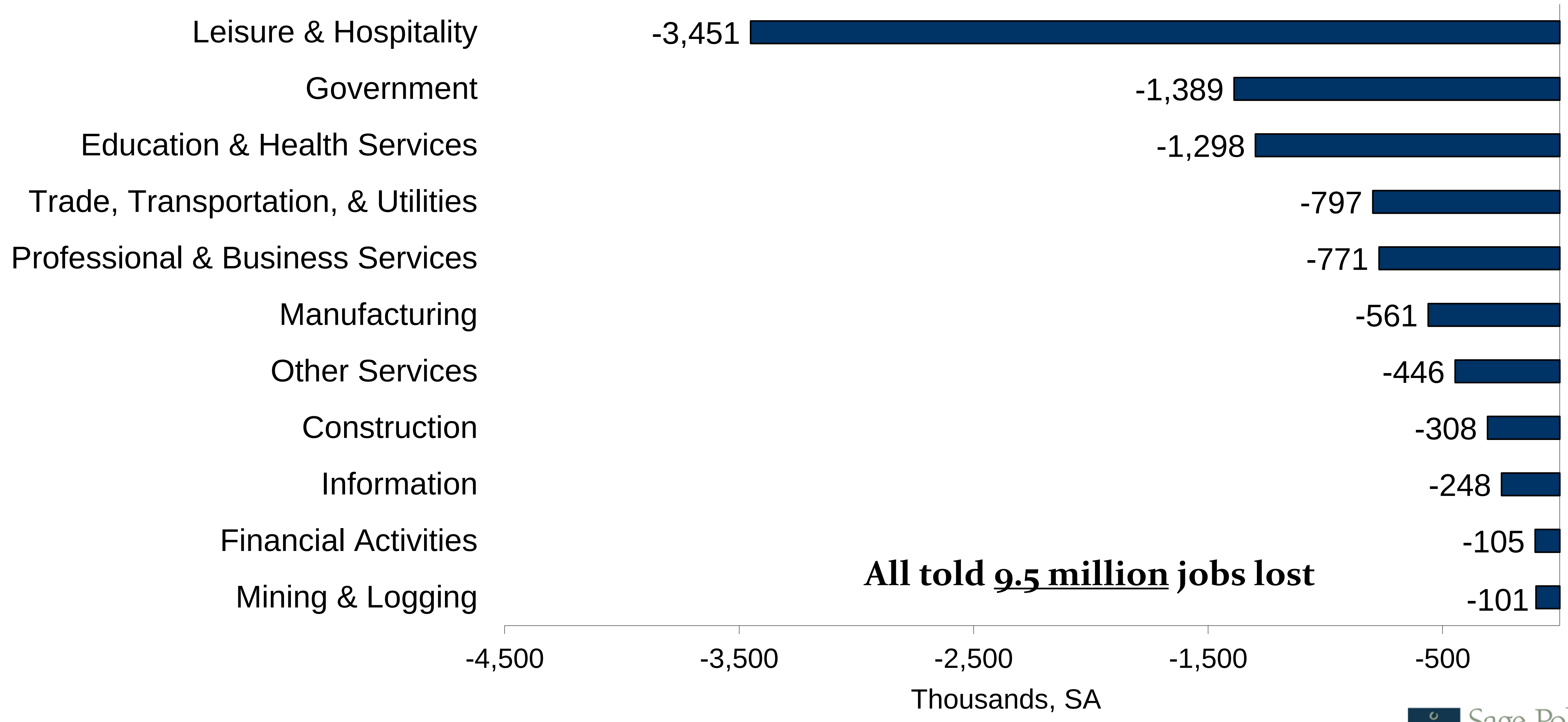
National Nonfarm Employment

by Industry Sector, February 2020 v. February 2021



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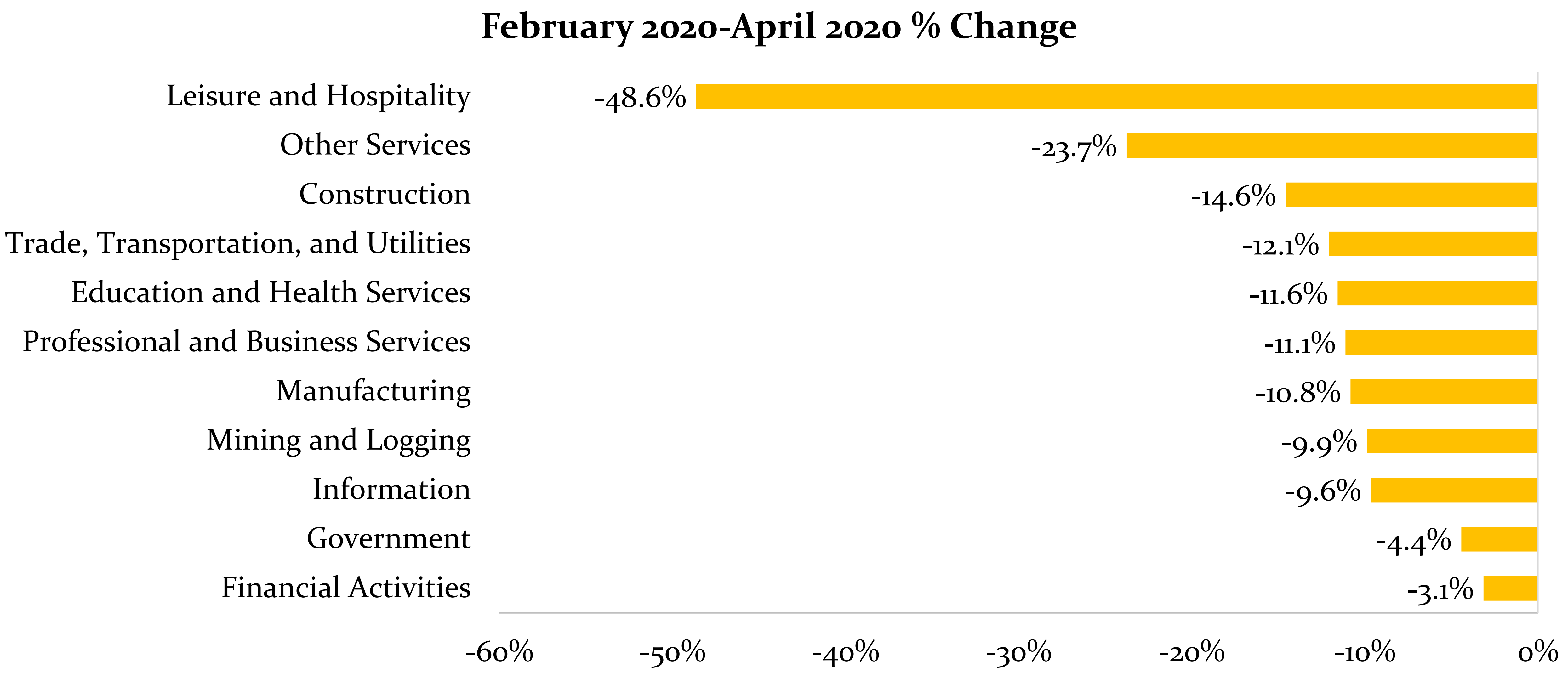
Source: U.S. Bureau of Labor Statistics

U.S. Job Losses by Industry

February 2020 to April 2020 % Change



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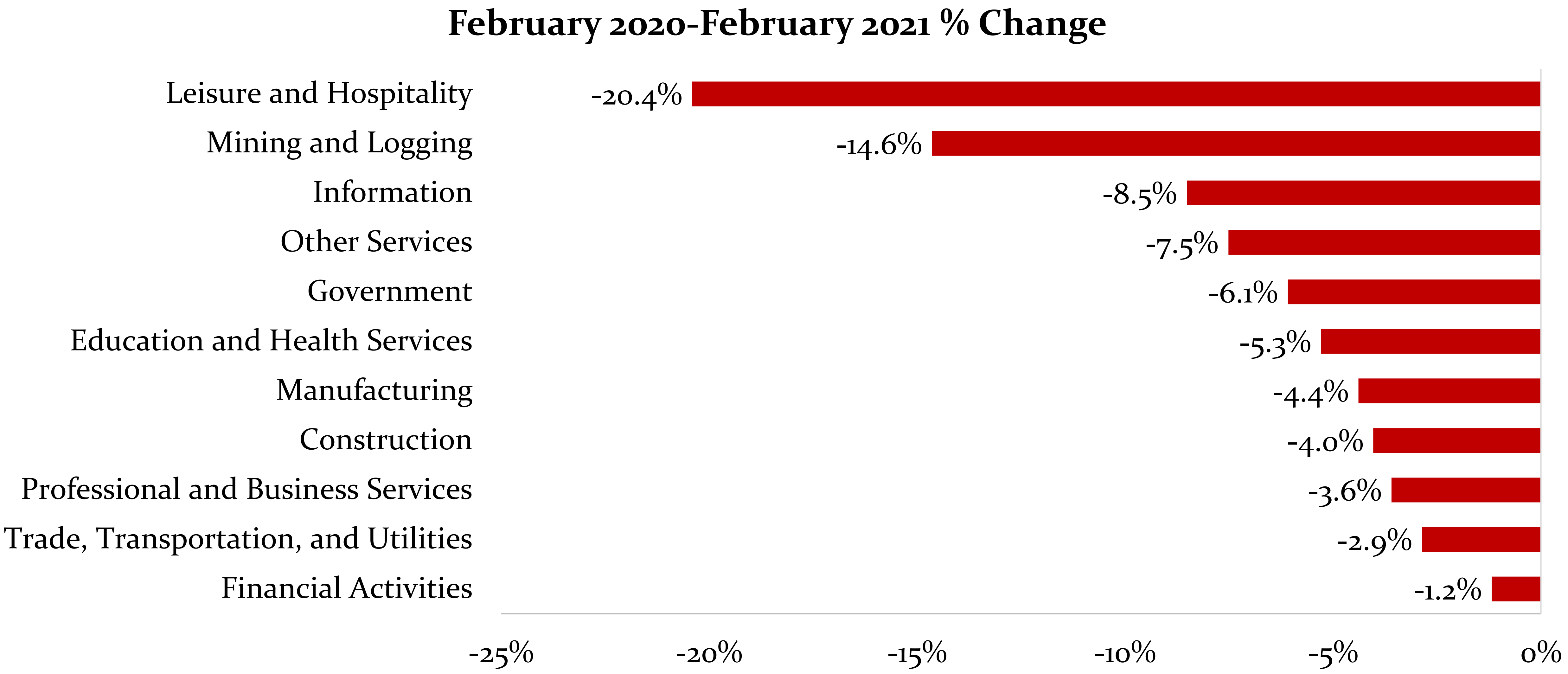
Source: U.S. Bureau of Labor Statistics

