

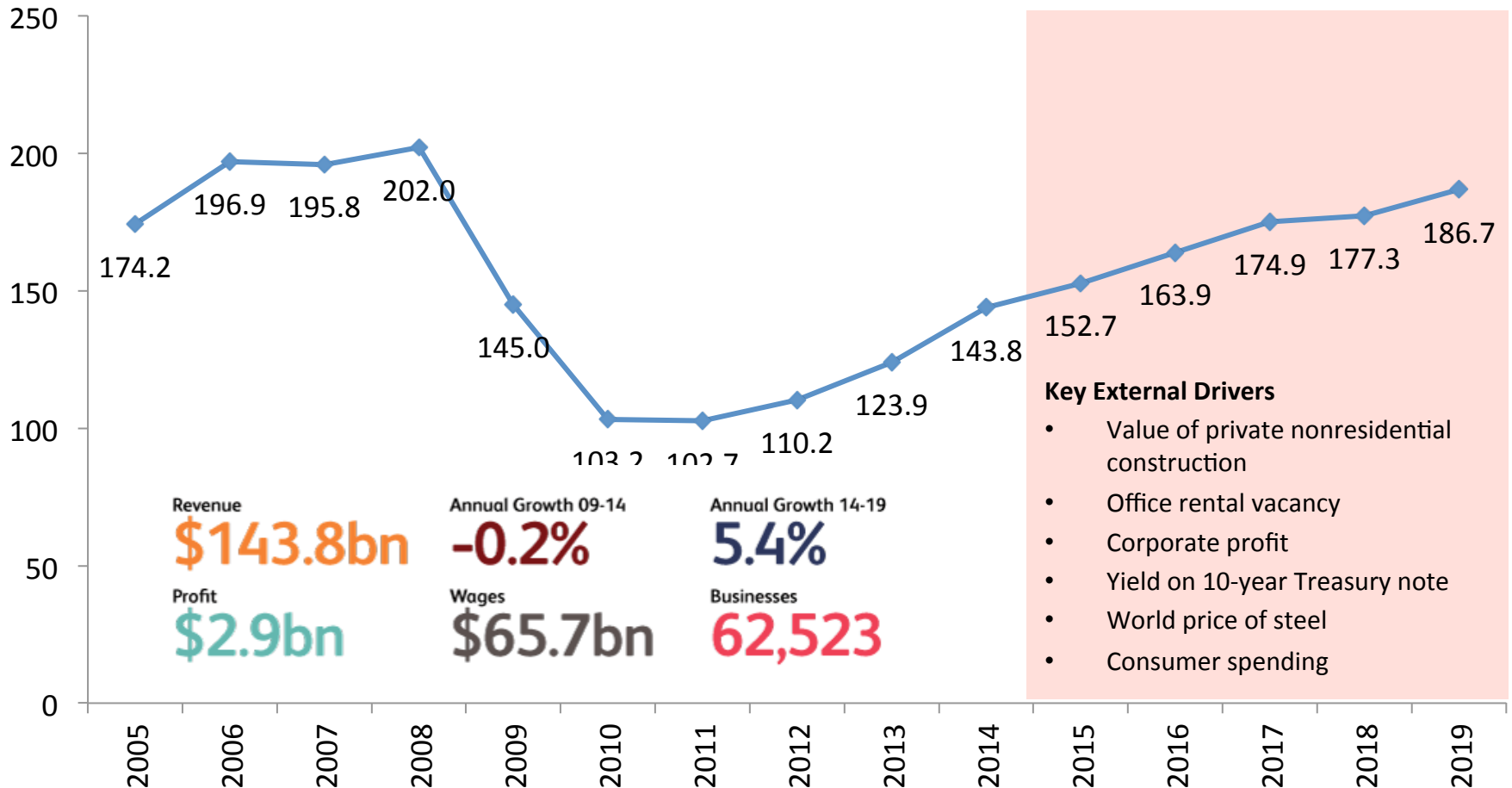
US Commercial Building Construction

Market Update
NAICS-23622a

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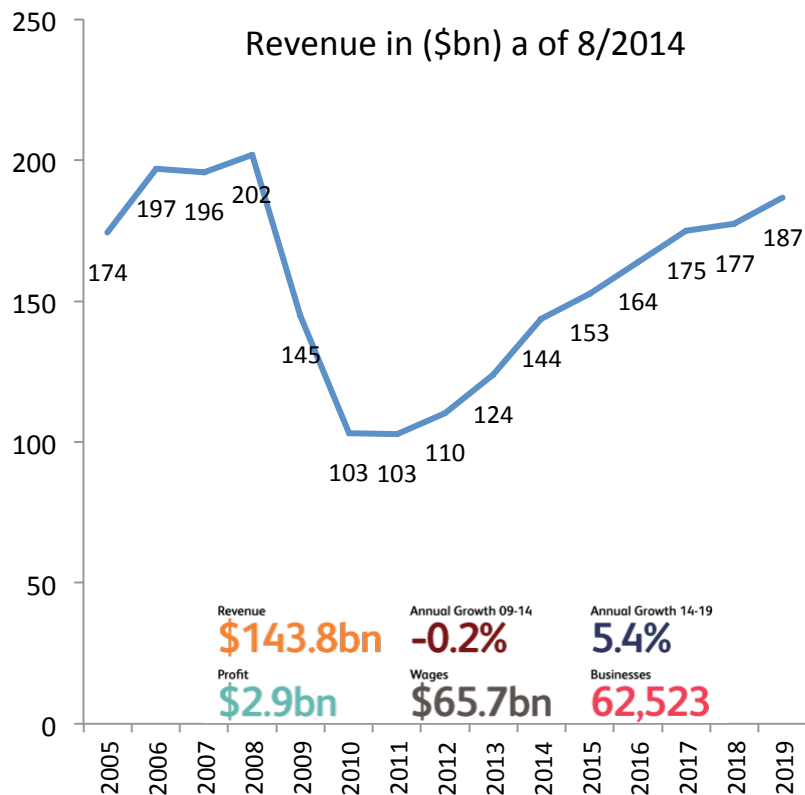
US Commercial Building Construction

Revenue and Forecast (\$bn)

