

Building Scene

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Thursday, February 20, 1992 O&E

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Construction industry ready for recovery

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staff writer

More than a third of 381 general building contractors and subcontractors who responded to a recent survey by their state trade association anticipate that their profits will decrease this year.

Forty-nine of the 137 who predict a decrease expect that the bite will be more than 10 percent.

Additionally, 219 of the 381 contractors and subcontractors responding to the survey reported a decrease in work volume for the last six months of 1991. More than half reported a decline of more than 20 percent.

Forty-five percent of the contractors and subcontractors reported that their cash flow situation is worse than a year ago, 32 percent better, the balance about the same.

Only 56 percent of the contractors and subcontractors who responded said they would choose to make their living in the construction industry if they were starting out today.

The survey was conducted for the Construction Association of Michigan in December by the consulting firm of Deloitte & Touche. Results were released last week during CAM's annual trade show.

"AT FIRST blush the picture is

not pretty," said John DeMattia, CAM chairman and president of Lerner-Linden Co. in Novi.

"The survey indicates to me that we are at the bottom of the recession or slump. The recovery hasn't started yet, but when it comes, we are in a very good position."

DeMattia managed to find several positives in the report. "The outlook for layoffs is zero for the next six months," he said. "Some 57 percent expect their workforce to remain the same, 16 percent plan to add and 17 percent to cut. This indicates they are down to the bare bones. The fat has been removed."

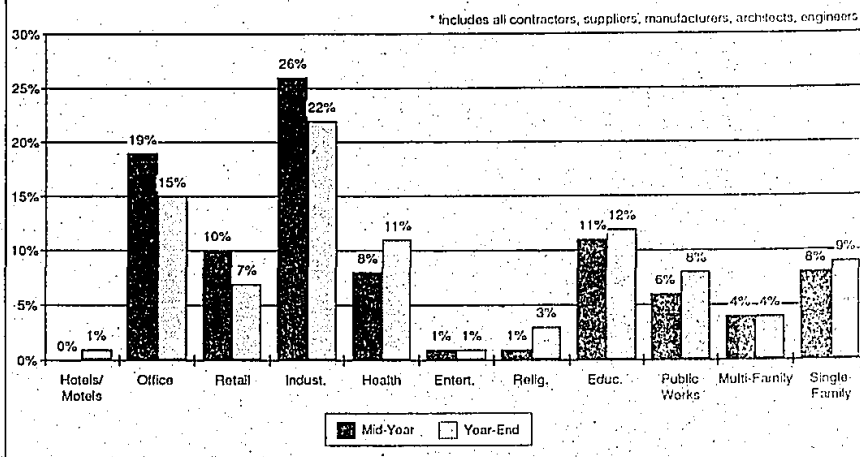
That being the case, it won't take much to stoke a fire in the building business, DeMattia said.

"If Congress passes a housing credit or the state a gas tax, you'll see a lot of interest by a lot of people," DeMattia said. "Pressure groups are proliferating all over for that." It is expected that increasing the gas tax would spur highway construction jobs.

"Office and industrial (construction) are down," said John Fovensel, director of the construction services group for Deloitte & Touche. "Infrastructure is due to go up. How much depends on Congressional interest out there."

DeMATTIA said he was encouraged that a third of all survey

Which of the following categories are presently providing your company with the most opportunities for work? (Type of Work)



The construction industry saw increases in building projects in the categories of health, religious, educational, public works,

respondents including contractors, subcontractors, suppliers, architects and engineers expect profits to increase this year in spite of the general economy.

DeMattia also said he was surprised by the longevity of so many CAM members.

"Over 30 percent have been in

business over 30 years. We're talking about people with substantial net worth who know how to survive in the industry. I think all fringe operators are out of business," he said.

Some 11,300, about the same as last year, attended the two-day expo at the Pontiac Silverdome.

"It tells us they're interested in

and single-family building at the end of the year. Decreases were seen in office, retail and industrial projects.

business, finding new ways of doing things in business," DeMattia said of the turnout. "People don't come here to complain to each other, but find new and better ways of doing things. That's encouraging."

Other highlights of the CAM survey:

• New projects provide about

half of all job opportunities for contractors, subcontractors, suppliers, architects and engineers. Renovations, additions and maintenance work also account for about half.

• Fifty-five percent of responding subcontractors and 30 percent of contractors said projects of less than \$150,000 account for most of their work opportunities.

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