U.S. Job Losses by Industry
February 2020 to February 2021 % Change



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Source: U.S. Bureau of Labor Statistics

Employment Growth, 25 Largest Metros (NSA)

February 2020 v. February 2021 Percent Change

Rank	MSA	%
1	Tampa-St. Petersburg-Clearwater, FL	-3.1
2	San Antonio-New Braunfels, TX	-3.3
3	Phoenix-Mesa-Scottsdale, AZ	-3.6
4	Dallas-Fort Worth-Arlington, TX	-3.7
5	Charlotte-Concord-Gastonia, NC-SC	-4.2
6	Denver-Aurora-Lakewood, CO	-4.9
7	Atlanta-Sandy Springs-Roswell, GA	-5.6
8	Riverside-San Bernardino-Ontario, CA	-5.7
9	Baltimore-Columbia-Towson, MD	-6.0
9	St. Louis, MO-IL	-6.0
11	Seattle-Tacoma-Bellevue, WA	-6.6
12	Washington-Arlington-Alexandria, DC-VA-MD-WV	-6.8

Rank	MSA	%
13	Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	-7.2
14	Houston-The Woodlands-Sugar Land, TX	-7.3
15	Miami-Fort Lauderdale-West Palm Beach, FL	-7.6
16	Detroit-Warren-Dearborn, MI	-7.8
17	Chicago-Naperville-Elgin, IL-IN-WI	-8.4
17	Portland-Vancouver-Hillsboro, OR-WA	-8.4
19	Minneapolis-St. Paul-Bloomington, MN-WI	-8.5
20	San Diego-Carlsbad, CA	-8.7
21	Boston-Cambridge-Nashua, MA-NH	-9.1
22	New York-Newark-Jersey City, NY-NJ-PA	-11.2
23	San Francisco-Oakland-Hayward, CA	-11.3
24	Los Angeles-Long Beach-Anaheim, CA	-11.7
25	Orlando-Kissimmee-Sanford, FL	-12.5

U.S. Year-over-year Percent Change: -6.2%

Source: U.S. Bureau of Labor Statistics, Current Employment Statistics (CES) Survey

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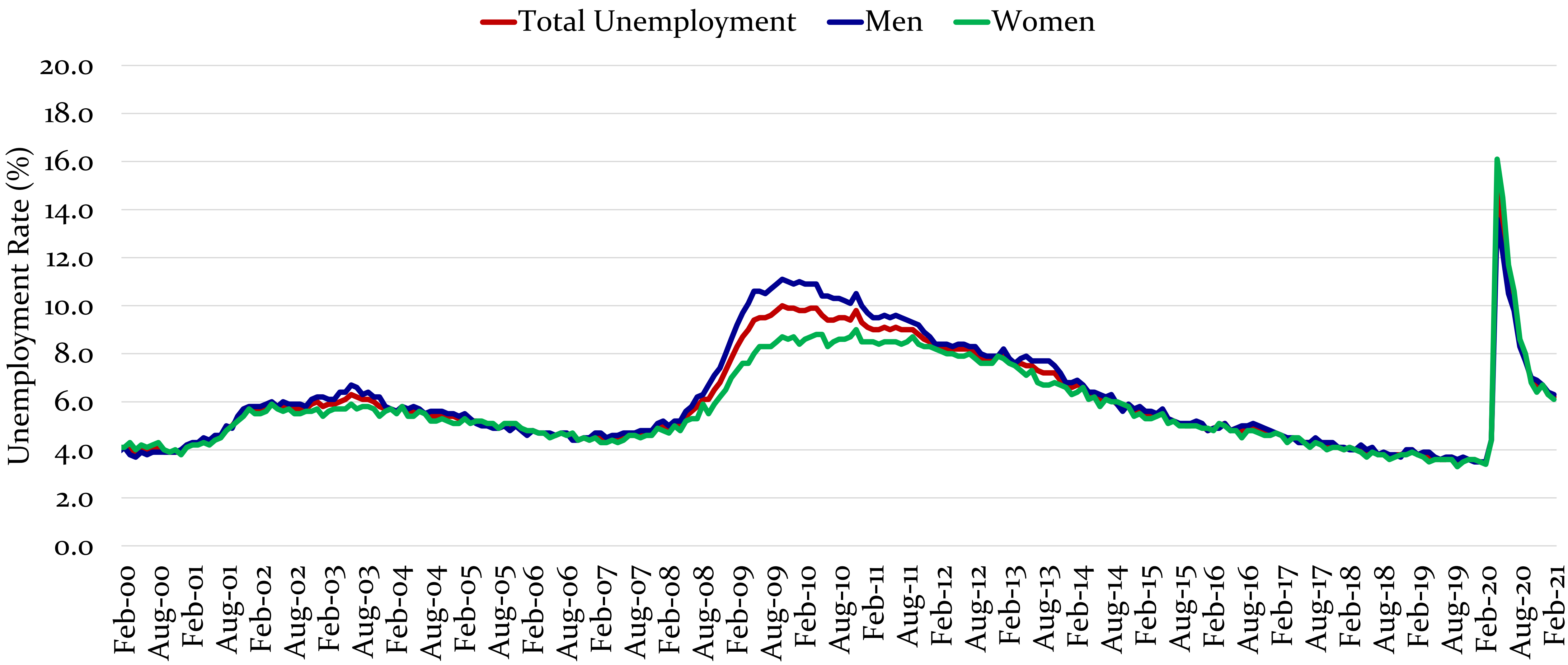
U.S. Unemployment Rate

February 2000 – February 2021



Source: U.S. Bureau of Labor Statistics

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Audience Poll

Will your staffing levels be higher in 2021 than in 2020?

- Yes
- No
- They're already higher than 2020
- No change expected

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The Ministry Speaks

Photo: Warner Bros.; Fandom

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COVID-19 Stimulus Packages I

- **Coronavirus Aid, Relief, and Economic Security (CARES) Act** (3/27/2020)
    - More than $2 trillion total
    - Direct payments to Americans: $1,200
    - Extended/enhanced unemployment insurance program: $600/week enhanced federal benefit
    - Loans and grants for small businesses: $377 billion
    - Loans and grants for large businesses: $510 billion
    - Direct aid to state and local governments: $150 billion
    - Health care system: more than $150 billion
- **Paycheck Protection Program and Health Care Enhancement Act** (4/24/2020): $483 billion
- **Consolidated Appropriations Act, 2021** (12/27/2020)
    - More than $900 billion for coronavirus assistance
    - Direct payments to Americans: $600
    - Extended/enhanced unemployment insurance program: $300/week enhanced federal benefit
    - Rental assistance: $25 billion and an eviction moratorium extension
    - Loans and grants for small businesses: Approx. $285 billion for Paycheck Protection Program; grants for theaters and other live venues: $15 billion
    - Aid for schools and childcare: $82 billion for K-12 schools and colleges; $10 billion for childcare providers
    - SNAP: raises benefits by 15 percent for 6 months
    - Vaccine funding: $28 billion for purchase and distribution of vaccine; $20 billion to states for testing/contact tracing
    - Direct aid to state and local governments: No

Source: Congress.gov; Committee for a Responsible Federal Budget; NPR News; CNN Politics

