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## **Escalation of energy costs causing increased interest in green building construction**

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The green building movement has begun to shift from a predominantly environmental emphasis to one that more fully embraces the business and financial demands of today's real estate markets. With a tighter capital market and the volatility of energy costs owners and developers are seeking any competitive advantage available to them. A majority percentage of construction projects currently underway or in planning is incorporating green building features. With government requiring it and many municipalities embracing it as well, the forecast is for continued growth in green sustainable construction projects.

With continued decline of the residential construction market, many experts feel we are nearing the bottom if not already there; the forecast for the non-residential construction sector remains stable. While construction trends in both residential and non-residential segments vary substantially from region to region, the New England economy which has been stronger than many market segments in the United States looks to remain stable, however the general forecast is for a slight decline in most sectors of construction in 2009.

The AIA (American Institute of Architects) assembled a panel of leading non-residential construction forecasters consisting of McGraw-Hill Construction, Global Insight, Portland Cement Assoc., Moody's Economy.com, FMI and Reed Business Information to arrive at a Consensus Construction Forecast.

The AIA Consensus Forecast panel published a report by Kermit Baker, PhD stating, "Although the outlook for virtually every major nonresidential sector has deteriorated, forecasts have dropped more dramatically for commercial and industrial buildings. Hotels and manufacturing facilities are projected to show gains in 2008, but the office and retail sectors are expected to fall off considerably. For 2009, a double-digit decline in real construction levels is the consensus for the overall commercial and industrial building group, with significant declines in each of the categories in these major sectors".

"Even though the overall consensus forecast for nonresidential activity has been lowered, the institutional building sector is still expected to fare considerably better than the commercial sector next year. The overall institutional outlook is now for a modest gain in construction levels this year, with almost no change for 2009. The two largest institutional categoriesâ€”health and educationâ€”are both projected to see a modest increase this year. While growth should continue for health-care facilities in 2009, a small falloff in education facilities is anticipated".

The building of new homes and apartments fell again in July to its lowest level since 1991, as reported by the Commerce Department. However a boom in government projects has picked up some of the slack.

Governments are on track to spend a record \$300 billion this year on schools, roads, bridges and

other projects, the Census Bureau reports. That's a 7% increase on top of a 12.4% jump last year, the biggest increase since 1993, when the agency began tracking construction spending.

Obviously a considerable variable is the impending election. Whenever we have an election, legislation is delayed, and owners tend to be inclined to see if there will be any new directions taken by the newly elected president and legislators. There is the potential for this process to extend the timeframe for specific markets to increase in volume. Our markets are changing, whereas a couple of years ago we witnessed growth in almost all market sectors, today we are seeing greater variances in certain market sectors and regional locales.

All of the above said, with percentages and sector mumbo jumbo, it is time to report from the trenches so to speak. While the relentless winter in the Northeast significantly impacted the spring construction season, we have seen a marked increase in project activity for the third and fourth quarter of 2008 with a large number of projects out for bid. Subcontractors and suppliers are aggressively pricing projects and the sheer number of contractors bidding on a single project is up three fold from a year ago. If you are a developer or end user with your sites on starting a construction project soon, now is a great time to consider going out to bid.

On the home front, Fulcrum is currently in the preconstruction phase for two medical office facilities, and has recently started construction on another medical office building for Foundation Medical Partners Inc., Southern NH Medical Center as well as the renovation of the local Boys and Girls Club. In addition we are scheduled to begin construction of 30,000 s/f class "A" office building in southern NH this fall.

With a continued escalation of energy costs as a backdrop, as mentioned above we are seeing more interest than ever in green building construction. Energy efficient technologies which could not be cost justified just a few years ago are becoming more feasible as the cost of energy escalates. Fulcrum is rising to the challenge with a comprehensive approach to designing and constructing facilities to LEEDS and Energy Star standards. Let us show you how being green can keep your bottom line black!

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