



## State, NOLA ahead of construction economist's 5-year forecast

By: Christian Moises, News Editor | June 2, 2011 | 2 Comments

After a five-year slide in construction spending, it is tempting to believe the industry will be back to normal sometime in the next five years, Associated General Contractors of America chief economist Ken Simonson said Wednesday in predicting what the next five years will bring for the construction industry.

But it's more likely some segments will never match their peaks of the past decade, whereas other categories will far exceed past levels, he added.

Ironically Louisiana, and specifically New Orleans, are already ahead of the curve when looking at Simonson's predictions.

The rapid growth of shale gas drilling in several parts of the country is likely to produce long-lasting changes in the economy and in demand for some types of construction, he said.

Looks like Louisiana is already there after several years of activity around the Shreveport area with the Haynesville Shale discovery and more recent interest in [shale play around Baton Rouge](#).

Simonson said the outlook seems favorable for alternative power construction from various sources, as more states adopt "renewable portfolio standards" that require utilities to produce or buy power from sources that are not carbon-based.

Whether the facilities that are built use wind, solar, geothermal, biomass, hydropower, ocean currents, nuclear or other sources will vary with the region, technological advances, regulatory and tax incentives, he said. But demand for "clean" power of some kind, and for transmission lines to deliver it to customers hundreds of miles, will keep growing as the economy and population expand and more coal-fired plants are shut down.

Ironically, Greater New Orleans Inc. recently launched a [Sustainable Industries Initiative](#) to position the region as a hub for businesses that tackle environmental challenges and identified 13 sectors as "strong fits" for southeastern Louisiana.

Demand for medical facilities is likely to intensify, he said. Yet another area the New Orleans area specifically is already venturing into with the new Veterans Affairs hospital going up and the University Medical Center on the horizon.

Many people assume this is a natural result of the aging of baby boomers, he said, but that is a gradual process offset in part by lower demand for obstetric and neonatal facilities. Don't forget, the New Orleans BioInnovation Center is about to open.

The biggest drivers for health care construction will be the continuing technological evolution of diagnosis and care, Simonson said, along with pressure to reduce costs, he said. Hospitals will need to be rebuilt and more specialized structures erected.

High fuel and transportation costs, growing congestion, and a shift in consumer spending toward Internet purchases are encouraging the construction of optimally located and configured warehouses and fulfillment centers, the economist said.

On the downside, he said, there is unlikely to be enough tax revenue at any level of government to fund prior levels of public construction. As this trend continues, [New Orleans retailers are already fighting that](#) by pushing lawmakers to capture Internet sales tax. The shift from brick-and-mortar to Internet retail sales, he said, along with a possible trend toward living closer to central cities, will keep retail construction, especially of big-box stores and shopping centers in far-out suburbs, well below previous peaks.

Contractors who can adapt to the changing markets can thrive in the next five years, Simonson said, but [they will have plenty of competition](#) as the overall ratio of construction to gross domestic product may not reach prior peaks.

Unfortunately, that's something New Orleans is already facing, too.

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