

# AWCI's Annual Business Volume Survey

## The Inflation/Recession/Budget Ills of the Nation Haven't Had a Severe Impact on Contractors

The recession is beginning to make itself felt among wall and ceiling contractors—but a reasonable turnaround in construction later this year would allow most contractors to avoid serious consequences.

That's the essence of the 1982 Annual Business Volume Survey conducted by Construction Dimensions Magazine.

In a dollars sense, wall and ceiling contractors last year continued to reflect increases with some 141 respondents reporting a total volume of \$743,600,000, up from the \$638,200,000 reported the year earlier. Of course, inflation dollars are reflected in this 16.5% increase. The dollar totals are not corrected for inflation . . . indicating that the amount of work was about the same.

In the previous five surveys taken of wall and ceiling contractors, a multiplier of 3.6 was found reasonably accurate in projecting the sample totals to the entire AWCI membership. This means that AWCI wall and ceiling contractors were responsible for some \$2,602,800,000 worth of wall and ceiling construction. That's almost 60% of all the work done in the United States last year.

The U.S. Department of Commerce reports that wall and ceiling construction work totaled some \$4.5 billion.

While work levels and dollar volume remained on par with the previous year's results, the figures on backlog show a decline is getting ready to set in. The 141 responding companies reported a current backlog of \$303,700,000 compared to the 1980 total of \$313,100,000 reported by only 123 companies. When calculated out to a wall and ceiling perspective, this

seemingly slight difference shows the industry's backlog to be trailing the previous year by a whopping \$294,000,000.

Still, wall and ceiling contractors are not overly pessimistic about the upcoming year's possibilities. Some 84 contractors in the sample group feel they will enjoy the same volume of business, while only 51 contractors feel their upcoming work will fall by some \$41 million.

Only 22 contractors projected volume increases—totalling \$18,000,0—for the coming year.

As for work coming up for bid in the near future, some 75 contractors feel there will be a sharp decline, dropping off last year's pace by \$35,800,000. For the industry this drop-off would total approximately \$128,000,000, the respondents feel.

Still, 57 contractors don't see too much change in bidding activity for the coming year. Only 15 are projecting an actual increase—and some of these are pegging their forecasts on a quick upturn in the first and second quarters of 1983.

"Due to high interest rates," says Les Purcell, of Salem, OR, "business construction here is at a standstill—with little chance to pick up until conditions change."

Further north, in Bellevue, WA, Jeff Baker, of LoBak Partitions, says, ". . . residential is at a standstill and you'll see a slow commercial market here because of money costs. Public works projects will probably remain fairly stable."

The same situation holds pretty much true in Canada. "If we would reduce our interest and inflation rates," says Darrell Kincaid, Kincaid's Dry-

wall, Regina, Saskatchewan, "the construction industry here could get back on a steady growth pattern."

In the East, business conditions are mixed. Hartford, CT, is in the midst of a healthy building boom, while nearby Massachusetts is hurting. Says Jim Carroll, of Standard Walls, in Needham, "We see a decrease in volume here for the first time in 10 years . . . so we are trying to be more selective in doing work."

"I believe the Washington DC area will have less starts in '82 and '83," says Standard Acoustics' A.C. Meushaw. "There is more unrented space appearing today than in the past, but it will pick up after the usual lull."

The same caution holds sway in the Midwest. "In my opinion," says Leonard Wojtowicz, of Scandia Stucco, in St. Paul, MN, "Minnesota for the next year will be down . . . but with the promotion of new products and maintaining systems quality we can still keep our volume up."

"I think work in my field will stay flat for the next two years," says Kelly Plastering Company's David Kelly, South Holland, IL, "but I feel I will get more than my share."

Says Edward Lee, of Lee Bros. Contractors, St. Louis. "We have been awarded some large projects, but the overall market is very tight and the future looks dark."

In the Southeast, John L. Thompson, of E.L. Thompson & Son, in Atlanta, GA, sounds a note of limited optimism. "There seems to be a fair amount of activity that could occur as early as the fourth quarter in 1982," he warns, "but in all likelihood it won't occur until the first two quarters of 1983."

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All in all, though, continued high interest rates are seen as the major factor in keeping a lid on construction expansion. ". . . forget new work because interest rates kill it, even though remodeling it still good," says California's Ralph McIntosh.

"A continued disaster for construction unless interest rates are lowered to an affordable level," adds Bob Nickles, Geneva, IL. Says Jim Keller, of Toledo, OH: "With HUD projects coming to a stop, this summer will really hurt. Interest rates are just too high for the developers of offices and malls, too."

### Selling Strong

Although commercial and residential construction appear headed for a decline generally, many wall and ceiling contractors are optimistic about their companies' changes.

