

# Snohomish County Construction Industry Outlook and Market Trends Summer Quarter 2005

By Stephen Baldwin

**Current Trends:** The Construction Industry has remained strong through the third quarter of 2005. The Construction Industry led all business sectors by growing at an 8.3% rate. Since December the region has added 8800 new construction jobs. The bulk of the job creation took place among specialty trade contractors. With interest rates stabilizing and new public and private projects coming on line the outlook for employment remains strong for the rest of the year. There are number of issues that could affect the continued strong growth in the construction industry. There is the possibility of a repeal of the State gas tax increase which would halt many State Highway projects. Rising energy costs and interest rates and fear of a housing bubble should eventually slow home building and escalating home prices

**Commercial Construction:** The outlook for commercial construction in Snohomish County looks strong for the next several years. There are more than \$ 1.7 billion dollars worth of projects that are in-progress or planned for completion within the next several years ( described at the end of this report under “Latest Construction News”). This is in addition to the large infrastructure projects planned or underway in King county i.e Light Rail, Monorail, Bright Water, Via Duct tunnel and the 2.8 billion dollars that has been released for Highway projects that have been released by Governor Gregoire. Changes in general economic conditions should not affect these projects as their funding is already secured.

**Employment:** Employment levels for commercial construction should remain constant and there should be opportunities for apprenticeships in all of the trades. There is an industry problem in the aging of the workforce and in finding experienced mid level project managers.

**Training:** Since most commercial construction projects are union, apprenticeships and training are required. Job progression and career advancement are well defined through these programs.

**Future:** The construction industry is having difficulty attracting qualified applicants. Only about 20% of applicants can pass a basic math skills test that is needed to qualify for an apprenticeship program. Even so there are waiting lists for all of the trades. To attract students many of the local High Schools offer programs that allow students who complete their training programs to advance to the head of the apprenticeship list upon graduation. Because of safety constraints and the maturity level of the high school students it is difficult to give the students in these classroom programs more than entry level skills.

**Home Building:** The home building industry is very strong at the current time. Low interest rates and rebounding local economy has kept the housing market strong. In fact available housing shortages have caused a spike in housing prices. The median sales price in Snohomish County has risen 20% in the last year ref [www.nwrealestate.com](http://www.nwrealestate.com) The Commerce Dept. reports that this is the strongest market in thirty years and 130% of normal levels. The strength of economy and the extent of rising interest rates will determine how long the boom in prices will continue. The home building industry faces a number challenges and problems that must be resolved to maintain constant levels of activity and meet the housing needs of the community.

**Affordable Housing:** Land use as required by the Growth Management Act has become a contentious issue between developers and public agencies. GMA requires that development occur within certain areas of the county. Builders are saying that they can't find land within these areas that they can develop and build on at a price that that the market can afford to pay. The Current median price for a home in Snohomish County is \$ 299,000 . The current median income

for county households is \$ 60,726 ref [www.snoedc.org](http://www.snoedc.org) . At the current 6% interest rates home buyers would just barely qualify at 7% people at the median wage would no longer qualify. Although interest rates have remained at historically low levels, wages have not kept up with increasing home prices. There was decline in Puget Sound Regional Council's affordability index the rating of the ability of a first time home buyer to qualify for a loan. Liability issues have kept home builders from building lower cost condominium units because they cannot recover the cost of the insurance.

**Employment:** As long as outside influences such interest rates or a general economic down turn are not a factor, employment should remain strong for the foreseeable future. There is shortage of skilled workers especially in the licensed trades such as electricians and plumbers. Builders are having a difficult time finding licensed residential plumbers and electricians. As with commercial construction the industry has difficulty attracting qualified employees. The seasonal nature of the work and working in inclement weather keeps many workers away.

