

## STAFDA Region 6 North Central (MN, IA, MO, KS, NE, SD, ND) Report - Dan Esch

June 19, 2017

I spoke with distributors, manufacturer reps, association directors and contractors and compiled the following construction market information from Region 6:

### Economics:

Distributors, manufacturers and contractors in Region 6 are reporting modest growth for 2017 thus far. Most distributors are reporting flat to small single digit sales increases through May of this year compared to last year at this time. There is general optimism (optimism in ND was tempered due to price of oil and agricultural commodities) throughout Region 6 about good sales growth prospects for the balance of the year.

Employment is at or very near full capacity. Here are unemployment numbers from the Bureau of Labor Statistics for May 2017 in Region 6: MN 3.7%, IA 3.1%, MO 3.9%, KS 3.7%, NE 2.9%, SD 2.9%, ND 2.5%. Overall US Unemployment rate is at 4.4% - the lowest level in a decade.

Below is a list of construction employment figures for Apr 2016 vs Apr 2017. The figures are from AGC of America website link:

### Number Employees in Construction by State Apr 2016-Apr 2017

State	Apr-16	Apr-17	12 month % Change
MN	112,400	115,400	+3%
IA	81,000	78,300	-3%
MO	120,400	118,400	-2%
KS	61,100	60,100	-2%
NE	50,300	51,100	+2%
SD	21,600	22,700	+5%
ND	29,600	30,500	+3%
Totals	476,400	476,500	0%

From all perspectives finding skilled craftsman to fill construction jobs today is extremely challenging and is the top factor that is limiting contractor growth. To solve this issue, construction stakeholders are teaming up more than ever in their workforce development

efforts. In addition to workforce development, many agreed that more efficiency in construction processes is key to growth as well. As always, providing more efficient solutions to contractors is where great opportunity lies for STAFDA distributors.

Low unemployment is having a great impact on distributors. Finding qualified employees to support distributor growth remains a top challenge. Higher wage pressure continues to have a great effect on distributors. Meeting salary requirements of new recruits and existing employees is a huge challenge. Government efforts for more wage legislation add fuel to the fire by putting increases on all wages. In Minneapolis there is currently strong government pressure for a \$15 minimum wage.

### **Dodge Market Outlook for Minnesota (our largest market):**

The 2017 annual forecast for construction industry spending starts in Minnesota by Dodge Data & Analytics was -2%. The Dodge forecast for the entire US was +5%. For Minnesota that means a forecast of \$9.4 billion in construction spending starts in 2017 compared to \$9.5 billion in 2016. We have experienced \$10-\$11 billion in construction spending per year in the last few years. A fall in non-building public infrastructure spending is the main factor in this year's drop. The Minnesota legislature recently passed a \$1 billion bonding bill that will spur construction investment spending of roads, bridges and public buildings throughout the state. In addition \$300 million of our MN state \$1.6 billion surplus will be used for transportation projects.

### **Business trends:**

Safety products continue to provide growth opportunity for distributors. A good example would be in the respiratory protection category. The new OSHA silica exposure limit standard goes into effect in September 2017. Contractor's need to comply with new standard creates a huge demand for respiratory protection products, water delivery and vacuum systems to mitigate silica dust.

Demand for cordless tools continues to increase at rapid rate. New battery technology developments greatly improving demand for cordless tools with longer run times and more power.

Distributors in Region 6 report spending more on employee development and training. Also spending more on employee team building, meals, rewards and recognition.

The greater use of technology continues to limit facetime with customers.

### **Large Projects:**

Large projects: Health care facilities, Data storage centers, Hotel & conference centers, Assisted living centers and Distribution centers lead the way for big projects.

MN: Minnesota United FC Soccer Stadium - \$150 Million, Minnesota Vikings Headquarters/Practice Facility/commercial and residential mixed use development - \$500 Million over 10 years. Parking Ramp and Hotel at MSP Minneapolis St. Paul Airport - \$250-300 Million. SW Light Rail - \$1 Billion (not funded yet). Mall of America Phase 3 (no word start date) - \$500 Million. Rochester Mayo Expansion – Rochester MN – \$6 Billion over 20 years. St. Cloud MN new high school - \$104 million. Mystic Lake Convention Center – 2 year project \$200 million. Intercontinental Hotel MSP Airport - \$80 million. 365 Nicollet Tower Mpls. – \$100 million.

IA: Microsoft Osmium Data Center breaking ground in Des Moines - third data center \$2.5 billion project. Mercy Medical Center \$500 million renovation of Des Moines Campus slated for next 5-8 years. Facebook data center breaking ground - 1 million square feet data storage with more expansion to come valued at total of \$1.5 billion.

MO: Pfizer breaking ground on \$200 million R & D facility in St. Louis.

KS: Cerner Corp. – health care software company – In the third year of a 10 year \$4.5 billion 20 building campus to handle roughly 16,000 employees. \$300 million hotel and conference center in KC.

ND,SD, IA and IL: Continued work on Dakota Access Pipeline -\$3.8 billion.