

ASSOCIATED GENERAL CONTRACTORS OF MINNESOTA CONSTRUCTION INDUSTRY ASSESSMENT 2016-2017



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The mission of the Association is to promote the legislative and economic strength, image and well-being of the Minnesota construction industry, while maintaining the core values of skill, responsibility and integrity. The Association is a recognized chapter of the Associated General Contractors of America (AGC of America) and the American Road and Transportation Builders Association (ARTBA). This association is an Equal Opportunity Employer and shall not unlawfully discriminate on the basis of race, color, creed, religion, national origin, sex, marital status, status with regard to public assistance, sexual orientation, disability, or age. The Association shall strive to maintain a professional, respectful and drug free workplace for all, and will not tolerate sexual harassment, physical assault, verbal threats, or illicit drug or chemical use. AGC of Minnesota is firmly committed to full and open competition in the construction industry. AGC of Minnesota will conduct its activities in strict compliance with applicable antitrust laws. No director, officer, committee member, AGC of Minnesota member or representative of an AGC of Minnesota member shall engage in any discussion or practice which constitutes or implies any improper agreement or action concerning: prices, discounts, or terms or conditions of sale; profits, profit margins or cost data; market shares, sales territories or markets; allocation of customers or territories; selection, rejection or termination of customers or suppliers; manipulation of the bidding process; boycotts; or any other matter prohibited by the AGC of Minnesota Antitrust Policy.



Executive Summary

We are pleased to release the AGC of Minnesota Construction Industry Assessment 2016–2017. The survey was conducted electronically via Survey Monkey, is voluntary, and requests one response per company. It opened on August 23, 2016 and closed on October 1, 2016.

There were 204 responses this year, down from 212 responses last year. The survey is balanced between contractor types and industry sectors.

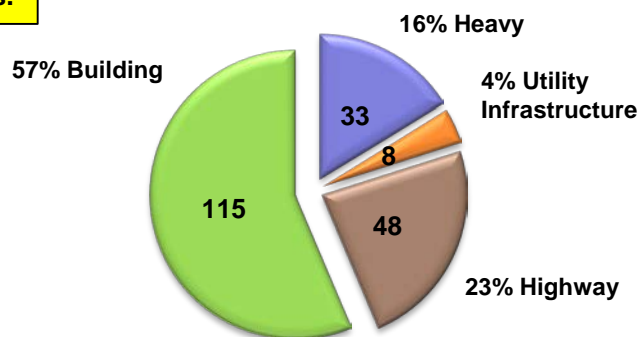
A few highlights of the survey are:

- Looking ahead to 2017, all firm types report (1) an increase in declining market conditions and (2) a decrease in improving conditions.
- Participants continue to report healthy partnering relationships with clients/owners.
- Credit availability remains favorable.
- Respondents reported more unfavorable than favorable business conditions, including the 2016 state legislative session as unfavorable.
- The availability of a skilled workforce stands out again as having a negative/extremely negative influence on business conditions. Workforce availability is having more of a negative impact on general contractors than on any other group.
- Generally, craft workers are more difficult to recruit than professional workers. On the craft side, Carpenters, Operators, Laborers, and Truck Drivers are the most difficult to recruit.
- The two biggest challenges being faced in 2017 and beyond are (1) assembling and maintaining a skilled workforce and (2) discovering new markets and developing new leadership.
- Most participants see the Minnesota construction economy as decelerating through 2017, but not a dramatic decline.



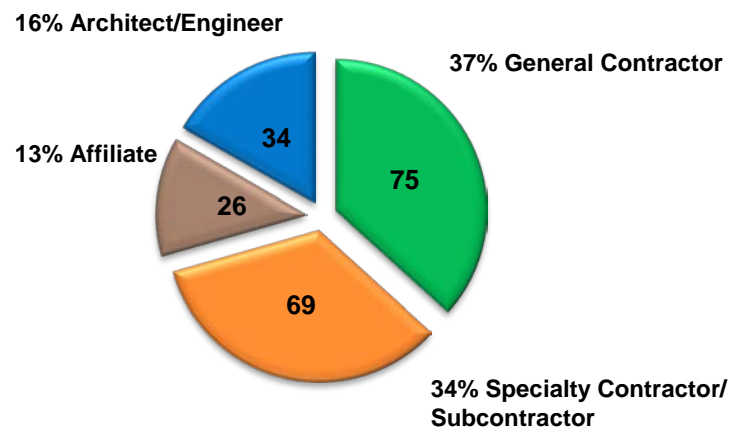
1. Please indicate your primary industry sector.