**Training:** Home Builders are generally non-union and therefore do not have an apprenticeship program. They do hire people who have completed training from community colleges and training schools and trade associations support the schools and students with scholarships and grants. Experience is an important factor in hiring students from training programs. Some students without experience in programs such as construction management find it difficult to enter the construction industry at their expected level without experience. Most contractors are relatively small and do not have a trainee or mentoring program to help them gain experience. For home builders there is no set job progression or wage standards, workers are paid by performance.

**Future:** Home builders face many of the same issues that commercial builders do, including the aging of the workforce and difficulty in attracting qualified workers. Home builders face an additional problem in that the structure of their industry is changing. Home building is now dominated by large corporate developers. They sub-contact all of the construction work out to specialty contractors and perform very little of the work themselves. This has fragmented the industry to specialties and made it harder to get a consensus on how to resolve training issues and industry problems.

**Solutions:** The Snohomish County WDC is addressing the employment needs of the Construction industry through the implementation of a Construction Careers Partnership. The panel is comprised of industry leaders and educators and is tasked with helping the industry to recruit and maintain a skilled and productive workforce. For more information on the Construction Careers Partnership or to be part of the panel contact Steve Baldwin [swbaldwin@esd.wa.gov](mailto:swbaldwin@esd.wa.gov)

### **Latest Construction News**

Every day we see new stories about the new records being set in the home building industry. The hoopla around the home building industry has obscured the fact that there is a major upturn in the number and dollar value of major government and private developments planned or underway in Snohomish County. Over the next several years County residents will see several billion dollars in new projects.

In Everett it will hard to find anywhere that you won't be behind a dump truck. The Everett waterfront has begun it's redevelopment with the start of a \$10 million dollar contract for the reconstruction of the sea wall. This is the first stage of a \$ 200 million dollar 10 year plan to redevelop the water front and for a new North Marina. The City has chosen the OliverMcMillan

Company as the developer of 100 acre Riverfront \$200 million mixed use development. Providence Hospital is planning a \$ 400 million expansion to the Hospital's Medical Center. There is \$260 million earmarked for the widening of the I-5 corridor through Everett and for the 41<sup>st</sup> Street overpass revisions. Construction on these projects began in late August. Expansion of the Everett Mall and the construction of the Museum and Hotel at Paine Field are currently are close to completion.

Other County Cities will see their share of construction. Bothell will be spending \$50 million on rerouting 522 and \$80 million on infrastructure improvements. In Edmonds there will be \$25 million spent moving and constructing a new Edmonds ferry terminal. Mukilteo has \$100 million in planned redevelopment of the waterfront including the construction of a new Ferry Terminal and marina. Mountlake Terrace plans to redevelop its' downtown retail core. Lynnwood has rezoned part of its' downtown business core for high rise buildings up to 26 stories. The City of Snohomish has designated Bickford Ave as the center of new commercial development. This should spur both road and commercial development. Marysville has annexed 500 acres west of I-5 and announced the extension of sewer a water, which should allow the development of future big box stores. Monroe has worked out a land swap with the State giving it 55 acres of prime developable land.

Snohomish County will be receiving money for a variety of projects from the new gas tax increase. There will be \$128 million spent to widen Hwy 9 from King County to Lake Stevens and a number of lesser projects. The State Reformatory in Monroe is in pre-design stage for 176 bed hospital expansion.

Regionally there are several multi-billion dollar projects including: Sound Transits' Light rail, the Monorail, the Viaduct tunnel and the Brightwater Project. All of these projects will severely strain our local resources to provide skilled workers for all of these projects. The Snohomish County WDC, it's regional counterparts, Industry leaders and the Educational community are all working together through a Construction Careers Partnership to ensure that a trained labor force is available to meet the needs of the construction industry. The purpose of the Skills panel is to help direct County resources in support of industry needs. The effects of the rising demand can be easily seen. There has been an increase of nearly 9000 construction jobs since the beginning of the year. With residential construction permits running at 15% above last year, it seems that there is no end in sight and a bright future in the Construction Industry.