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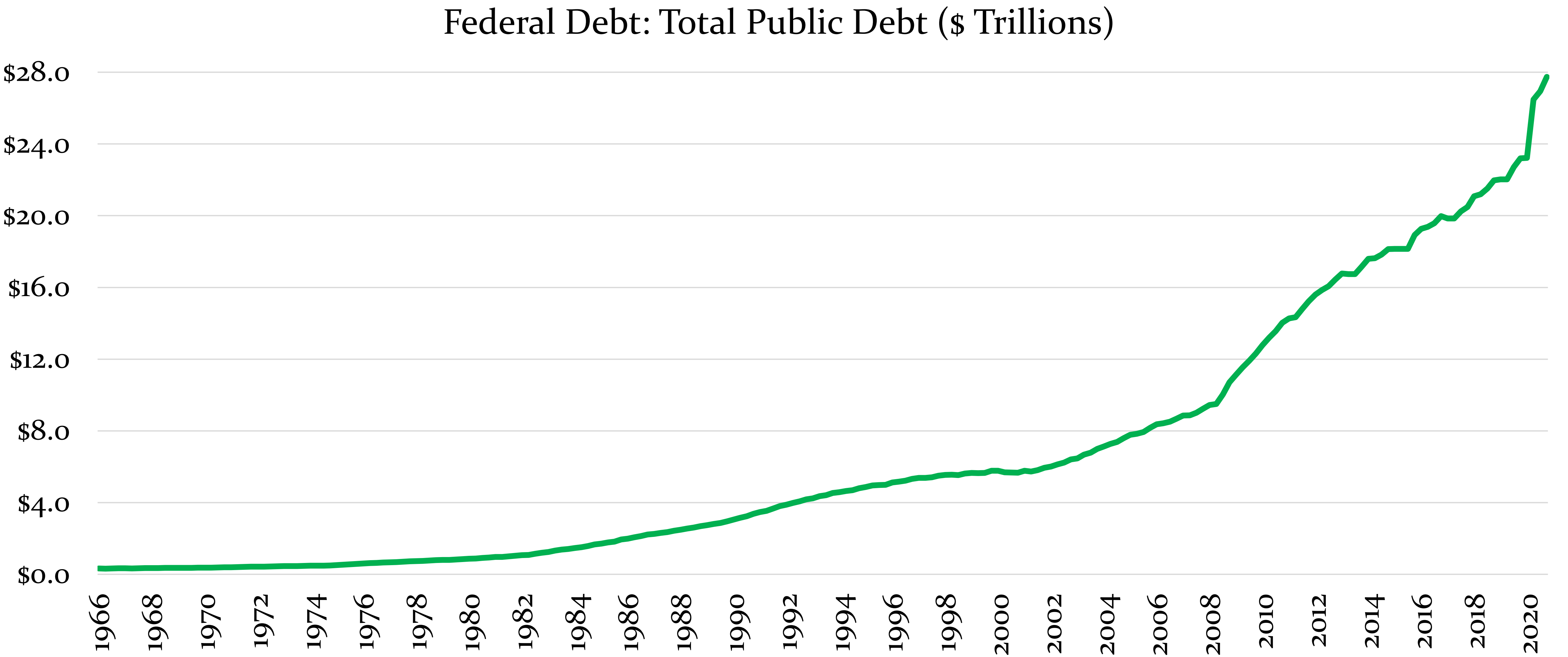
COVID-19 Stimulus Packages II: American Rescue Plan Act of 2021

- Signed into law on 3/11/2021
- Total of **$1.9 trillion**
- Direct payments to Americans: $1,400
- Extended federal unemployment assistance: $300/week
- Direct aid to state and local governments: ≈ $350 billion
- Education: ≈ $170 billion for K-12 schools and higher ed
- Small businesses: ≈$49 billion in loans/grants for several programs for small businesses, restaurants/bars, and venue operators
- Public health: ≈ $92 billion for COVID-19 vaccine, testing, and workforce efforts
- Tax provisions: expands/increases Child Tax Credit, Earned Income Tax Credit (EITC), dependent care tax credit, employee retention credit, and paid leave credits
- Nutrition assistance; housing aid; health insurance subsidies; changes to Medicaid/Medicare policy funding; aviation/railway/transit funding

Sources: NPR; NCSL; CNN

Are We Being Dumbledore?

U.S. Federal Debt (Total Public Debt), 1966 – 2020



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Source: U.S. Department of the Treasury

COVID's Commercial Curse


Photo: Warner Bros. Studio Tour/Google

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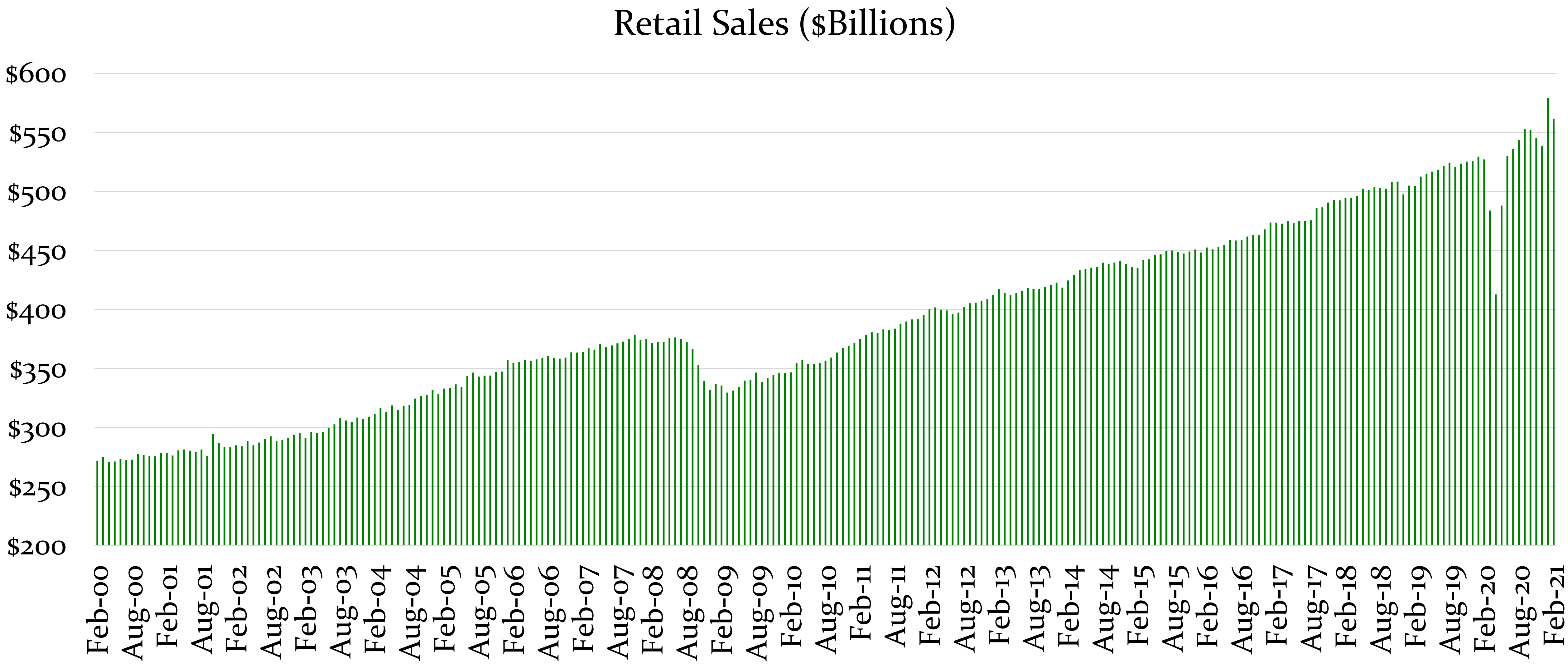
Large Retail Bankruptcies in the U.S. in 2020

Retailer/Company	Date	Retailer/Company	Date	Retailer/Company	Date
Francesca's	12/3/20	**Brooks Brothers**	**7/8/20**	Rubie's Costume Co.	4/30/20
Guitar Center	11/21/20	Lucky Brand	7/3/20	Roots USA	4/29/20
Furla	11/6/20	Old Time Pottery	6/28/20	N B L Textiles	4/24/20
Furniture Factory Outlet	11/5/20	BHS Foodservice Solutions	6/26/20	**True Religion**	**4/13/20**
Emerald Health Bioceuticals	10/20/20	**GNC**	**6/23/20**	Castella Imports	4/13/20
Century 21	9/10/20	Fairn & Swanson	6/2/20	Donghia	3/30/20
Interstate Commodities	8/26/20	Liftopia	6/2/20	CHIEF Supply	3/20/20
Stein Mart	8/12/20	Libbey Glass	6/1/20	Paddle8	3/16/20
Lord & Taylor	**8/2/20**	Tuesday Morning	5/27/20	Generation Zero Group	3/13/20
Tailored Brands	8/2/20	Centric Brands	5/18/20	Modell's Sporting Goods	3/11/20
Ascena	7/23/20	**J.C. Penney**	**5/15/20**	Bluestem Brands	3/9/20
NTS W. USA	7/22/20	Stage Stores	5/10/20	Art Van Furniture	3/8/20
Occasion Brands	7/22/20	**Neiman Marcus**	**5/7/20**	**Pier 1 Imports**	**2/17/20**
The Paper Store	7/14/20	John Varvatos	5/6/20	The Worth Collection	2/14/20
RTW Retailwinds	7/13/20	CD II Fashions	5/4/20	Must Cure Obesity	1/31/20
Muji USA	7/10/20	**J. Crew**	**5/4/20**	Papyrus	1/23/20
Sur La Table	7/8/20	J. Hilburn	4/30/20	Armadio	1/15/20

Source: S&P Global Market Intelligence. Notes: 1. S&P Global Market Intelligence's bankruptcy coverage is limited to public companies or private companies with public debt where either assets or liabilities at the time of bankruptcy filing are greater than or equal to $2 million, or private companies where either assets or liabilities at the time of bankruptcy filing are greater than or equal to $10 million.