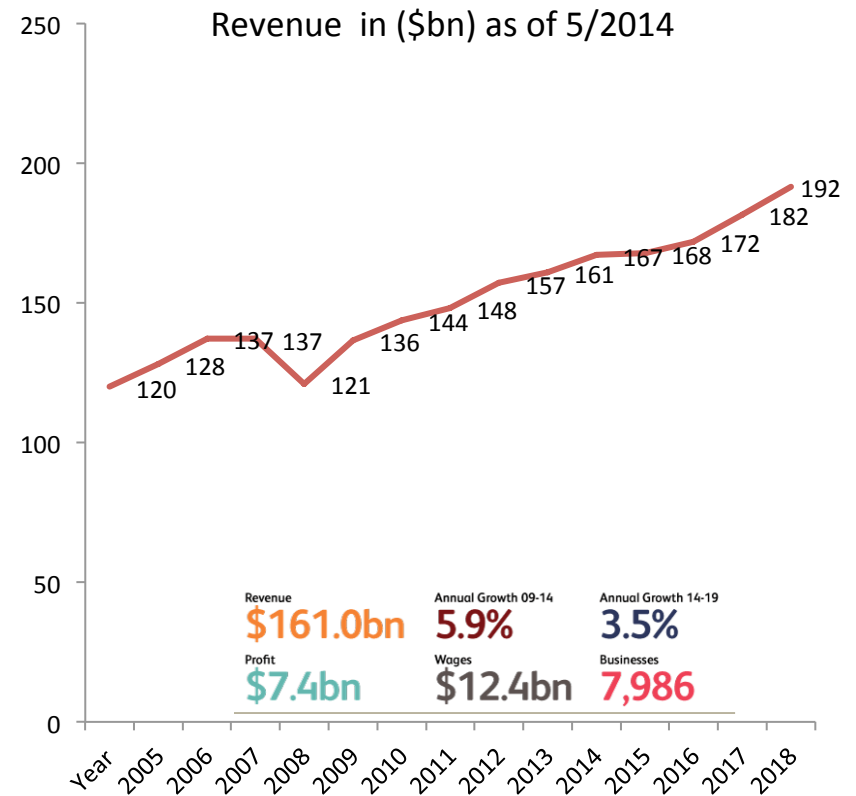


US Commercial Building Construction and US Electrical Equipment Wholesaling

US Commercial Building Construction

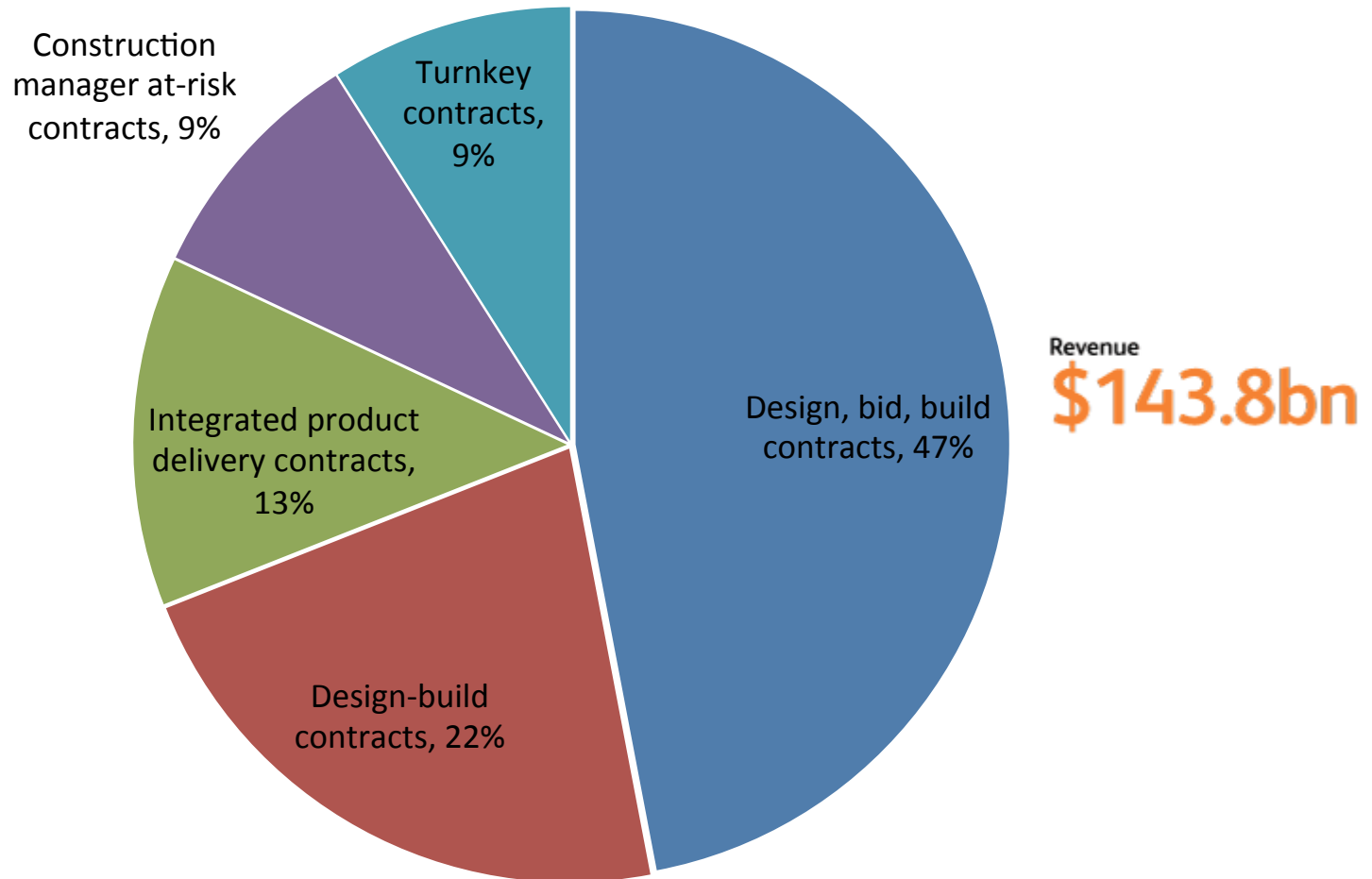


US Electrical Equipment Wholesaling

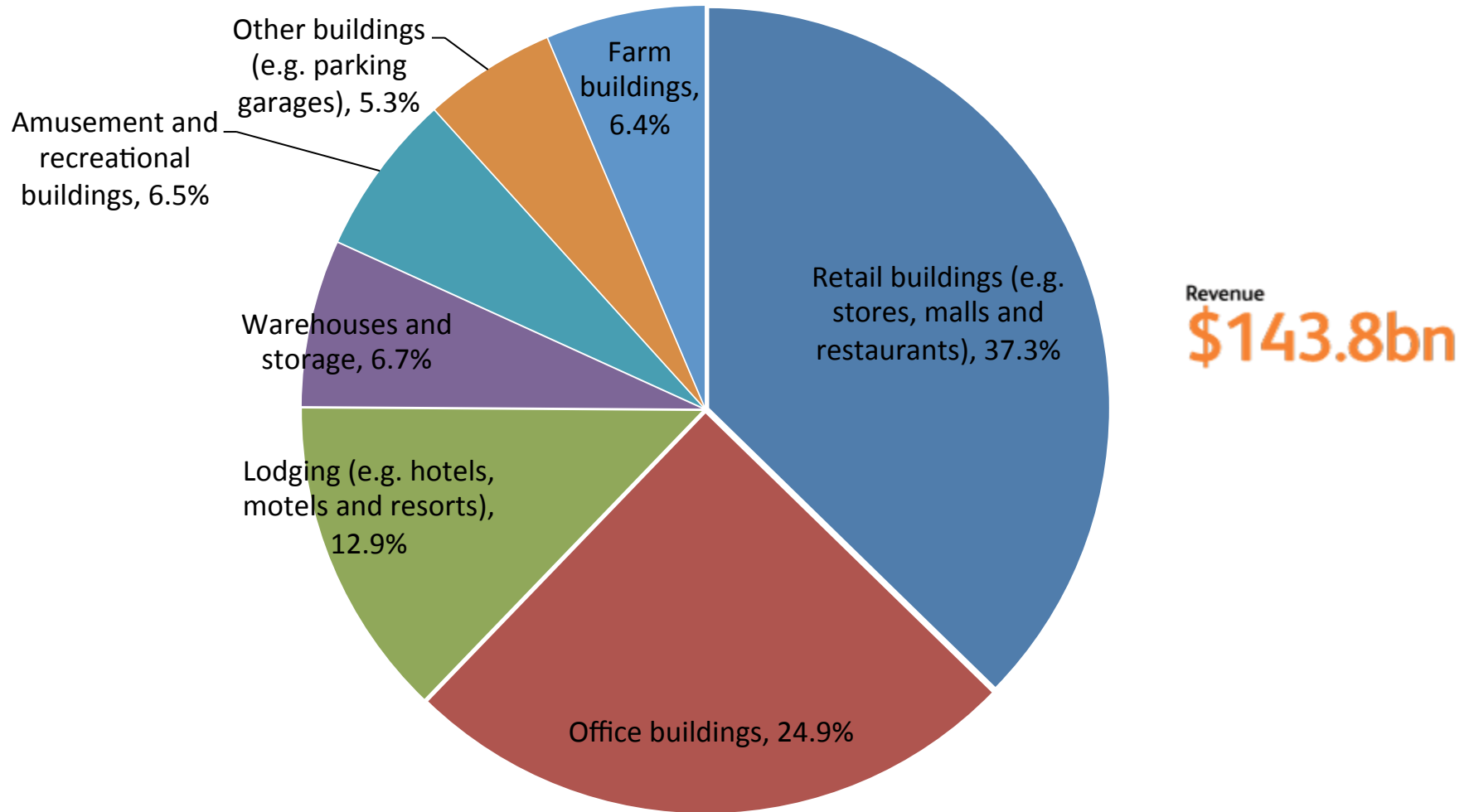


* Figures are inflation adjusted 2014 Dollars

Products & Services Segmentation



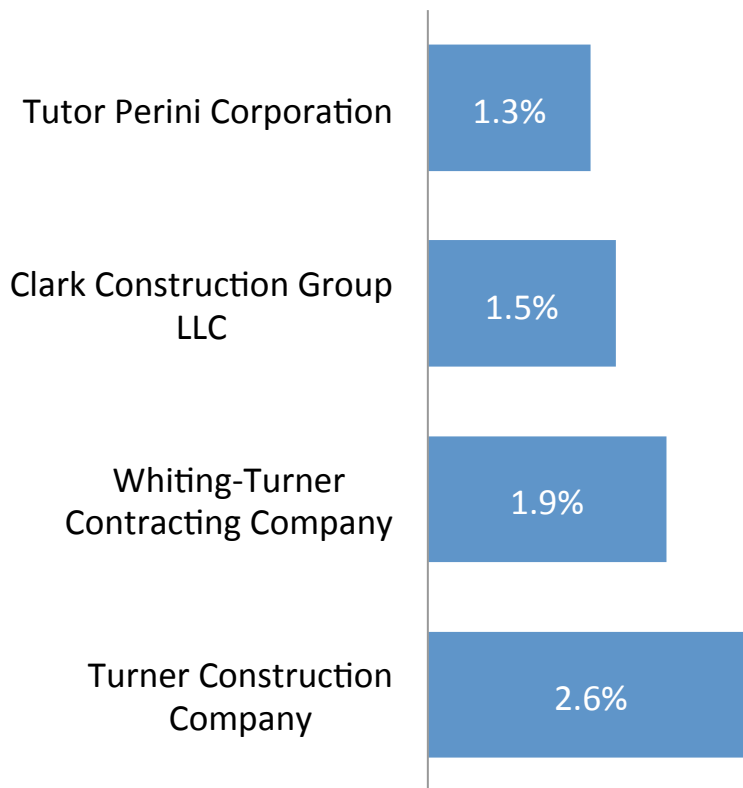
Major Market Segmentation



US Commercial Building Construction

Major Companies

Market Share



Major players

- A major player is a company that generates more than 5% of industry revenue.
- Often companies that have less than 5% market share are listed if they are fast growing or have an unique business model.
- Only the revenue earned by the company in this industry is calculated.
- The chart shows the market share of each major player and the collective concentration of all dominant industry players.

Revenue
\$143.8bn

Industry Performance

