



*Morrice*



*Naby*



*Powell*

# The Economy Is On an Upswing!

## *Well, maybe ...*

*By Michael J. Major*

**W**e're all citizens of the same nation—except when it comes to the economy. Whether the economy is rising or falling depends on what part of the country you're in. In speaking with industry observers throughout the country, the overall consensus might seem to balance out to a cautious optimism. But take away the consensus and look at each section at a time, and the variables can be considerable. Here's an overview of how the economy appears from the perspectives of contractors in the six conferences of the Association of the Wall and Ceiling Industries—International (see the map on page 26).

### **MID-ATLANTIC/ NORTHEAST CONFERENCE**

It's been a long time since New England has been synonymous with prosperity. The situation seems little changed now. Donald E. Morrice, executive director, Drywall and Interior Systems Contractors Association, Inc., Cedar Grover, NJ., says, "What we're finding is a scarcity in new commercial construction starts, and there is very little speculative construction. There seems to be a real deal of space available, and it appears that this situation will last for many years."

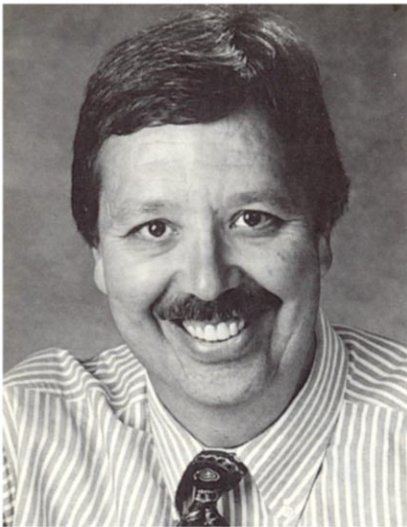
There is also a good deal of unem-

ployment, particularly because of the lack of work in commercial construction. "New Jersey is experiencing more than its share of unemployment," Morrice says. "We're at the top of the scale in what we contribute to the federal government in terms of tax dollars, about \$6,000 per person, but toward the bottom in terms of what we get back, which is about a dollar a person. This has a negative impact on our economy."

It's a little better in Massachusetts, but not by much, says William McPherson, president of Central Ceilings, Inc., North Easton. "No one is building much new construction in New England, except for retail," he says. But there is a fair to good amount of retail work coming up. Spotty is the best way to describe the situation. Some things are good, and others are just ugly. But I'm an optimistic person in an unoptimistic business. This year things are a little more up than they were last year."

### **SOUTHEAST CONFERENCE**

Moving south along the Atlantic seaboard, the sun shines more, and the economic outlook seems brighter. "It appears that the economy is on the upswing," says Mark E. Naby, president, Grayhawk Corporation, Lexington, Ky. "We're seeing a lot of activity and a lot more work out there to bid." With all of that activity, Naby says, there comes improved margins. "Very definitely the margins have been very thin for the past two to three years. But now all that's



changing. We're starting to turn a little bit bigger profit."

Nabity also reports that the banks appear to be loosening up their purse strings a little bit to help new construction get underway. In a reversal from the unemployment situations that still dogs



much of the country, Nabity says now that companies are hiring, there is less good help available. "It's very competitive to get good people now," he says.

Moving south into Georgia, Max Silver, vice president, E. L. Thompson & Son, Inc., Atlanta, reports a similar phe-

nomenon. "It didn't seem that long ago that we were barraged by phone calls from people looking for work. But now there's a real shortage of qualified people."

Silver says the overall situation seems to be improving in terms of new construction in Atlanta, as well as in the Jacksonville area around Nashville, Tenn. "But pricing keeps getting more competitive; for some unknown reason, a new competitor always keeps coming in with dirt-cheap pricing. We're losing some competitors who bid work so cheaply it finally caught up with them. But someone new comes along who things the grass is greener here. But we have seen a pickup in construction demand, and just hope this demands continues."

#### **MID-CENTRAL CONFERENCE**

In the Midwest the outlook appears to be mixed. Bill LaBarre, president, Cadre Construction Corporation, Marietta, Ohio, says, "We've seen little or no



change, more or less a continuation of bleak times. But, since we are in a small area, we're holding steady. We don't have the highs and lows in bidding as there are in the bigger cities."