U.S. Retail Sales

February 2000 – February 2021



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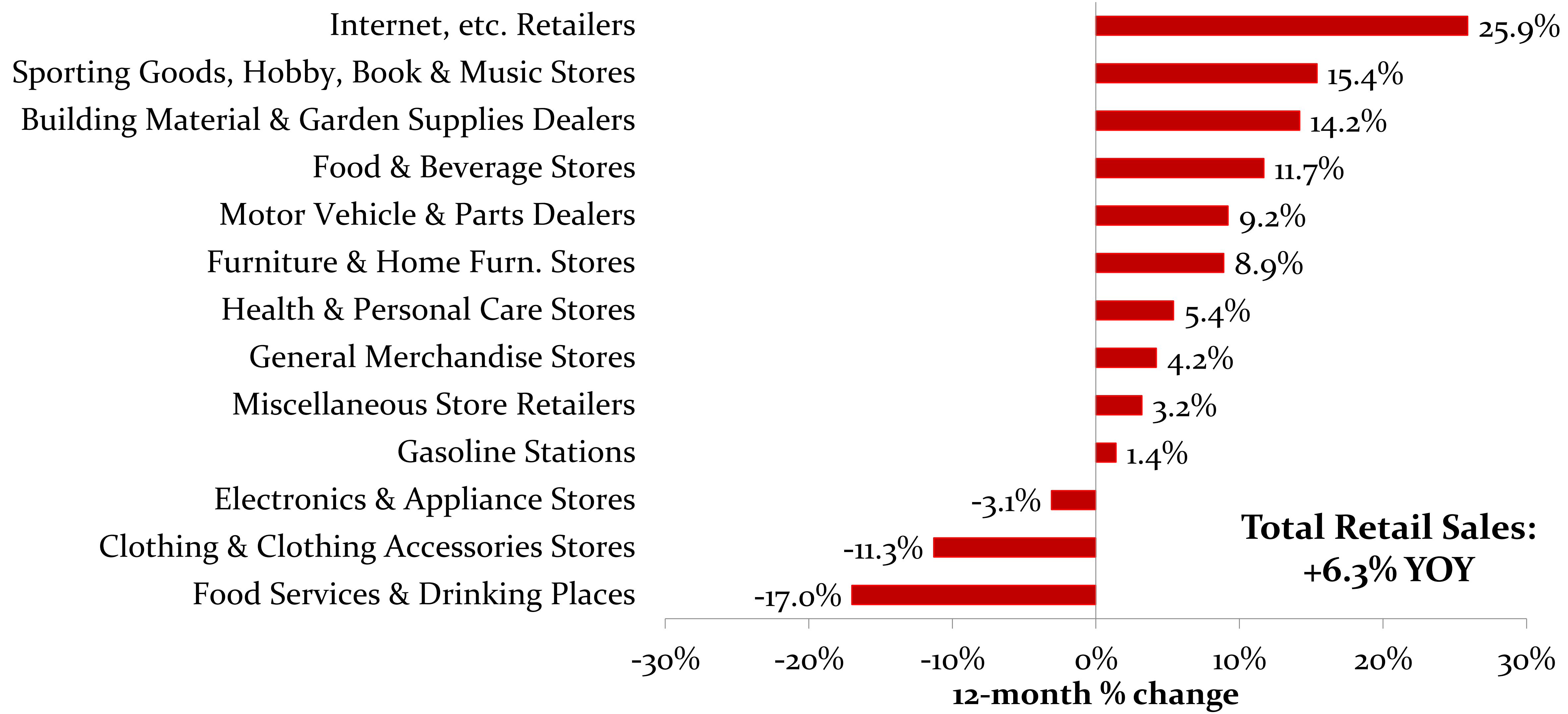
Source: U.S. Census Bureau

U.S. Retail Sales by Type of Business

February 2020 v. February 2021 % Change



Source: U.S. Census Bureau

I'm in Ravenclaw House!

Photo: Clipartkey.com

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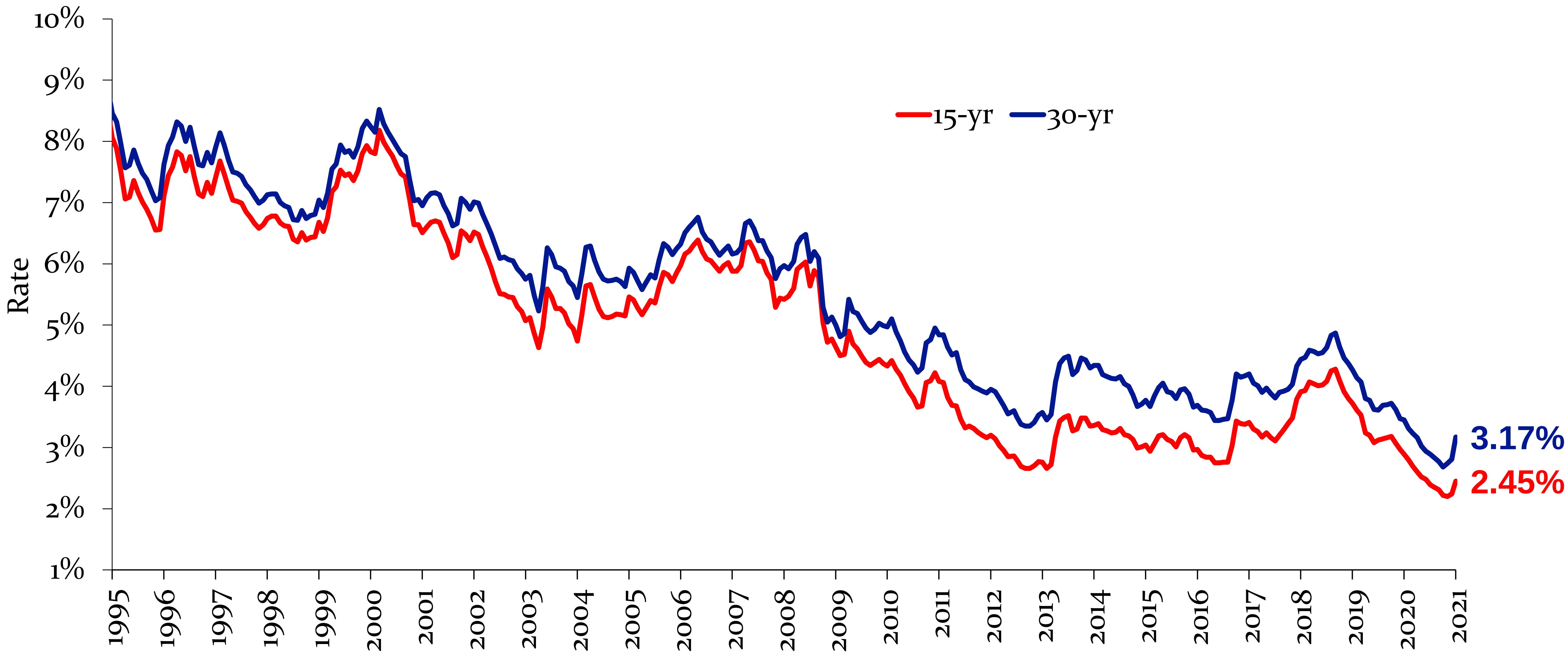
15-Year & 30-Year Fixed Mortgage Rates

*March 1995 – March 2021**



**Week ending 3/25/2021*

Source: Freddie Mac

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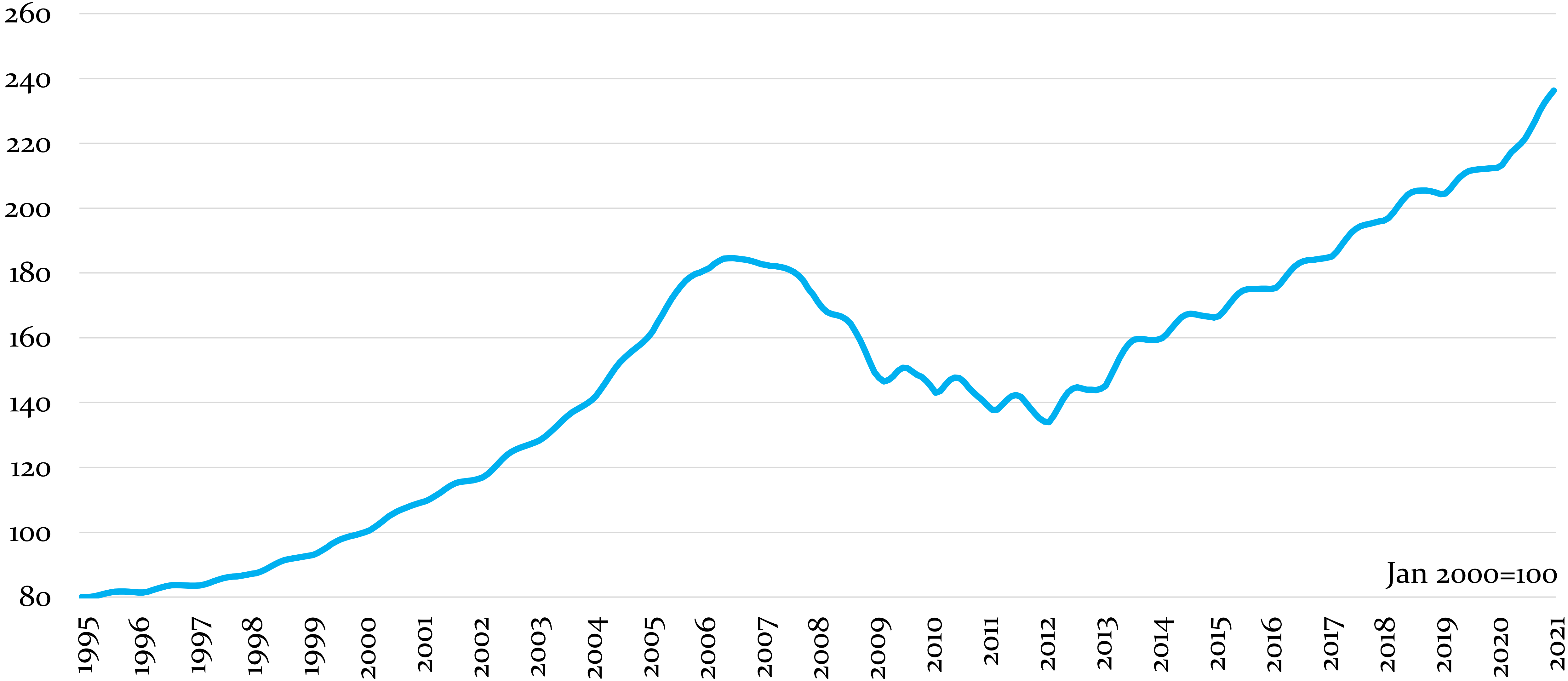
S&P Case-Shiller U.S. National Home Price Index