- The Commercial Building Construction industry struggled immensely during the recession. The collapse of the housing market and its subsequent strain on the financial sector set the stage for a stifled business sector with little need for new commercial space. A tightened credit market, high unemployment and low consumer spending also contributed to the industry's decline as businesses downsized or closed shop, which halted demand for new office, retail and warehouse construction. Stagnant growth in per capita disposable income also cut into demand for the hotel and recreation market. As a result, industry revenue is expected to fall at an average annual rate of 0.2%, to \$143.8 billion over the five years to 2014.
- Commercial construction typically lags behind the overall economy by one to two years, due in part to the length of construction contracts and the pipeline of projects that general contractors keep on the books. Industry revenue began to shrink in 2009, plummeting 28.2%, and dropped another 28.8% in 2010. During those years, most contractors' backlogs dried up, and many operators cut prices to stay competitive, leading profit margins to narrow significantly. In 2012, the average margin dropped to 1.9% of revenue from 3.0% in 2009. Profit margins are expected to make up some ground in 2014, reaching 2.0% and showing modest improvement as economic recovery stimulates demand for new commercial construction and operators gradually regain pricing power.
- Additionally, strong demand from key downstream markets has caused an increase in demand for new commercial construction. In the five years to 2014, corporate profit is anticipated to increase at an annualized 9.6% rate, indicating a healthier and stronger business sector. Coupled with decreasing office vacancy rates, these factors are expected to cause industry revenue to increase by 16.0% in 2014. Overall improvements across the US economy will boost strong industry growth during the next five years, with the need for new construction returning as businesses expand to meet growing consumer demand. Over the five years to 2019, industry revenue is anticipated to grow at an average annual rate of 5.4%, to reach \$186.7 billion.