204 total responses.



57% of respondents are from the Building sector and 43% are from the Highway Heavy and UI sectors

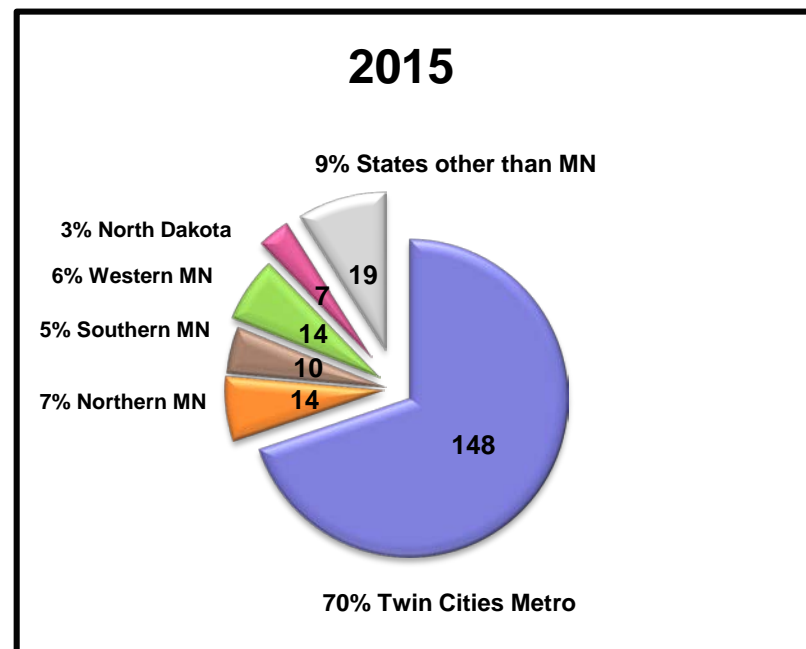
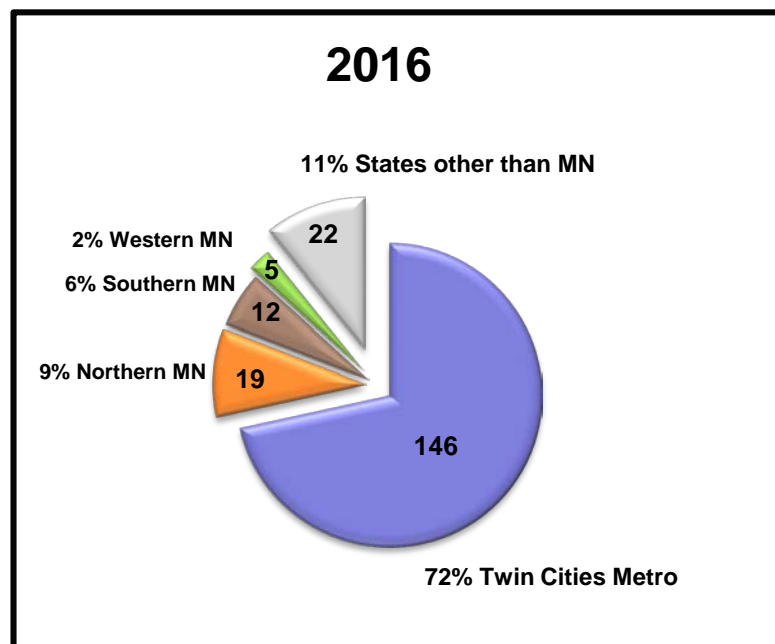
2. Which of the following best describes your firm?