January 1995 – January 2021



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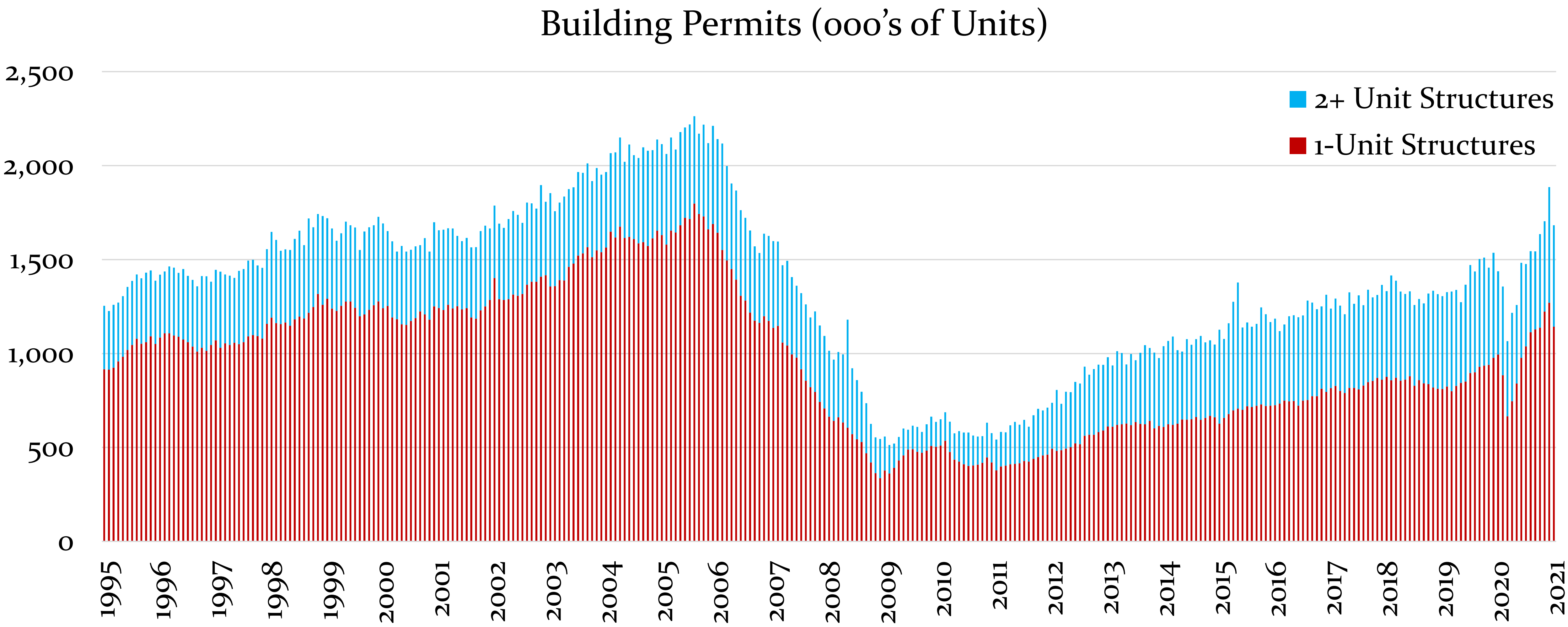
Source: Standard & Poor's

U.S. Residential Building Permits

February 1995 – February 2021



Source: U.S. Census Bureau

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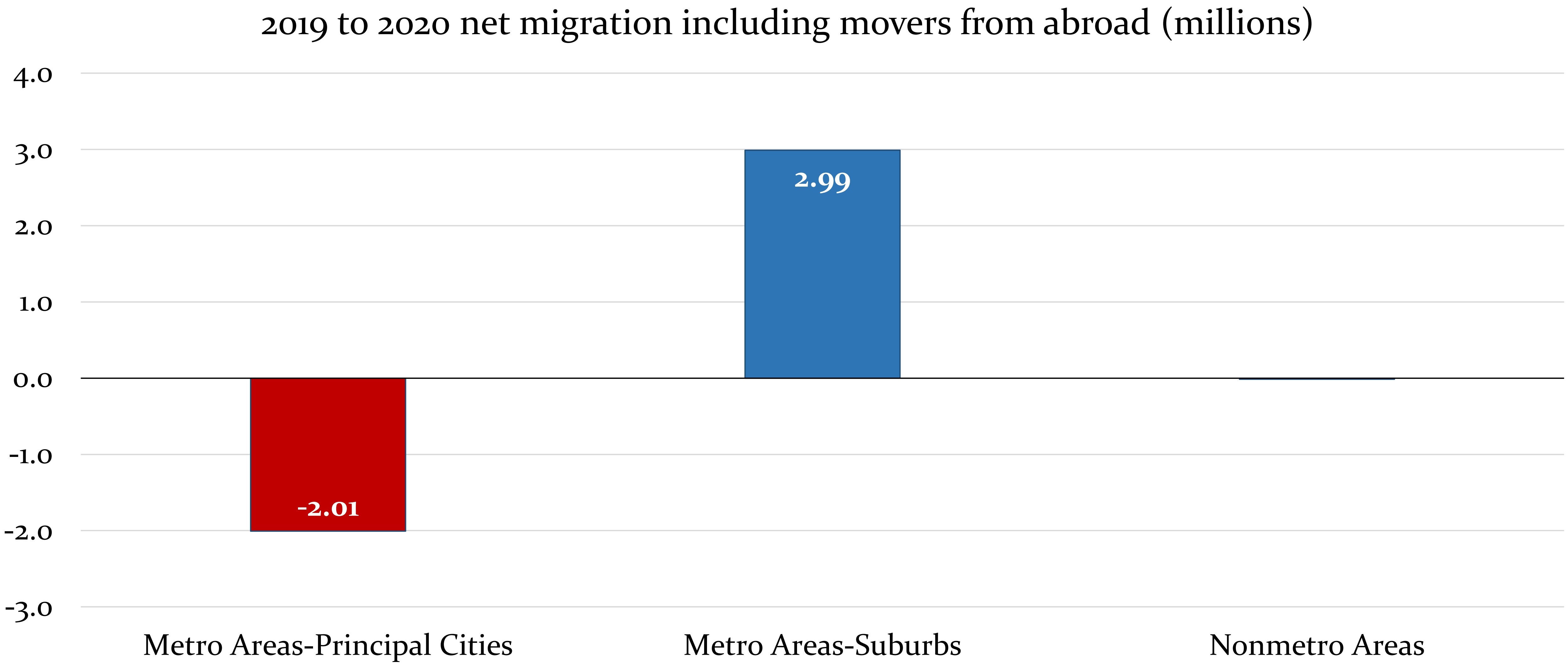
U.S. Net Migration in Metropolitan Areas, 2019 to 2020



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Source: U.S. Census Bureau

Observed Rent Declines in Major U.S. Cities

Rent Changes in Select U.S. Cities, March to December 2020

Largest Rent Declines/Increases among 50 largest U.S. cities by population			
City	Rent Growth Since March	City	Rent Growth Since March
San Francisco, CA	-26.7%	Fresno, CA	7.9%
Seattle, WA	-22.0%	Albuquerque, NM	7.1%
Boston, MA	-20.6%	Memphis, TN	6.7%
New York, NY	-19.9%	Tucson, AZ	6.1%
Washington, DC	-15.3%	Virginia Beach, VA	5.7%
San Jose, CA	-15.2%	Las Vegas, NV	5.2%
Oakland, CA	-14.2%	Arlington, TX	4.7%
Chicago, IL	-13.2%	Colorado Springs, CO	4.4%
Minneapolis, MN	-12.8%	El Paso, TX	4.1%
Los Angeles, CA	-7.9%	Tulsa, OK	4.0%

Rent declines are concentrated in large, expensive markets, while in affordable midsize cities, rent growth accelerates…

