

Economics

AIA Components Report Business Conditions Stronger in the Coastal Regions

Annual survey finds need for staff easing, residential sector strong



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This year's AIA 2002 Component Survey of Business Conditions shows the construction market struggling to show some improvement, with the need for architecture staff limited in most categories. A year ago, the survey of AIA components occurred around the events of September 11, and the implications of the terrorist attacks on the U.S. economy in general and the construction industry specifically were just developing.

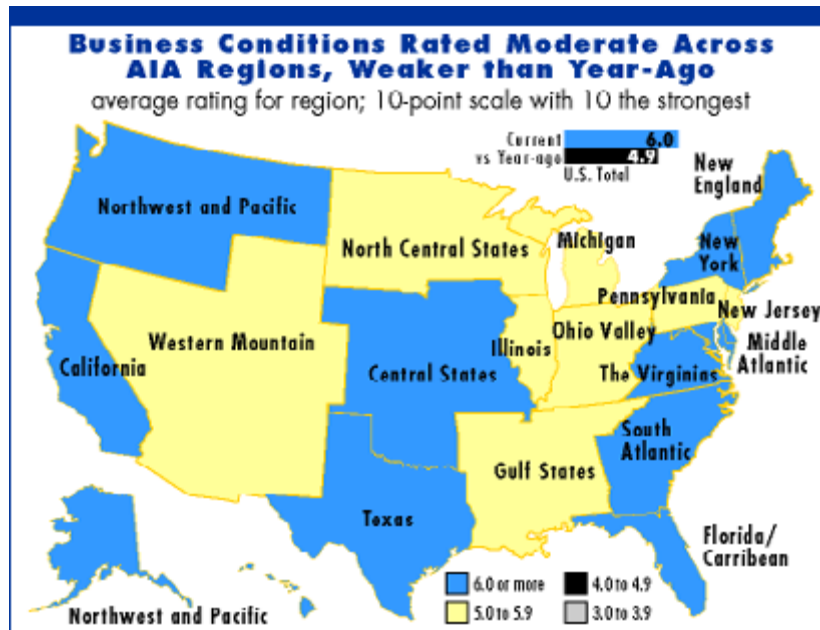
In retrospect, the downturn in the economy accelerated following the September 11 events, but the economy showed signs of recovering entering 2002. However, moving through the year, the economic recovery has been uneven at best.

For architecture firms, the improvement in business conditions this year has been even more elusive. Component executives and presidents rate current conditions as 6.0 on average on a 10-point scale, right in the middle of the "so-so" category. The perceived variation in business conditions across regions was minimal. The lowest-rated regions were Illinois and Ohio Valley, with average ratings of 5.3. The highest-rated



region was The Virginias at 6.8, well above the second-place regions of California and Central States at 6.4.

Respondents in virtually all regions felt that business conditions had deteriorated from last year. With a score of "1" indicating much worst and "10" indicating much better than a year ago, the average score nationally was 4.9. Only a few regions—New Jersey, New York, and Northwest and Pacific—felt that business conditions at firms in their regions had improved even modestly over the past year. In contrast, respondents in the Michigan, Ohio Valley, Central States, Illinois, New England, and Western Mountain regions felt that business conditions had substantially deteriorated from last year.



Sluggish construction activity reduces staffing needs

In contrast to the late 1990s, when architecture staff at all experience levels was in great demand, a sluggish construction sector has greatly eased staffing shortages at firms in most regions of the country. On average, nationally, there is some need for more-experienced architects, moderately experienced architects, and interns and a more limited need for managers and senior managers.

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However, the need for architecture staff at various experience levels varies considerably across regions. While all other regions indicate only some need to no need for managers and senior managers, respondents from the New Jersey region report a reasonably great need for architects at these levels.

For experienced architects, respondents in the Middle Atlantic and New Jersey regions report a great need, while those in the Florida/Caribbean and Pennsylvania regions report substantial need. Respondents in the Pennsylvania, Florida/Caribbean, and New York regions all report a great need for moderately experienced architects.

Respondents didn't report a great need for interns in any regions, but reported a moderate need in the Pennsylvania, Florida/Caribbean, and New Jersey regions.

GREATEST NEED FOR ARCHITECTURE STAFF GENERALLY IN NORTHEAST REGIONS
 Source: The AIA 2002 Component Survey of Business Conditions

	Managers and sen. managers	Experienced arch (8-10 yrs.)	Moderately exp. (3-6 yrs.)	Interns
Regions with greatest needs	New Jersey	Middle Atlantic New Jersey	Pennsylvania Florida/Caribbean	Pennsylvania Florida/Caribbean
Regions with lesser needs	New York North Central States Texas	Texas North Central States	The Virginias	Illinois North Central States

Residential construction rated strongest sector

Low mortgage rates have helped keep the residential construction market strong in spite of a slowdown in many other construction sectors. While component executives and presidents rate the residential sector the strongest nationally, that also is the case in most regions. Respondents in 14 of the 18 AIA regions rate the residential market as stronger or as strong when compared to the commercial/industrial and institutional sectors. Respondents in the New Jersey and Middle Atlantic regions were particularly upbeat in their assessment of the residential sector.

Components report that commercial and industrial construction still is not fully recovered. Respondents in every region rated commercial/industrial activity as the weakest (or tied for the weakest) major construction sector. The institutional sector, while easing a bit in some regions, is still uniformly healthy. Respondents in all AIA regions rated the health of this sector as moderate, with those from the California region rating it as strong on average.

