FORECAST: Scattered Opportunity Ahead

Despite Some Pessimism the 1977 Construction Outlook is For A Modest Upturn-But Competition Will Be Fierce

For many wall and ceiling contractors with two years of depressed business conditions behind them the question seems to be: how do you get somewhere from nowhere?

In spot checks made throughout the country during the past three months, Construction Dimensions found that many contractors are stripped down and running lean—many with backlogs at their lowest points in many years—and viewing business horizons that appear somewhat bleak.

The problems of the wall and ceiling industry are not uniform. Residential work in Southern California, for instance, is booming. There, home buyers must go on a waiting list for the completion and availability of new single houses.

Texas appears to be holding its own reasonably—and there are some indications that the long dry spell may be ending in such nationally renowned trouble spots as Florida and eastern New York.

Many areas of Illinois also seem to be maintaining a semblance of construction activity, although contractors around the Chicago area are complaining about the same kinds of business conditions that wall and ceiling specialists in most of the eastern seaboard are experiencing: few job opportunities and not a great abundance expected in the near future.

In the annual Construction Dimensions market volume survey taken last fall, of some 94 contractors responding some 32 projected an increase of $8,540,000 over their 1975 volume. Another 29 saw the market — nationally — falling behind their 1975 levels by $16,100,000, while the remaining 33 contractors predicted little change from their 1975 performance.

One nationally known wall and (Continued on Page 20)

Business Volume Comparisons for Finishing Systems Contractors

(The business volume comparisons given here are based on returns primarily from former iaWCC contractors. At the time the survey was made, consolidation results between iaWCC and GDCI were still marginal, and surveys were submitted by only 31 former GDCI members who were available to take part in the survey. The 1975 results were reported by 63 former iaWCC members.)

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<tr>
<td>$ 25.6</td>
<td>Acousticals</td>
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<td>10.8</td>
<td>Curtain Wall</td>
<td>4.5</td>
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<td>19.1</td>
<td>Demountables, Movables</td>
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<td>69.4</td>
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<td>Flooring</td>
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<tr>
<td>34.9</td>
<td>Lath, Plaster</td>
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<tr>
<td>.5</td>
<td>Roof Decks</td>
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<td>141</td>
<td>Stucco, Specialty Finishes</td>
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<td></td>
<td>TOTAL FOR SAMPLE</td>
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<td>$191,400,000</td>
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Based on four previous iaWCC surveys, a multiple of 4.2 provides a reasonably accurate total for the business volume performed by ALL iaWCC contractors during the business year. A total of 72 returned surveys for the 1974 business year vs. 63 surveys for the 1975 total.

Both surveys were conducted on a selected sample (every 4th name in 1974, and every 5th name in 1975). Returns for the two years were: 75% for 1974, and 81% for 1975.

It is therefore estimated that the total business volume for former iaWCC contractors in the 1975 business year is approximately $723,240,000 vs. $803,660,000 for 1974—a decline of about 10%.

The total business volume reported by the former GDCI contractors for 1975 was $132,000,000. While the 31 former GDCI contractors also reported extensive diversification, they broke out $14,500,000 (11%) in demountable/movable partition work and $22,440,000 (17%) in acoustical work. Another 3% of their total was spread among other market categories i.e., fireproofing, specialty finishes, plastering, etc.

No previous market or volume statistics were available for the former GDCI contractors.
ceiling contractor put it this way:

“For the most part, 1977 probably won’t bring about that dramatic of a change in wall and ceiling work opportunities.

“And this differs markedly from our experience, say, in the 1962 slowdown. Then, certainly, conditions were bad; but most wall and ceiling contractors were confident in waiting out the storm because we all knew that pent-up market demands would produce a favorable comeback.

“. . . this 1974-75-76 situation is the opposite of that. It’s hard to tell just how long we’ll have to hold out because we—and just about everyone else—is uncertain if there will be much of a comeback and if it will be enough to allow all of us now in the business to survive.”

Survival Critical

“Many contractors—generals as well as specialties—simply won’t survive this coming year if activity doesn’t pick back up again.”

McGraw-Hill’s chief economist George A. Christie is predicting a total construction volume of $114 billion for 1977, a 12 percent increase over 1976’s estimated total of $102 billion.

The total business volume for wall and ceiling work (and this includes lathing and plastering, drywall, acousticals, and insulation) is estimated at slightly more than $6 billion. This is the figure that the U.S. Census Bureau postulates,—and iaWCC/GDCI members who comprise only about 4% of the universe of 14,000 wall and ceiling specialty contractors account for a whopping 16-20% of all the work done in this category in the U.S.

Christie emphasizes that 1977 will likely be a year of good cyclical expansion although probably not as good as it should be. Christie, the U.S. Department of Commerce, HUD, and a number of large banking institutions all feel that housing gains will lead the construction industry back.

It’s in the commercial, institutional, and industrial markets where most economists and forecasters part company. In these categories, Christie’s forecast sees most of the activity and increase coming in utility construction, environmental projects, and other large-scale public type projects.

Manufacturing construction, he says, is dependent on market confidence and uncertainty is expected to dampen this sector to about 185 million square feet in 1977, down from the potential 200 million square feet that had been expected.

Retail building, after six quarters of expansion, has been paralleling the housing recovery with only a short lag. It is expected that some 405 million square feet in 1977 will produce a steady rate of contracting throughout the year ahead.

Office building has yet failed to demonstrate a clear upturn since stabilizing early in 1975 at a rate of 105 million square feet—only half of the pre-recession level. Almost all forecasters see little improvement here because of the surplus of office space that exists and the level of activity is forecasted to remain about the same for the year.

Apartments Healthy

Apartment buildings should develop a healthy increase over the next several quarters toward a limit of between 600,000 and 700,000 units. This rate is probable in attainment around the middle of 1977, after which most economists see the housing cycle flattening out somewhat.

All in all, after two years of slow recovery, nonresidential square footage—at $1,086 million in 1977—will still be only three-quarters of the 1973 peak, while the inflated dollar value will be at a new high of $33.2 billion.

For wall and ceiling contractors—and just about every other contractor—1977 could be a critical year. The opportunities—certainly not in abundance as in past recoveries—will be available but there will be fierce competition for what work does come out and contractors should plan early.