Source: Apartment List

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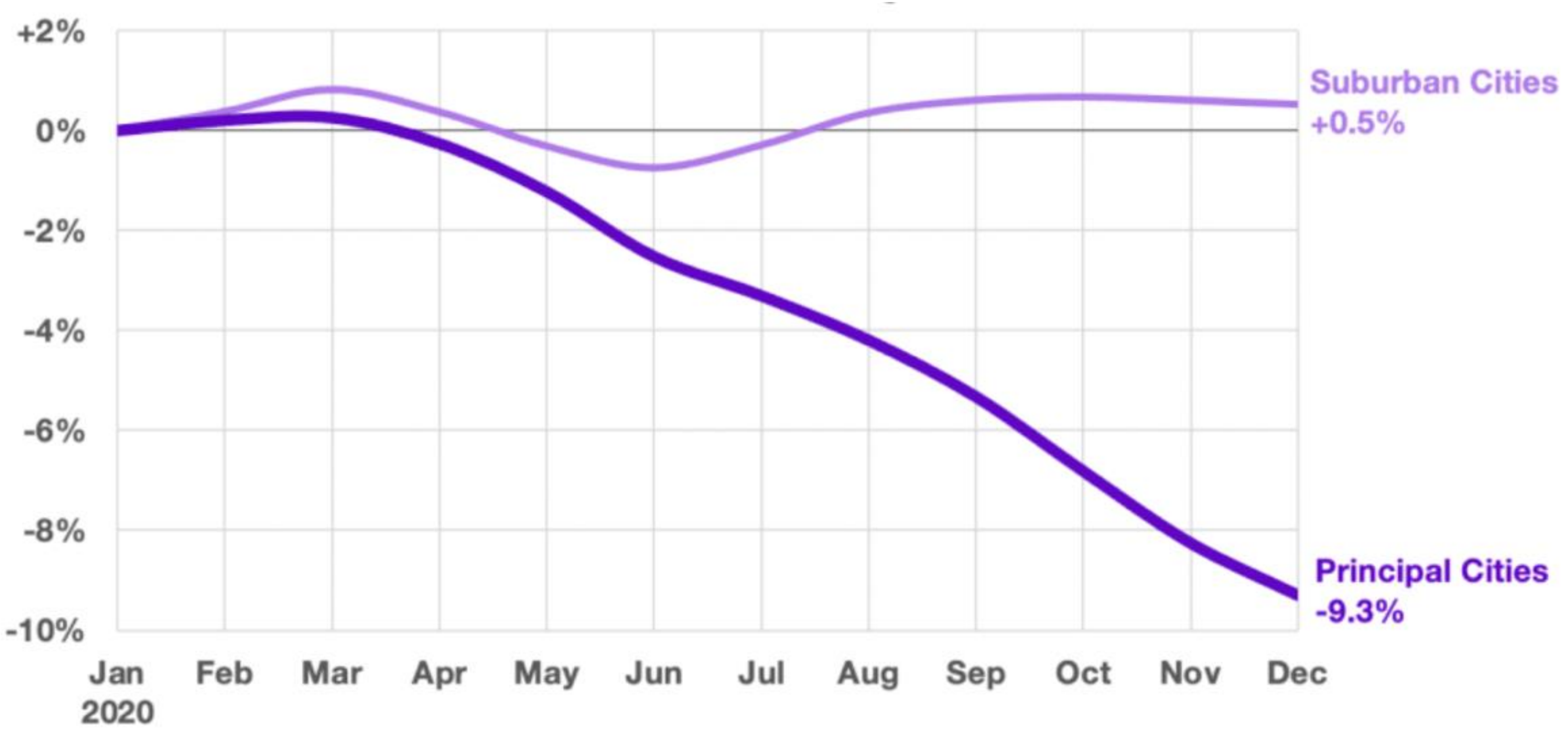
Observed Rent Declines in Cities v. Suburbs

Cumulative Rent Change in 2020



Source: Apartment List. Note: rent changes are population-weighted and aggregated across principal/suburban cities within a sample of 30 large metropolitan areas.

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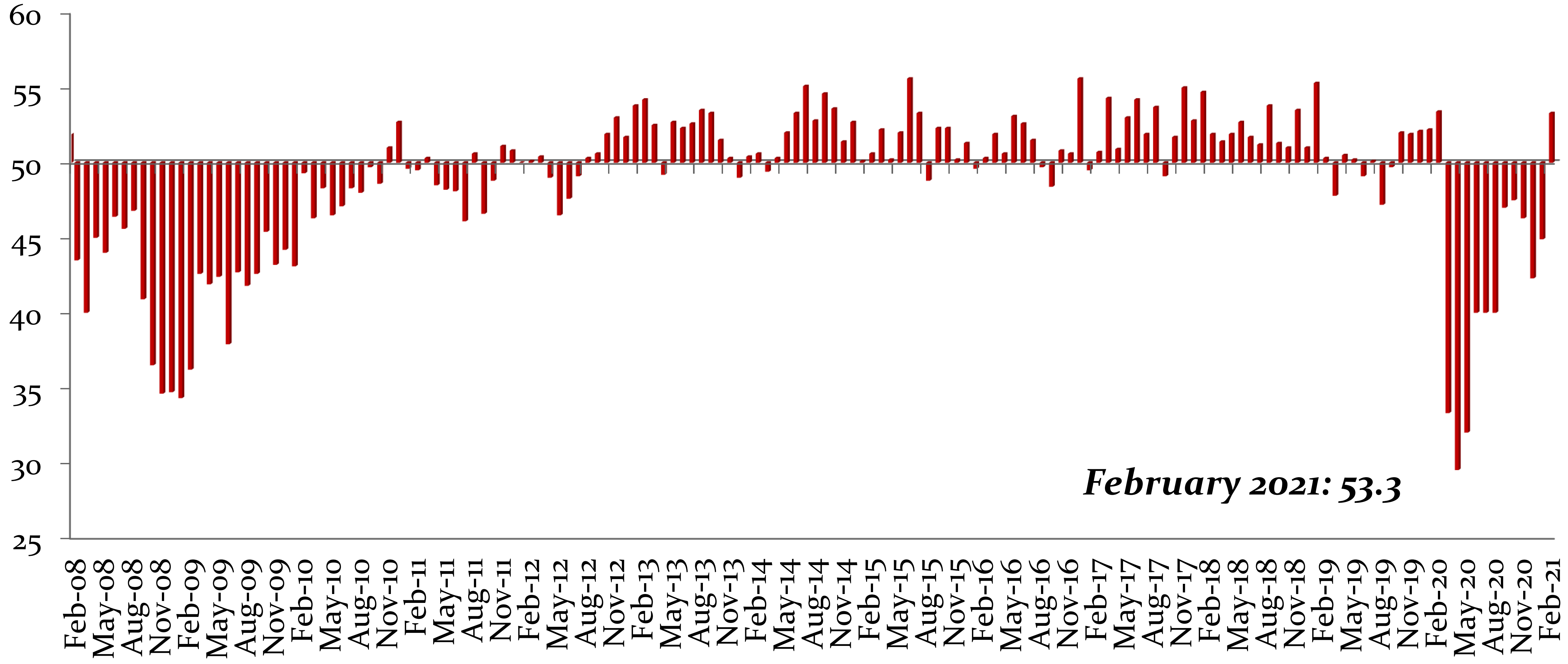
Architecture Billings Index

February 2008 – February 2021



Source: The American Institute of Architects

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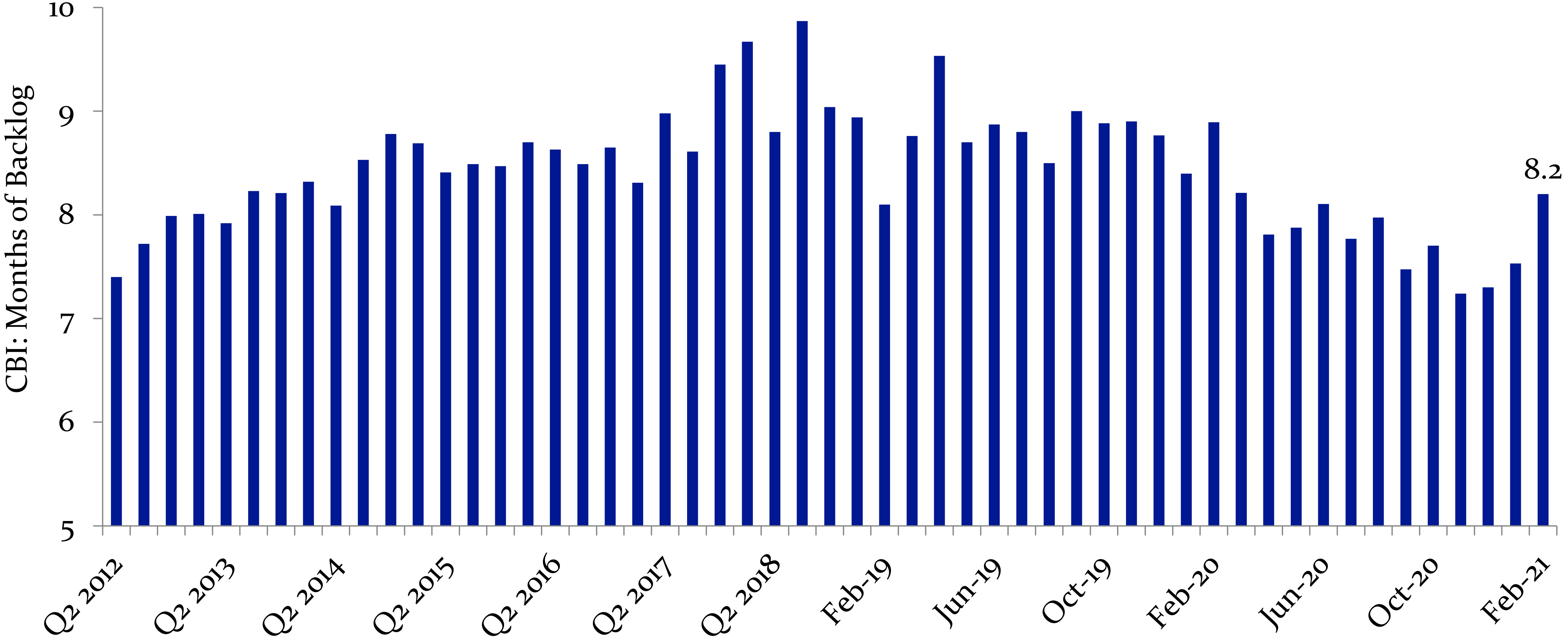
ABC's Construction Backlog Indicator

2012 – February 2021



Source: Associated Builders and Contractors; Sage

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Audience Poll

Do you anticipate an unusually large number of project cancellations and/or postponements this year?

