Georgia Construction Market: 10 Years after the Great Recession

February 19, 2020
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The Great Recession: 10 Years Later......
So where do we stand?

- Georgia’s Economy
- Employment

Housing

Nonresidential Buildings

Highways

Outlook
A tale of two halves: Georgia’s economic recovery was slow in the first half of the recovery but has accelerated in the 2nd half.
Georgia’s Construction Industry growth has outpaced the US and most of its neighbors......

Real GSP by State: Construction, 2012:Q3-2019:Q3 Compound Annual Growth Rate

......But, the Construction Industry remains a smaller part of Georgia’s overall economy:

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002 – 2007*</td>
<td>5.7%</td>
</tr>
<tr>
<td>2010 – 2018*</td>
<td>3.3%</td>
</tr>
</tbody>
</table>

Upside?

* Construction Industry as a % of GSP

Source: BEA | U.S. = 2.5 %
Georgia Employment before and after the “Great Recession”

Source: Bureau of Labor Statistics
Georgia job losses were severe, especially in the construction industry

- Total Employment peaked in Feb 2008
- Overall job losses finally hit bottom in Feb 2010, 2 years and 340k lost jobs later
- Construction foreshadowed the coming recession and peaked in March 2007, nearly a year before overall employment started falling
- Construction continued to decline until June 2012, the last Private sector to bottom
After nearly 8 years, Construction employment has yet to reach it’s prior peak in Georgia

- Overall job growth has been strong throughout the recovery
- Georgia job growth has outpaced the US
- While Construction employment has grown faster than all other sectors during the recovery, it remains below the peak in 2007
Georgia’s Unemployment and Participation Rates point to continued labor constraints

An increase in the Participation Rate would help......but is it likely anytime soon?
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Georgia’s single family construction market was hit especially hard in the downturn

- From the peak in June 2006 to the bottom in Oct 2009, single family starts fell by 77k (or 85%)
- Single Family starts annual growth rate since hitting bottom: 11% per year
So are we now underbuilding housing?

Source: US Census Bureau, Moody Analytics Estimates, Dodge Data & Analytics
Rising rates in 2017 along with concerns about the economy in the first half of 2019 may have initially dampened housing...

- …but the drop in mortgage rates, continued job growth, and improved sentiment about the economy, appear to have given Single Family construction a much needed boost

- Last 6 months of 2019:
  Permits: +10% yoy
  Starts: +6% yoy
Multi-family has gradually become a bigger part of the housing construction market over the last three decades.

<table>
<thead>
<tr>
<th>Year</th>
<th>Single</th>
<th>Multi</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990’s</td>
<td>86%</td>
<td>14%</td>
</tr>
<tr>
<td>2000’s</td>
<td>79%</td>
<td>21%</td>
</tr>
<tr>
<td>2010’s</td>
<td>69%</td>
<td>31%</td>
</tr>
<tr>
<td>2020’s</td>
<td>???</td>
<td>???</td>
</tr>
</tbody>
</table>

Recent Permits and Starts at the state level data favor Single over Multi.
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Nonresidential Buildings have fared better than housing in the recovery (at least on the private side)
Are store closings having an impact on new store construction?

- **Payless**: All 2,500 stores
- **Gymboree**: 805 stores
- **Dressbarn**: All 650 stores
- **Fred’s**: All 520 stores
- **Family Dollar**: 390 stores
- **Walgreens**: 200 stores
- **Pier 1**: 9,300+ store closings in 2019
- **Gamestop**: 60% increase from 2018

Source: Coresight Research
Are we repurposing now more than in the past?

Private Nonresidential Buildings: Georgia
% of Alterations ($)s

- 1998-2008: Avg 15%
- 2009-2019: Avg 27%

Source: Dodge Data & Analytics, Internal Interpretation
While Retail Stores/Shopping Malls have remained flat.....

Warehouse Construction has recovered and is expanding
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Total Highway Construction Starts have grown steadily since the “Great Recession”, but........

….fewer dollars entering the pipeline since early 2018

“Planned” lettings will help to change the direction
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Outlook
Construction Outlook for Georgia MSA’s

1. Atlanta-Sandy Springs-Roswell
2. Augusta- Richmond County
3. Savannah
4. Columbus
5. Macon
6. Athens-Clarke County
7. Warner Robins
8. Gainesville
9. Albany
10. Valdosta
11. Dalton
12. Brunswick
13. Rome
14. Hinesville
Georgia Aggregate Demand expected to continue growing in 2020

**Private Demand**
- **Residential**: Recent jump in both SF Starts and Permits point to improvement over 2019
- **Nonresidential**: Starts data points to continued growth in 2020 after double-digit growth in 2019

**Public Demand**
- **Infrastructure** pipeline is growing after weakness in 2019
- **Highways**: Risk—how quickly will anticipated lettings enter the pipeline?

*Source: Internal interpretation based on Dodge Data & Analytics Construction Awards*
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