

Components

AIA Components Report Business Conditions Easing Most regions saw slowdowns even before factoring in terrorist attacks

by Kermit Baker, PhD

AIA Chief Economist



- While most AIA components report healthy business conditions in the areas that they serve, a majority reports that the economic environment has deteriorated from a year ago.
- Architects in the middle of the experience spectrum are most in demand.
- Institutional buildings are viewed as the strongest construction sector in most regions, although residential activity is generally viewed as remaining very solid.

These are the key findings of “The AIA 2001 Component Survey of Business Conditions,” an annual survey of key AIA component executives and officers. Respondents are asked to rate business conditions for their area and compare them to those of a year ago. Additionally, they are asked to respond to the need for architect staffing at firms in their area and to the health of key building sectors. Almost 200 responses were received across the 18 AIA regions. Survey responses were returned between September 4 and September 21, thereby covering the period of the terrorists’ attacks.

Business conditions healthy but faltering

On a 10-point scale, with 1 being “terrible” and 10 being “couldn’t be better,” the average rating for current area business conditions was 6.9. Over half of the regions were rated a 7 or better, with the Middle Atlantic region having the top score, averaging 8.0 among component executives and officers in that region. The average score for each region was 6.0 or higher. In the 2000 survey, the average rating of business conditions was 8.0, with no region scoring below 7.3.

Though business conditions are generally viewed as healthy, most regions report an easing from the strong pace of a year-ago. On a 10-point scale with 1 being “much worse” and 10 being “much better,” the average rating for current conditions as compared to last year was 5.0, on the low side of “about the same.”

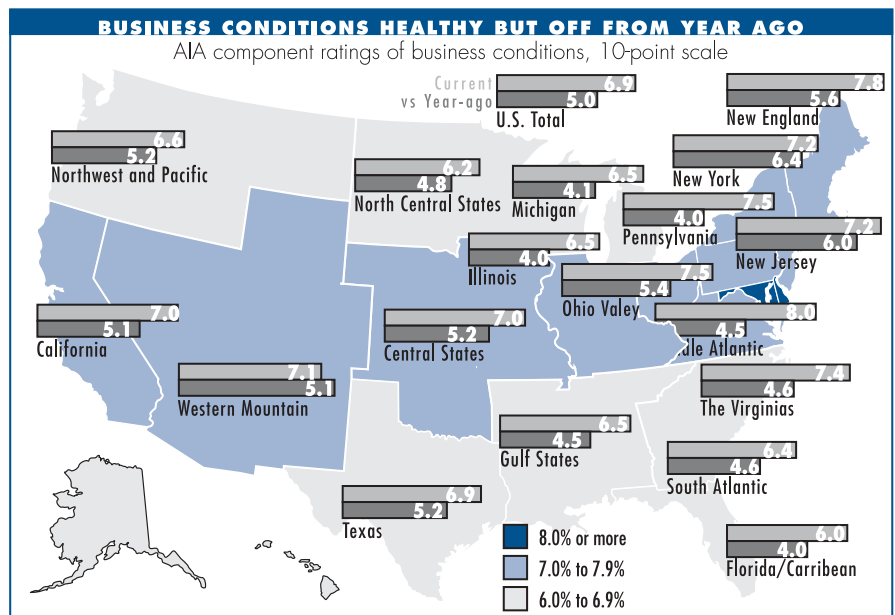
Fully half of the regions report conditions as weaker than a year ago, while most of the others report that conditions are comparable to last year. Only two regions—New York and New Jersey—report conditions as modestly improved from year-ago levels. A year ago, the average rating for conditions compared to the previous year was 6.6, with no region scoring below 5.6.

Project architects in greatest need

Components report that the greatest staffing needs are for moderately experienced architects (3-6 years of experience) followed closely by architects with 8-10 years of experience. Almost a third of the respondents reported a great need in their area for architects at each of these experience levels. Interns were next on the list; about two-thirds of respondents indicated some need in their area for interns. The remainder was about equally split between those indicating a great need for interns and those indicating no need. Very few respondents indicated a great need for managers and senior managers in their areas. Similarly, in the 2000 survey, the greatest need was cited for moderately experienced and experienced architects.

Though respondents in most regions indicated at least some need for project architect positions (both 3-6 and 8-10 years of experience), those in some regions expressed a more substantial need. Respondents in most AIA regions in the Northeast and Midwest indicated an ongoing need for architects at these

continued on next page



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continued from previous page

experience levels. Component representatives in New York, the Ohio Valley, and New England indicated a great need for moderately experienced architects.

Need for Architects Eased Over Past Year
average rating, 3-point scale:
1 = no need; 3 = great need

Managers and senior managers	1.8%
Experienced architects (8–10 years)	2.2%
Moderately experienced (3–6 years)	2.3%
Interns	2.0%

Source: The AIA 2001 Component Survey of Business Conditions

Need for interns was strongest in the Northeast, topped by Pennsylvania and New York. Component representatives in the Middle Atlantic and New Jersey regions indicated a strong need for managers and senior managers.

NORTHEAST REGIONS GENERALLY EXPRESS GREATEST STAFFING NEEDS
Source: The AIA 2001 Component Survey of Business Conditions

	Managers and sen. managers	Experienced arch (8–10 yrs.)	Moderately exp. (3–6 yrs.)	Interns
REGIONS w/greatest needs	Mid Atlantic New Jersey	Mid Atlantic North Central States	New York Ohio Valley New England	Pennsylvania New York
REGIONS w/lesser needs	Illinois South Atlantic	South Atlantic Northwest and Pacific	The Virginias South Atlantic	Illinois North Central States

Institutional buildings remain the strongest construction sector

Respondents in most regions rate the residential and institu-

tional sectors as strong and the commercial/industrial sector as moderate. Respondents from the Ohio Valley region were the most optimistic about conditions in the institutional sector, while those in the Middle Atlantic region had the most favorable view of the residential sector.

Needless to say, the construction sector has changed dramatically with the rest of the economy since the events of September 11. While many respondents acknowledged that conditions were likely to change in the weeks and months ahead, it is still too early to gauge the precise nature of the change. Dodge Analytics, the construction analysis and forecasting arm of the McGraw-Hill Construction Information Group, has revised their construction outlook for the remainder of 2001 and into 2002 in the light of these events.

Institutional Buildings Strongest Building Sector
average rating, 5-point scale:
1 = very weak; 5 = very strong

Residential	3.4%
Commercial/Industrial	3.1%
Institutional	3.5%

Source: The AIA 2001 Component Survey of Business Conditions

Dodge Analytics now is projecting a steep decline in commercial and industrial activity for the remainder of 2001 and further erosion in 2002 for these sectors. The institutional and residential sectors are projected to remain essentially flat for the next 15 months. However, these trends were already in place through the first eight months of the year. Though August, Dodge Analytics reports, construction contracts for stores were down 10%, offices down 14%, hotels down 15%, and warehouses down 16%. Once construction plans have been reviewed in the light of recent events, Dodge Analytics predicts that the hotel sector will be the hardest hit and will likely remain in a downturn through 2003. The other commercial sectors are expected to begin their recovery later in 2002. However, until the full economic fallout from these events is determined, it's difficult to accurately assess the impact on the construction sector. ■