Most of these optimistic contractors feel confidence in their marketing skills and strategies. Certainly, the sample respondents showed that selling or negotiating work is becoming more prevalent.

Still, most work in the industrial and commercial markets is bid work. Some 87% of the work obtained last year—\$667,009,200 among the sample contractors—was obtained in strict bidding.

These same contractors—84 of

whom said they detected more selling or personal negotiating activities in their work hunting—sold or negotiated 13% of the work their companies obtained . . . that's a whopping \$96,668,000 for only 141 contractors. It goes without saying that the bulk of these contractors were heavily involved in residential and/or remodeling work.

Says Michael Gorman, of San Rafael, CA, of changing markets, "Retrofit will be the heaviest area of increase . . . particularly the residential . . . and then commercial in the next couple of years."

This opinion is confirmed by Marshall Weld, of Gold Shield Industries, Kansas City, MO. "Always," he says, "if the economy is weak in new construction the possibilities of retrofit and remodeling are strengthened.

"We are finding that aggressive selling, customer referral and prompt service is producing increases in our exterior improvement business," he concludes.

In support of these opinions, numerous contractors in the sample indicated their diversification plans included entry into the remodeling market. This involved more work in the general contractor sense, but also such specialties as adding painting, carpentry, kitchen and bathroom remodeling.

For contractors committed to the commercial market, the opportunities are just as attractive. "Our business is growing because of expanded opportunities in panelized light gage framing and composite wall systems," explains

Bill Bell, of Drywall Inc., Lexington, KY.

"The marketplace is buying price and not quality," says Dennis Hopper, of Ora B. Hopper & Son, Phoenix, "so we will be concentrating on 'niches' in the industry that require high capital investment and low labor ratios—while requiring a strong sales approach."

In the previous year, new construction accounted for 82% of all the dollar volume in the wall and ceiling industry, with modernization representing a mere 18%. This past year reflects a significant increase in percentage and in dollars as modernization climbed to 18% of the total with some \$167,200,000 worth of retrofit work among the 141 respondents. New construction, at 78%, accounted for \$573,140,000 in dollar volume.

As in previous years, the data clearly show that AWCI contractors, are by and large, commercial contractors. Of the total dollar volume reported, the commercial market produced 91% of the dollars, \$666,471,000. The residential market, whose figures showed up mostly in smaller and non-union contractors, accounted for \$73,860,000 worth of business in the sample group, or a percentage of 9%.

It's this loosening of the commercial market potential that has most wall and ceiling contractors concerned. The usual time-lag between drawings and the arrival on the job of such "late" contractors as drywall and plastering specialists compounds the difficulty.

"It takes almost a year for our proj-

#### WHAT MARKETING APPROACH WAS USED:

		%
Work Obtained by Bid	\$667,009,200	.87
Work Sold or Negotiated	\$ 96,668,000	.13

#### CURRENT AND FUTURE BUSINESS PROJECTIONS

##### Current Backlog

113 Companies Report \$308,700,000 Work Backlog as of June 30, 1982

##### Backlog Comparison With Previous Year (By Reporting Companies) of \$313,100,000

- 73 Companies Report Current Backlog Less by \$28,000,000 Than a Year Ago
- 25 Companies Report Current Backlog Greater by \$7,400,000 Than a Year Ago
- 10 Companies Report Their Current Backlog is On Schedule and About Where The Contractor Desires It

#### Amount of Work Coming Up For Bid in the Near Future

- 15 Contractors Report Upcoming Bid Work Will *Increase* by \$14,800,000
- 75 Contractors Report Upcoming Bid Work Will *Decrease* by \$35,800,000
- 57 Contractors Report Approximately *Same* Volume of Business

#### Projections For Wall and Ceiling Contractors for 1982-83

- 22 Contractors Are Projecting Sales Volume *Increases* Next Year, Totaling \$18 million
- 51 Contractors Are Projecting Sales Volume *Decreases* Next Year, Totaling \$41 million
- 84 Contractors Are Projecting Sales Volumes to Remain *Essentially the Same* Next Year

## Business Volume Comparisons For Wall and Ceiling Contractors

*(Editor's Note: Here are the totals for market activity reported in the sixth annual business volume survey taken by Construction Dimensions Magazine for the Association of Wall and Ceiling Industries-International.)*

This 1982 survey was conducted by mail in April, 1982, and completed forms were received from 148 contractors (only 141 were usable because of legibility, consistency, etc.) whose average dollar volume was \$5,273,000. Of the usable total, there were 98

union contractors and 36 non-union contractors. As a group, the non-union contractors tended to have smaller businesses, averaging in annual volume of some \$941,159. The union contractors averaged out higher on a volume basis because most of the truly huge contractors are union operatives.