- Significantly higher than average year
- Slight uptick in postponements and cancellations
- Fewer postponements or cancellations next year
- About average number of postponements and cancellations

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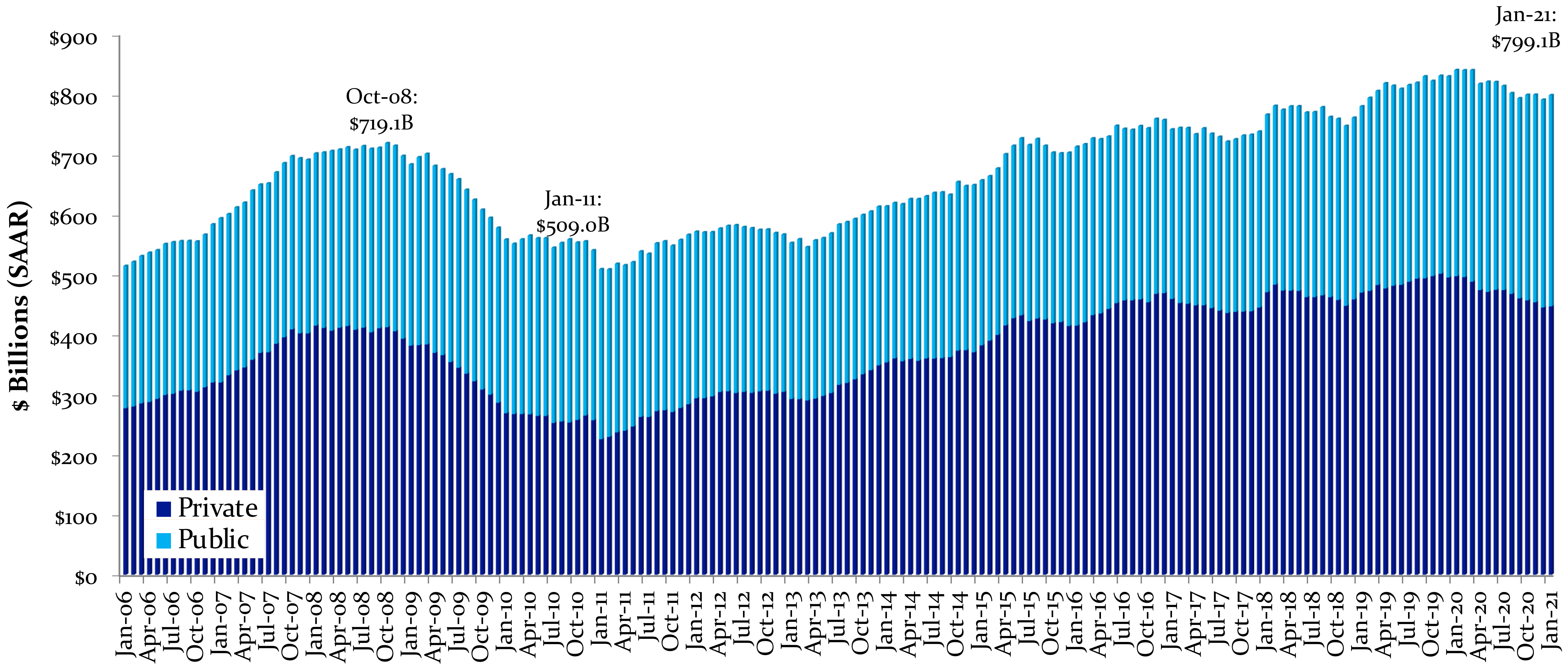
Nonresidential Construction Put-in-Place

January 2006 – January 2021



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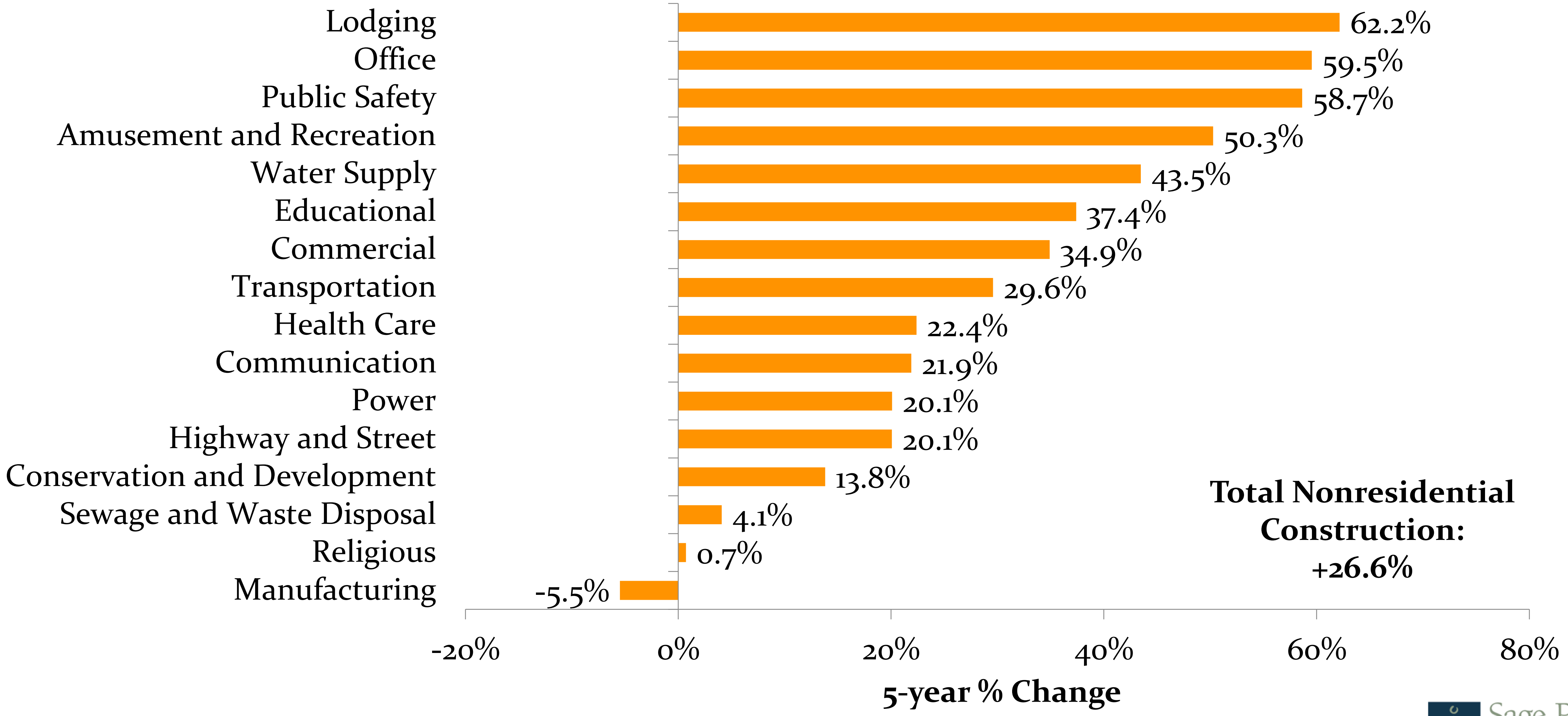
Source: U.S. Census Bureau

National Nonresidential Construction Spending by Subsector

February 2015 v. February 2020



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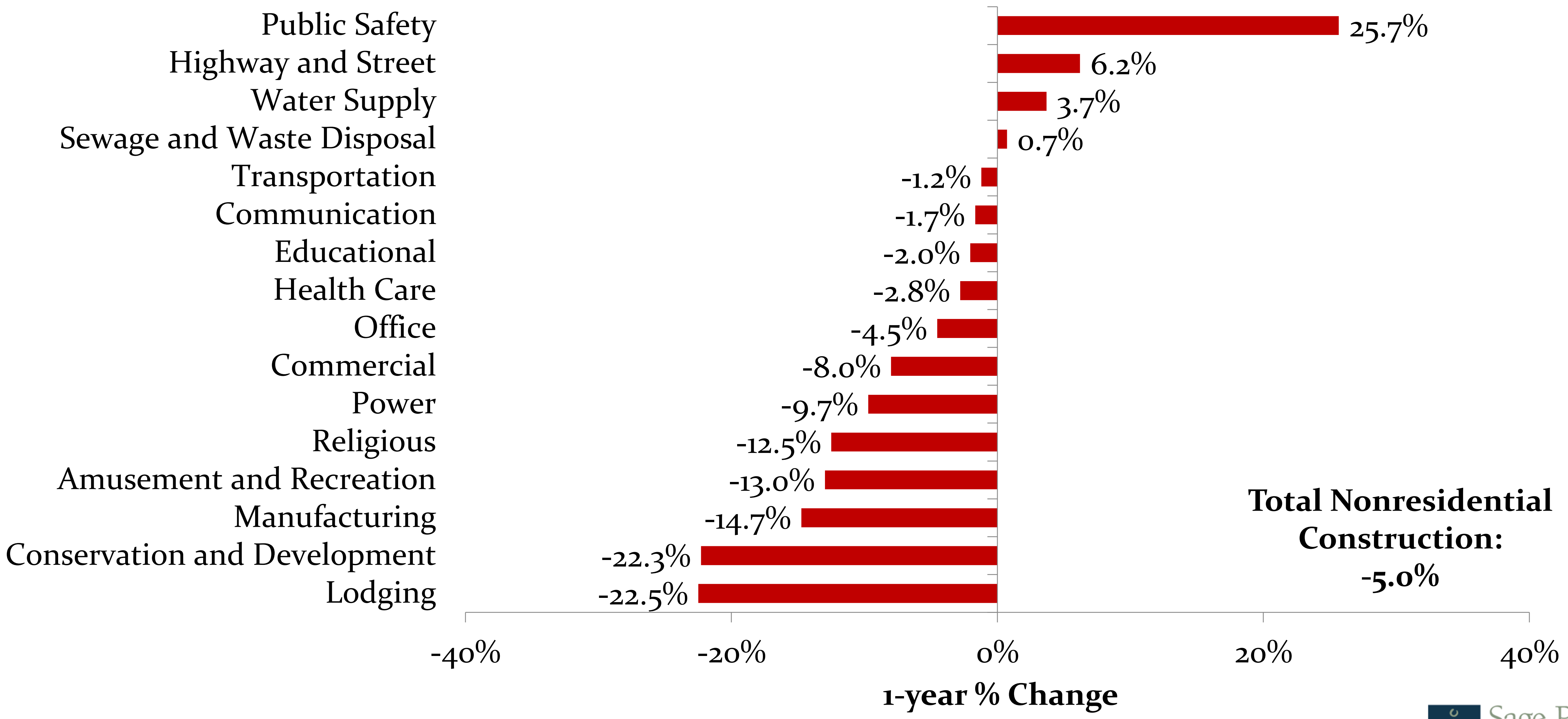
Source: U.S. Census Bureau