Appendix I –US Commercial Building Construction

Key Financial Statistics

Year	Revenue (\$m)	Establishments (Units)	Enterprises (Units)	Employment (Units)	Wages (\$m)	Office Rental Vacancy Rate (%)
2005	174,218.20	53,947	53,555	1,769,661	83,593.70	12
2006	196,934.80	56,223	55,793	1,959,765	96,583.70	12
2007	195,839.80	60,558	60,018	1,883,491	100,241.70	10
2008	201,971.40	60,639	60,104	1,932,995	104,823.10	12
2009	145,021.80	58,867	58,305	1,684,029	74,927.70	15
2010	103,231.20	58,814	58,125	1,509,478	56,647.70	15
2011	102,683.20	58,524	57,949	1,407,847	57,344.50	17
2012	110,221.30	58,536	57,930	1,469,624	60,518.40	16
2013	123,924.60	61,669	59,755	1,505,443	62,352.30	16
2014	143,786.00	65,797	62,523	1,560,064	65,747.90	15
2015	152,744.50	68,038	63,889	1,590,237	67,974.20	13
2016	163,906.20	70,773	65,597	1,590,989	69,648.00	13
2017	174,927.20	73,268	66,927	1,675,471	73,611.50	12
2018	177,347.90	74,483	67,946	1,722,966	75,701.00	11
2019	186,675.80	76,452	69,237	1,837,030	78,573.10	11