Previous surveys have indicated that a multiple of approximately 3.5 is useful for projecting survey results to the entire AWCI membership. This would place the total business volume performed by AWCI contractors at \$2,602,800,000. Such a total is realistic

in view of the estimated \$4.5 billion value added attributed to the wall and ceiling industry by the U.S. Department of Commerce statistical abstract report.

The series of Construction Dimensions surveys have been conducted on both selected and random sample approaches. The 1974 and 1975 surveys were based on selected samples (every 4th name in 1975 and every 5th name in 1975). The 1976 and 1977 studies were both random. In 1981, a selected sample was taken of magazine readership, and the 1982 sample of contractors came from a random pick.

### AWCI Survey Respondents Reporting on Wall and Ceiling Business Volume

MARKET CATEGORY	Union 111		Non-Union 30		
	'75 (These Totals Are in Millions)	'76	'77	'80	'81
Acousticals	20.0	20.0	27.8	79.7	86.1
Asbestos	—	—	—	1.9	6.8
Curtain Walls	4.5	9.3	12.3	49.7	14.8
Demountables, Movables	11.2	10.8	23.6	27.2	64.4
Drywall	54.9	69.8	74.7	257.6	363.1
Exterior Insulation	—	—	—	8.2	—
Fireproofing	17.4	9.2	14.8	27.7	34.1
Flooring	4.0	6.1	6.9	13.5	24.7
Insulation	—	8.1	11.3	15.9	11.8
Lath, Plaster	34.9	24.1	29.3	66.6	—
Painting	—	—	—	10.5	13.8
Roof Deck	6.7	6.7	8.1	—	—
Steel Framing	—	9.6	13.8	32.3	23.7
Stucco/Specialty Finishes	18.6	8.1	17.3	44.8	86.4
Other (concrete, doors, carpentry, signs, etc.)	—	—	6.3	—	11.2
<b>Totals</b>	<b>\$172,200,000</b>	<b>\$190,158,002</b>	<b>\$254,300,000</b>	<b>\$638,200,000</b>	<b>\$740,900,000</b>

#### MARKET VOLUME BY SOURCE\*

	1977	%	1979	(%)	1981	%
Resident (Single House)	19,587,123	.07	39,800,000	.05	—	—
Residential (Multiple, hi rise, etc.)	20,544,674	.08	47,900,000	.07	73,860,000	.09
Commercial, Institutional	178,535,365	.71	507,100,000	.76	666,471,000	.91
Industrial	31,016,123	.12	69,800,000	.10	—	—

#### INCOME DERIVED FROM\*

	1977	%	1979	(%)	1981	%
New Construction	208,272,880	82.50	520,850,000	.82	\$573,140,000	.78
Modernization/Retrofit	44,091,240	17.50	108,600,000	.18	\$167,200,000	.22

ects to get through the architectural/construction pipeline," reminds Arnold Graham, of GEMH<sup>2</sup>, in Newtown Square, PA, "so I believe business in general will be down next year due to this year's ravages.

"But," Graham explains, "a con-

tractor who promotes his company as a professional enterprise should be able to increase his market's takeover."

"There's still a limited amount of commercial business available," says E.T. Finningan, of Boynton Beach, FL. "The big problem right now for

most contractors is cash flow—and something should be done about retainages."

Finally, the data shows expanded non-union activity but not nearly in the galloping manner that so many industry critics are reporting. Of the 141 con-

tractors who returned information, only 30 were non-union operators. They were, though, evenly split in the kind of work they sought. Half were active in the commercial market—and the movement into traditional union markets did not go unnoticed.

“Non-union work seems to be booming in this area,” says Arthur J. Mangum, of L.A. Mangum & Son, Landover, MD. “Union contractors such as we are, appear to be in for a hard time.”

“Due to the high unemployment rate in all areas of the economy,” says Jerald Goodman, of Mid-Ohio Drywall, Lancaster, OH, “more people are ‘moonlighting’ and working for wages only.

“It stands to reason that without the overhead factor they can bid lower—and get the work in many cases because general contractors aren’t requiring or even asking if they have liability insurance, worker’s comp, etc. That makes it tough to compete—even for non-union contractors.”

It appears then that no one has a lock on the future or in the work. New U.S. construction fell another .6% at the beginning of the second quarter, continuing a slide during which overall building has dropped nearly 6% since last year.

In April, the estimate of new construction at an annual rate was \$232.8 billion, virtually identical to January’s \$232.7 billion.

To Jacob Fitzgerald, an insulating contractor in Albany, OR, less profits mean business failures and production will be down for another year or so.

That’s the way Fred Fischer, of Palm Harbor, FL, sees it, too. “The present market,” he says, “is down considerably, and will continue to be so until the government manages to stabilize the interest rates at reasonable levels.”