National Nonresidential Construction Spending by Subsector

January 2020 v. January 2021



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Source: U.S. Census Bureau

The Crystal Ball

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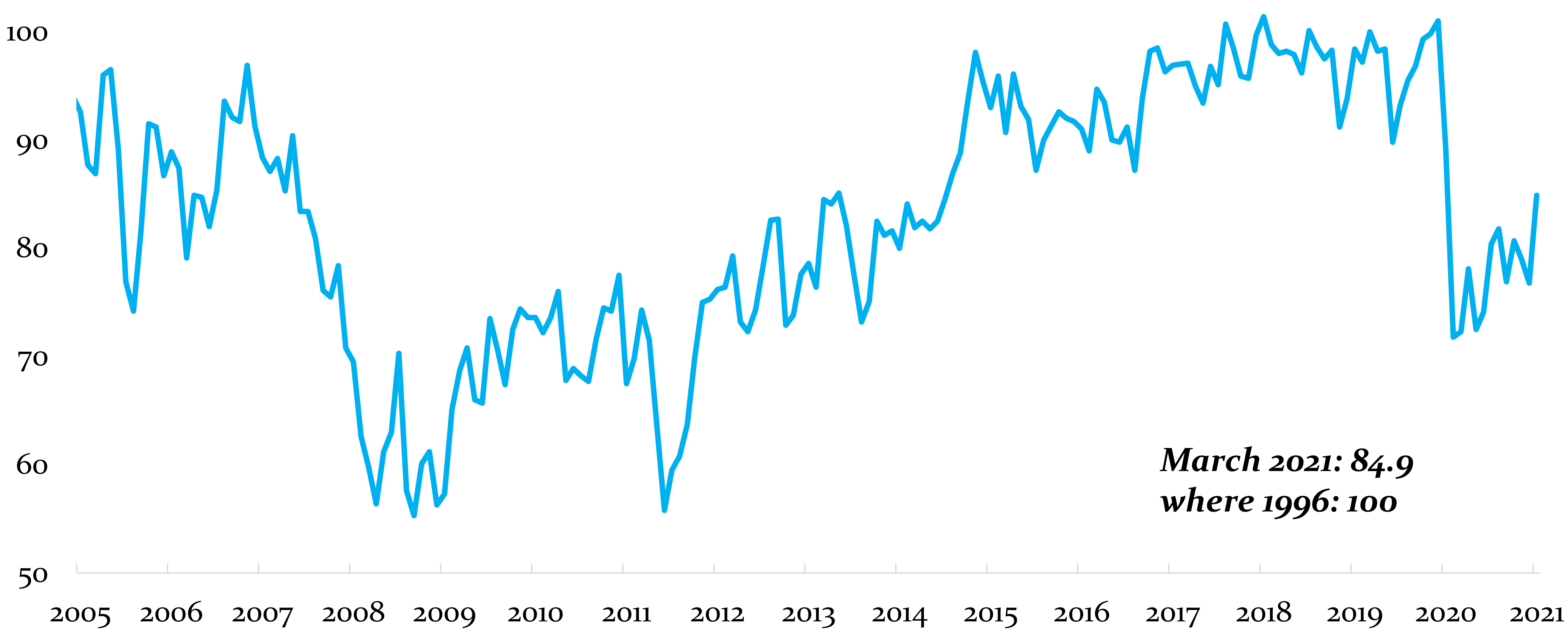
University of Michigan Index of Consumer Sentiment

2005 – 2021



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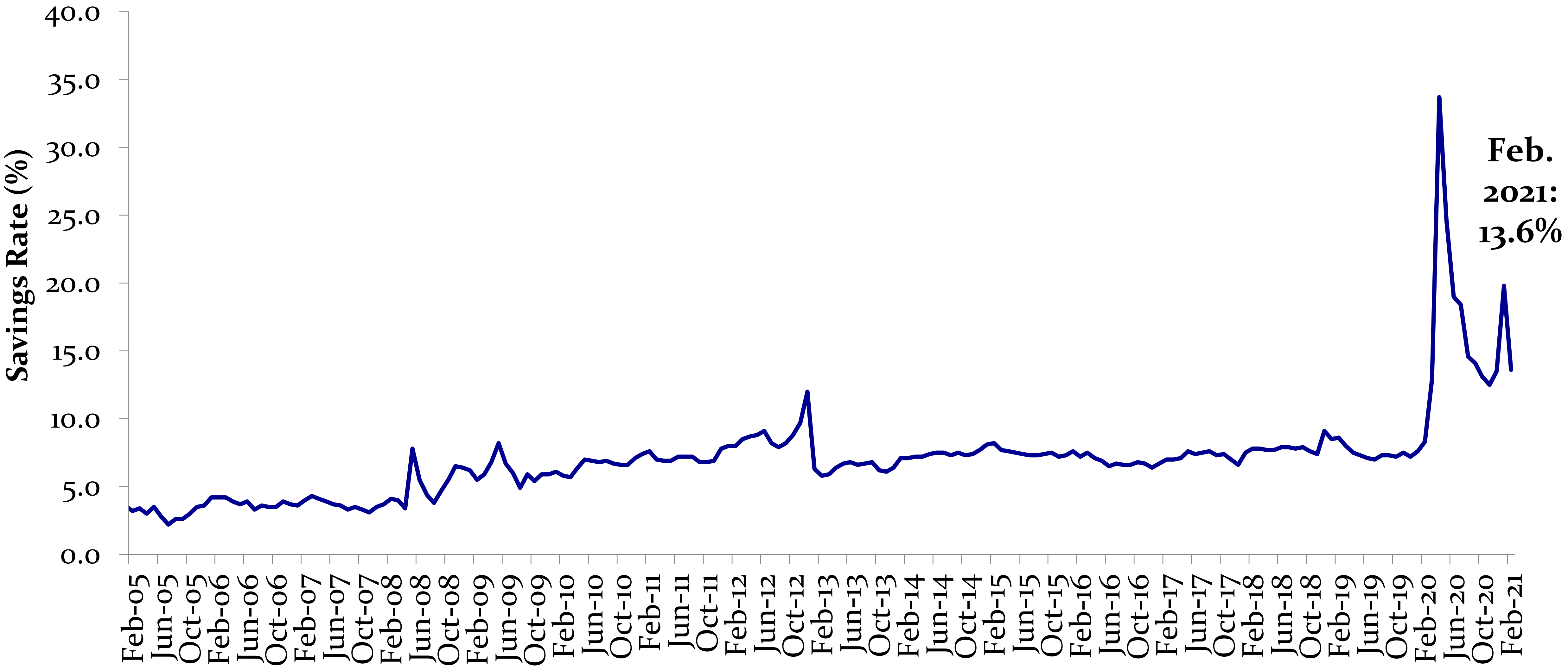
Source: University of Michigan

U.S. Saving Rate, February 2005 – February 2021
(Savings as Percentage of Personal Disposable Income)



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Source: Bureau of Economic Analysis

NFIB Index of Small Business Optimism: Good Time to Expand

1986 – 2021

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Source: National Federation of Independent Business (NFIB)

The Sorcerer's Outlook

- For an economy to flourish, both demand and supply sides of economy must participate.
- With additional stimulus forthcoming, demand gets a boost, but supply will be constrained by ongoing lockdown measures, and not just in America.
- The result is that the U.S. savings rate will climb once again, spring loading the economy for rapid economic growth once vaccines become more broadly available.
- The back half of 2021 should be spectacular for economic growth.
- However, there will be a day of reckoning as deficit hawks come back into fashion, creating the possibility of greater austerity during the years ahead.

Audience Poll

How long do you think it will take the construction industry to stabilize to the prior level of construction spending?

- It's already stabilized
- Late 2021
- 2022
- 2023 or beyond
- It may never reach pre-pandemic levels

Nonresidential Construction Spending: 2021 Forecast

$ Millions	2019	2020	2021 Forecast	2020-21 % Change
Lodging	$33,072	$28,604	$24,771	-13.4%
Office	$84,863	$81,148	$76,117	-6.2%
Commercial	$80,434	$83,656	$87,002	4.0%
Health care	$45,560	$47,574	$49,715	4.5%
Educational	$105,375	$104,521	$107,030	2.4%
Religious	$3,544	$3,159	$2,815	-10.9%
Public safety	$10,530	$15,083	$16,772	11.2%
Amusement and recreation	$28,804	$26,882	$24,731	-8.0%
Transportation	$57,156	$56,642	$57,265	1.1%
Communication	$22,245	$22,686	$23,503	3.6%
Power	$113,886	$119,071	$124,548	4.6%
Highway and street	$97,559	$99,716	$105,799	6.1%
Sewage and waste disposal	$26,090	$26,666	$27,759	4.1%
Water supply	$15,883	$18,510	$19,869	7.3%
Conservation and development	$9,129	$8,358	$8,609	3.0%
Manufacturing	$80,080	$71,589	$76,242	6.5%
Total Nonresidential	**$814,210**	**$813,865**	**$832,547**	**2.3%**

Source: U.S. Census Bureau, Sage

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Q&A

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