LaBarre describes people's moods as waiting to see what's going to happen on the federal level. "They're not sure whether it's going to be good news or bad news. They're just holding back and waiting to see what's going to happen."

In Indianapolis, M. Stephen Yeager, president, Circle B Company, Inc., has a considerably more upbeat perspective. "I have no national perspective, but, regionally, I feel very good about what's going on in Indianapolis, especially in terms of the institutional work available. There is a wonderful development in the urban downtown area. The Circle Center mall probably put 1,500 tradesmen to work. Major stores are going up, and the residential market is steady."

Yeager reports on the current shortage of qualified manpower, which, he says, "is a big change from before, when everybody was out of work." The upswing represents a happy change for what had been about 20 months of bleakness. Positive change began at the end of the first quarter, which Yeager attributes to "pent-up demands. "The recession went on for so long, and so much business development was put on hold that a lot of institutions couldn't wait any longer. At the same time, financing has gotten a little better for construction."

#### **SOUTHWEST CONFERENCE**

In Texas, Wayne Powell, CPA, Hickman Painting company, Inc., Dallas, re-

ports that in his area there has been no ongoing recession, only the cyclical aspects of the business.

"We saw a downswing the tail end of last year, but now it's picking up. Companies have gotten their new budgets and they are building new building," Powell says. He adds that the banks are still pretty tight with their money, and that he is also seeing a lack of skilled workers. "Two years ago we had two major projects, and afterward a lot of skilled laborers moved on."

Roberta Bourn, director, the Association of the Wall and Ceiling Industries of Colorado, Denver, reports that the

economy has been good and steady for the past couple of years. "We've had a lot of public works, and have put in the biggest airport in the world." Since some of these large commercial projects have been completed there has been some decline in that area, which is being offset to some degree by the increase in multi-housing."

Bourn also reports a shortage of skilled labor, and thinks the banks will always be tight with money. "I don't think we're going to see a change in this for along time. They've been so taken to task for making bad loans that they will remain cautious."

### **WESTERN CONFERENCE**

"Things are getting a little better," says Vernon H. Boyett, president, Boyett Construction, Inc., South San Francisco, Calif. "But a lot depends on what you are doing, the types of buildings you are working on and whether or not you are diversified." Boyett adds that the slightly brighter outlook comes after a long period of bleakness. Because California has such high unemployment, there is no lack of skilled laborers.

Labor also is not an issue at California Drywall Company, in San Jose. Secretary-Treasurer Steve Eckstrom says, "A number of contractor have slowed down, so we've picked up some fairly good men."

Overall, Eckstrom says, "Things seem to be picking up. There are more jobs to bid, but the competition is still intense. Before people had to bid low to get work. Now their crews are cut back, but the prices are still low, even though there's more to bid." Getting paid is also a slow process. "Owners have the power to hold onto their money, and we are not

in a position to turn elsewhere now. But, though we're commercial, the housing in this area is doing well. Suppliers typically say that the commercial work comes after the residential."

Eckstrom adds that he feels things must be getting better elsewhere: "Our suppliers are telling us they're so busy getting a better price elsewhere than they can get from us. Our metal has been on hold for two weeks, which puts us behind on our jobs."

### **NORTHWEST CONFERENCE**

In Boise, Idaho, the economy has been bleak for several years, but in the past year or so has gotten much better, says Brian Whipple, chief estimator, Interior Systems Inc. "Pricing is still below what it should be, but this is the natural result of things being down for so long."

Whipple also reports a shortage of labor. "There has been some influx of people from other parts of the country, but the wages here are lower than elsewhere, so it's hard to attract high quality workers. Residential construction has

been very strong, and the commercial seems to be following behind. The economy should continue pretty strong for the next several years.

Jeff Shearer, secretary-treasurer, Fred Shearer & Sons, Inc., Portland, Ore., says, "The past three years have been hard on most people, and I've not yet seen the numbers rise too much. But for the next 12 to 15 months things should be better than they have been. There are three big projects in the Portland area, a U.S. court house, arena and light rail tunnel, all three projects amounting to about \$0.5 billion."

Shearer probably best sums up the overall situation for most contractors when he says, "I feel things are better than they've been, though not yet anywhere near as good as they should be. But there is a slight improvement, a reason for cautious optimism." □

### **About the Author**

Michael J. Major is a freelance writer for the construction industry. He is based in the state of Washington.