

**Snohomish County Construction Industry  
Outlook and Market Trends 4<sup>th</sup> Quarter 2005**  
By Stephen Baldwin

**Labor Market Information:**

LEMA Labor Market Employment Information as of January 17, 2006 ( In Thousands )

	Dec-05	Dec-04	yr/yr %
Construction of Buildings	3.5	2.4	45.2%
Heavy & Civil Engineering Construction	2.4	2.2	5.9%
Specialty Trade Contractors	14.2	12.2	16.5%

**Future Growth and Development:**

For the most part the Construction industry is a reflection of local economy. The Construction industry remained strong through the fourth quarter of 2005. The Construction industry led all business sectors State wide, growing at an 8.3% rate. Since December 2004 the region has added 8,800 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. Rising energy costs, rising interest rates and fear of a housing bubble could eventually slow home building and escalating home prices

**Growth Occupations and Skills Demand:**

The Construction industry is segmented into two different segments, commercial and residential. Each segment has different economic factors and business environments controlling their activity level.

**Commercial Construction:** The outlook for commercial construction in Snohomish County looks strong for the next several years. There are more than \$1.7 billion 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, such as SoundTransit Link Light Rail, the Brightwater regional wastewater treatment system, the Alaskan Way Viaduct and the \$2.8 billion that Governor Gregoire has released for highway projects. 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 have 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. Some builders say that they can't find land within these areas that they can develop and make a profit on. The current median price for a home in Snohomish County is \$ 299,000 . The current median income for county households is \$ 60,726, according to the Snohomish County Economic Development Council . At the current 6% interest rates home buyers would just barely qualify for a house at the county's median price. 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, which rates a first time home buyer's ability 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 interest rates remain relatively low and the economy remains healthy, employment should remain strong. There is shortage of skilled workers, especially in the licensed trades. 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 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, as 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 increasingly dominated by large corporate developers. These companies sub-contact 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.

### **Skills in demand:**

Due to large volume of work there is strong demand for employees with experience in all phases of construction including; carpenters, plumbers, electricians, roofers, framers, drywall installers, HVAC technicians, laborers, welders and project managers. Most of the training for these jobs is done on the job. For licensed trades, the state regulates the number of hours required to become a journeyman. Apprenticeship programs also include a required amount classroom time. For most of the specialty trades, training is done on the job. Most community colleges offer some form of trades training. Renton Technical College is designated as the state's Construction Center of Excellence ([www.rtc.edu](http://www.rtc.edu)). Further information on careers in construction can be found the Snohomish County Worksource Web site at ([www.worksourceonline.com](http://www.worksourceonline.com)) on the business sectors page. 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 [L. Sam Samano](mailto:lsamano@snocowdc.org) at [lsamano@snocowdc.org](mailto:lsamano@snocowdc.org).

### **Latest Construction News**

The Everett waterfront has begun it's redevelopment with the start of a \$10 million contract for the reconstruction of the sea wall. This is the first stage of a \$200 million, 10 year plan to redevelop the water front and for a new North Marina. The City has chosen the Oliver McMillan Company as the developer of 100 acre, \$200 million Riverfront mixed use development. Providence Everett Medical Center is planning a \$400 million expansion to its Colby Avenue campus. There is \$260 million for the widening of the I-5 corridor through Everett and for the 41<sup>st</sup> Street overpass revisions that began construction in 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 a \$25 million project to move and build 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 to allow high rise buildings up to 26 stories. The City of Snohomish has designated Bickford Avenue 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 and water service to allow for the development of 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 Highway 9 from King County to Lake Stevens ,as well as a number of other projects. The State Reformatory in Monroe is in pre-design stage for 176 bed hospital expansion.

**Summary:**

Regionally, there are several multi-billion dollar projects including: SoundTransit's Link Light Rail, the Brightwater regional wastewater treatment system and the Alaskan Way Viaduct. All of these projects will further increase the already high demand for skilled construction labor. The Snohomish County WDC, its 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 9,000 construction jobs combined in King and Snohomish counties since the beginning of the year. With residential construction permits running at 15% above last year, there will likely be increased job opportunities for skilled construction workers.