



nerej

2010 will start slow and build momentum towards the third quarter

January 13, 2010 - Connecticut

The holidays are over and every one is back to work. Here it comes again, the company president making his way down the hall to my office. "So how are things looking for this year?"

Being in charge of sales, I am supposed to know what is going to happen this coming year. No problem, I can do that. How am I going to do that? Like the weather man, I suppose if I am 50% right, it would be considered pretty well.

First let's take a look at 2009. This was a year that most companies are happy to leave behind. The mortality rate has been high as many have cut work forces by over 50% while others are closing their doors for good. Here at PDS, we are pleased to have shown only a 10% decrease in volume from 2008.

What about the federal stimulus program? Listening to the news media can really make your head spin. Both sides sound completely different. The Democrats want you to believe that we are well onto the road to recovery and the Republicans want you to believe that we are worse off than we were last year at this time. Regardless of what you think, one trillion dollars has to end up somewhere in the construction industry. Classified as shovel ready in 2009, these will consist largely of highway and public institutional projects so we should continue to see a consistent flow of public bid and construction management schools and public buildings. Also in the mix should be "green" projects with energy conservation as a major factor.

Looking to the health care industry, we know something is coming but who has a clue as to what it means. My guess is that health care will remain slow until the full impact of the final bill has been realized but when it comes, physical plant modifications will more than likely be included in the process and pork.

The private sector seems to be showing some pretty good indicators that confidence is on the rise. To start, the stock market has continued to rise since the middle of 2009. Those retirement portfolios have made a good portion of those losses up. The Fed is maintaining their current prime rate with the normal cautionary inflation button, however I am curious to see how readily commercial lenders provide financing.

Retail projects will probably be limited to renovations and rehabilitations. Many stores have gone out of business or downsized. Look for opportunities to upgrade lighting and mechanical systems to incorporate the latest in energy efficiency.

With GM shutting down many of their long time dealerships, new auto dealerships will be few and far between. Also hard hit and slow to recover includes private aviation and hospitality.

The industrial market will be hit or miss. High tech specialty manufacturers will continue to do well but many firms have downsized and will require time to get back up to speed.

Normally during the Thanksgiving to New Year period, new design and construction inquiries are

few and far between. This year I have experienced an abnormal amount of inquiries. I believe those that have reserves know that right now the "Price is Right". Material and labor prices are well off the highs of 2008. I do believe that as material orders start to increase these prices will soon follow so get your orders in early.

In summery, I believe that 2010 will start slow and build momentum towards the third quarter. Commercial construction typically feels the effects of recovery later than most industry. I truly believe that we will be seeing a marked increase in work in the third quarter and carrying on into 2011. Good luck in 2010 and for all you skiers and weathermen out there, let it snow.

Christopher Eseppi, PE is vice president of PDS Engineering & Construction, Inc., Bloomfield, Conn.