



**Cleveland Construction, Inc.**

## **Nonresidential Construction Shows Continued Weakness**

*Given a still tight credit and weak labor market, building construction is not positioned for recovery in the near term [first quarter 2010] despite the government's stimulus package that was slated for shovel ready projects.*

**T**he construction industry continues to play a powerful role in sustaining economic growth, in addition to producing structures that add to productivity and quality of life. The constructing industry is responsible for a major portion of this economic GDP. The construction industries around the country continue to feel the credit crunch. The deterioration of the U.S. banking system has restricted funds needed at every step of the construction industry's lifecycle. This, together with the social agenda being advanced at the national level have placed uncertainty and minimal predictability on the future tax obligation making accurate forecasting of investment opportunities difficult at best. Local government authority's credit ratings have also slipped making the selection of public clients even more critical.

Private nonresidential spending is down 20.6 percent from one year ago, according to the December 1, 2009 report by the U.S. Census Bureau. Total nonresidential construction, which includes both private and public construction, fell 10.5 percent on a year-over-year basis to \$652.2 billion.

Only four subsectors experienced increased spending in October and only two were up more than one percent. These were conservation and development construction, up 18.2 percent, and religious-related construction, up 2.5 percent. Those subsectors with the largest increases from October 2008 were transportation, up 7.7 percent, public safety construction, up 5.0 percent, and highway and street construction, up 4.6 percent.

In contrast on a year-over-year basis, lodging construction is down 45 percent, commercial construction, down 37.8 percent and office construction, down 27.9 percent. Manufacturing construction is now down 5.9 percent on a year-over-year basis after being a bulwark of stability for many months.

Meanwhile, residential construction spending increased 4.2 percent for the month, but is still down 22.9 percent from October 2008. Total construction spending is unchanged from September and down 14.4 percent year-over-year.

Some bright spots around the country continue such as Texas and areas surrounding the DC market place as well as Military institutions. Material costs have also stabilized at low levels making construction affordable.

Throughout the recent economic storm, Cleveland Construction has retained excellent client relationships with repeat business from 90% of its current client base, while adding several new clients and project types to the company's portfolio. This has been accomplished by Cleveland Construction's ability to save money and generate income for our clients by delivering our projects sooner and maximizing quality. With Cleveland Construction celebrating its 30-year anniversary in 2010, the company is poised for a recovery by its established leadership, retained earnings and financial strength when the market turns around.