* Figures are inflation adjusted 2014 Dollars

Appendix II – US Commercial Building Construction^{1,2}

- The market size is based on the North American Industry Classification System (NAICS). NAICS is the standard used by Federal statistical agencies in classifying business establishments for the purpose of collecting, analyzing, and publishing statistical data related to the U.S. business economy.
- This report covers NAICS category, 23622a Commercial Building Construction.
- This industry includes companies that are primarily responsible for work on the construction (i.e. new work, additions, alterations, maintenance and repairs) of office, retail, hotel, agricultural and entertainment buildings. Participants are general contractors or project managers. This industry excludes institutional buildings (e.g. hospitals and schools), heavy industrial buildings (e.g. factories and power plants) or infrastructure (e.g. communications towers or oil pipelines).
- The next slide shows a complete list of segments covered in this market size and forecast.

¹ North American Industry Classification System. (2013, September 13). Retrieved January 22, 2014, from census.gov: <http://www.census.gov/eos/www/naics/>

² NAICS Association. (2014, January 22). 423610 Electrical Apparatus and Equipment, Wiring Supplies, and Related Equipment Merchant Wholesalers . Retrieved January 22, 2014, from naics.com: <http://www.naics.com/censusfiles/ND423610.HTM>

Appendix III – US Commercial Building Construction Industry Definition 1,2

- The primary activities of this industry are
- Office building construction
- Hotel and motel construction
- Restaurant, cafe and bar construction
- Retail store construction
- Shopping center or shopping mall construction
- Commercial warehouse construction
- Service and gas station construction
- Auto service and sales store construction
- Entertainment and recreation building construction (e.g. casinos, gyms, cinemas and arenas)
- Radio and television broadcast studio construction

1 North American Industry Classification System. (2013, September 13). Retrieved January 22, 2014, from census.gov: <http://www.census.gov/eos/www/naics/>

2 NAICS Association. (2014, January 22). 423610 Electrical Apparatus and Equipment, Wiring Supplies, and Related Equipment Merchant Wholesalers . Retrieved January 22, 2014, from naics.com: <http://www.naics.com/censusfiles/ND423610.HTM>

Appendix IV – Frequently Asked Questions about NAICS¹

What is an establishment?

An establishment is generally a single physical location where business is conducted or where services or industrial operations are performed (e.g., factory, mill, store, hotel, movie theater, mine, farm, airline terminal, sales office, warehouse, or central administrative office). An enterprise, on the other hand, may consist of more than one location performing the same or different types of economic activities. Each establishment of that enterprise is assigned a NAICS code based on its own primary business activity.

What is a “primary business activity?”

Ideally, the primary business activity of an establishment is determined by relative share of production costs and/or capital investment. In practice, other variables, such as revenue, value of shipments, or employment, are used as proxies. The Census Bureau generally uses revenue or value of shipments to determine an establishment’s primary business activity.

Who assigns NAICS codes to businesses and how?

There is no central government agency with the role of assigning, monitoring, or approving NAICS codes for establishments. Individual establishments are assigned NAICS codes by various agencies for various purposes using a variety of methods.

The U.S. Census Bureau has no formal role as an arbitrator of NAICS classification.

The U.S. Census Bureau assigns one NAICS code to each establishment based on its primary activity (generally the activity that generates the most revenue for the establishment) to collect, tabulate, analyze, and disseminate statistical data describing the economy of the United States. Generally, the U.S. Census Bureau’s NAICS classification codes are derived from information that the business establishment provided on surveys, census forms, or administrative records.

Various other government agencies, trade associations, and regulation boards adopted the NAICS classification system to assign codes to their own lists of establishments for their own programmatic needs. If you question the NAICS code contained on a form received from an agency other than the U.S. Census Bureau, you should contact that agency directly.

Can a business have more than one NAICS code?

In the process of collecting, tabulating, presenting, and analyzing statistical data, the U.S. Census Bureau assigns and maintains only one NAICS code for each establishment based on its primary activity (generally the activity that generates the most revenue for the establishment).

¹ North American Industry Classification System. United States Census Bureau.