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2011 will be a slow but consistent transition year for a brighter 2012

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As I am preparing to take another stab at predicting the future, which I hear a lot of this time of year, I started reading my article from last December. "I truly believe that we will be seeing a marked increase in work in the third quarter and carrying on into 2011." I don't think I could have been more off target for our business so you certainly can take this with two aspirin and call me in the morning. 2010 started to show promise during the first and second quarters but then the bottom just seemed to drop out as we entered the fall. PDS relied on the public market to maintain revenue as the private sector remained extra cautious.

According to economists, the recession that began in late 2007 ended in June of 2009. While this appears to be good news normally non residential construction typically lags an increase in economic performance by one to two years.

The federal government has played several stimulus cards to help prop things up. Some of the trillion dollars is still out there for mostly infrastructure projects including the proposed rail line from Springfield to New Haven. Much of the education dollars are currently being bid or soon will be. There are a lot of companies in need of work so the numbers for these projects should be coming in low as seen by the last few rounds of bidding we have experienced. Many of the larger construction companies are moving down to smaller projects keeping everyone on their toes.

The State of Connecticut is experiencing a huge budget shortfall for 2011 through 2013. Our new Governor will certainly have his hands full trying to reel this fish in. There is no doubt there will be tax increases but we can only hope that this government can begin to make the hard choices necessary to lead with fiscal responsibility. As the state is trimming down its budget, the volume of educational construction projects will more than likely decrease. Increased taxes on business and industry will certainly slow growth and private businesses will continue to make cautious decisions.

Regardless of the bad news however there are some positive indicators. The stock market has been on a steady climb over the past six months with many economists predicting another year of growth. Many entities are holding onto cash during this time of uncertainty. The new balance of power in the legislature may bring a bit more stability. Retail spending was up by over 5% for this holiday spending so I guess we are all in a better mood when it comes to opening our wallets. The extension of the Bush tax cuts have been extended for the next two years which should generate some confidence in the private market.

Looking to the health care industry, as long as the health care bill remains in tact, there will a trend towards larger and more consolidated services. Of coarse having the \$100 million grant for the John Dempsey hospital sent to Ohio certainly doesn't help.

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

electric power in this area may also have large manufacturing companies looking to other parts of the country.

Distribution and warehousing should remain on the slow side, however, FedEx is planning a new 250,000 s/f distribution facility which should give things a boost to the greater Hartford area.

There seems to be plenty of money for private lending at this time but lending requirements have certainly become more stringent. As the year moves on, well capitalized banks should become more aggressive in their pursuit of private business.

In summery, I believe that 2011 will start slow and build slowly towards the third quarter. The housing market seems to have hit bottom and commercial construction typically feels the effects of recovery later than most industry. I believe that 2011 will be a slow but consistent transition year for a brighter 2012. Good luck in 2011.

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