The Northwest Construction Environment:
What’s HOT & What’s NOT

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Outline

• Regional Outlook & Forecast
  – FMI
  – FW Dodge
• Industry Outlook
• Labor
• West Coast Trends
FMI Coverage: Pacific

- Alaska
- Washington
- Oregon
- Hawaii
- California

Total

Years: 1989 - 1999

M$ Units: 0 - 35,000

Categories:
- Nonbuilding Structures
- Nonresidential Improvements
- All Other Nonresidential Buildings
- Warehouses
- Stores and Other Mercantile
- Office and Professional
- Industrial Buildings
- Hotels and Motels
- Hospitals and Health Care
- Education
Office

Institutional

Hospitals and Health Care
Education
FW Dodge Forecast
Pacific Northwest

Pacific Northwest Building

- Billions $
- 1993 to 2003
- Buildings: Dormitories, Hotels, Garages/ServStations, Religious, Amusement, Warehouses, Public, Miscellaneous, HealthFacilities, Manufacturing, Stores, Office, Education
Nation NonBuilding

Growth Rates: NonBuilding
Developer’s Outlooks

“with extremely tight supply markets, there’s also enough demand to support new construction however the front-line battle will be in the capital markets”

Walt Ingram, CFO
Wright Wrunstad
Developer’s Outlooks

“some clouds on the horizon, different from the eighties: we’re 3-4 years into a growth phase and yet still have only 1-2% vacancy rates; in the eighties there were 20% vacancies and buildings were still going up”

Wayne Ulman
Quadrant

Labor’s Outlook

“have been able to meet the demand with some degree of difficulty. 1999 shaping up to be another excellent year with the public construction from Referendum #49 and the RTA”

Wayne Errington
Carpenters Union
Loc. 1797
Labor’s Outlook

“it is unreal the amount of work that we forsee over the two year horizon with Referendum #49, the RTA, and the stadiums”

“it has been difficult meeting the demands for our members”

Paul McNeil
Laborers Union
Washington/N. Idaho District Council

Industry’s Outlook

“not a huge amount of expected building and still selling off a significant number of assets”

“while Boeing will contribute significantly to the economy in ‘99 however production rates decreasing and layoff’s announced”

Paul Gifford
Boeing Co.
West Coast: Contract Strategies

- design-build increasing
- public/private partnerships increasing
- preconstruction services for GC’s increasing
- GMP contracts increasing, cost-plus declining
- program management increasing

West Coast Building Trends

- “smart” buildings
  - high speed internet access,
  - networking options
- employee amenities
  - employee training rooms,
  - fitness centers
  - cafeterias,
  - daycare
- "open" offices
  - use of cubicles rather than enclosed offices
- telecommuting.
Delivery Trends

• schedules tightening
• increased budget management
• standardized procurement specifications
• stringent owner change control
• consultant performance-based clauses
• project management audits
Seattle     Portland

• Total Employment Rank:

  
  (out of 54 market areas)
  
  – Current Rank:               14th   28th
  – Growth Last 10 Yrs:         9th    6th
  – Growth Last Yr:             3rd    18th
  – Growth Next 10 Yrs:         13th   14th
Seattle

Employment Growth Rates by Industry

Portland

Employment Growth Rates by Industry
Northwest

- Positives
  - Infrastructure spending
    - Sound Transit, Referendum 49
- Uncertainties:
  - Major Corporations (Boeing, Intel, Nike)
  - Asian flu
  - Microsoft DOJ trial
  - National Slowdown
  - Y2K

Northwest Overall

1999 still holding solid,
2000 too early to tell.