71% of respondents are contractors



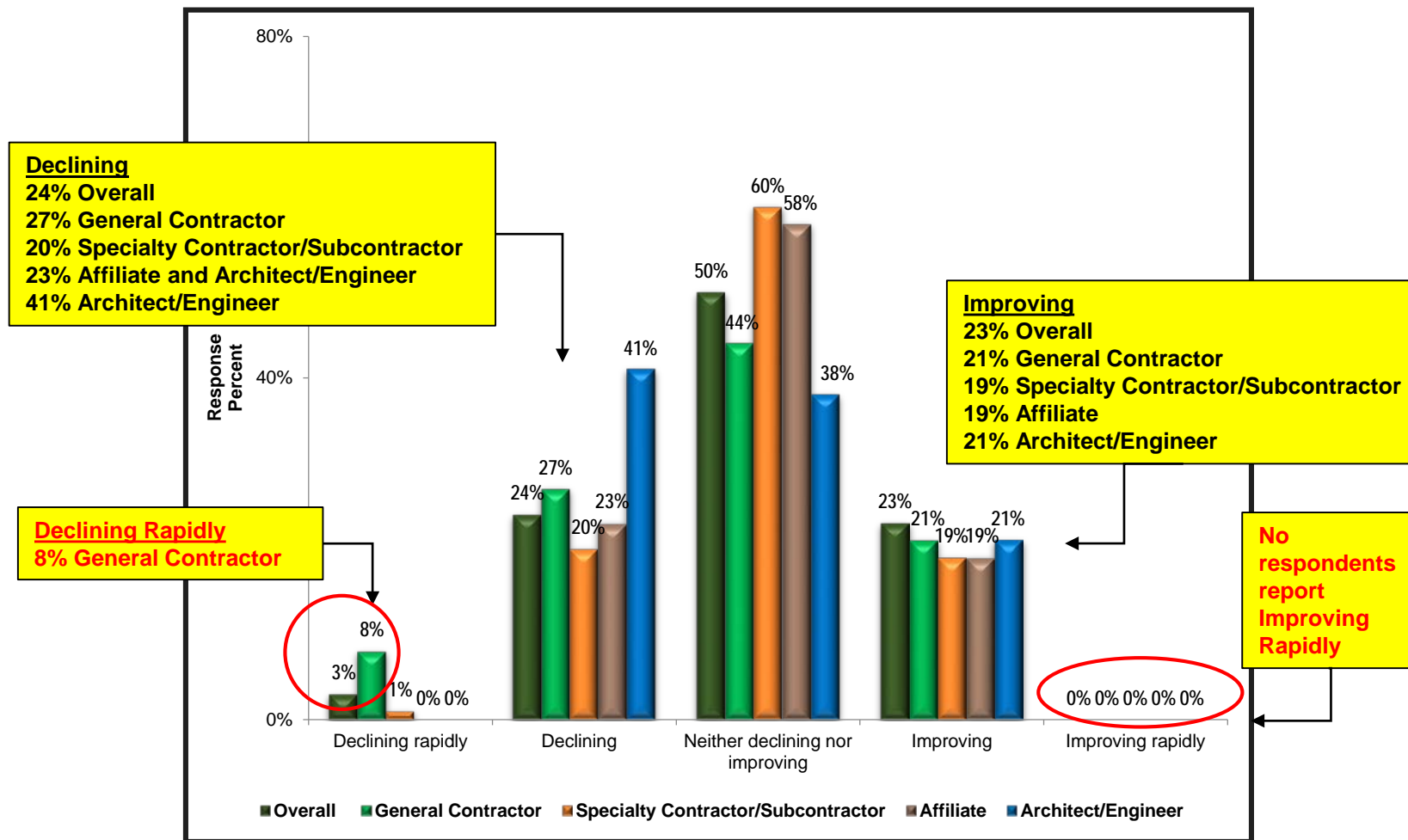
3. Please indicate the primary geographic area where you perform work.



In 2016, 72% of respondents report their primary work area is the Twin Cities Metro

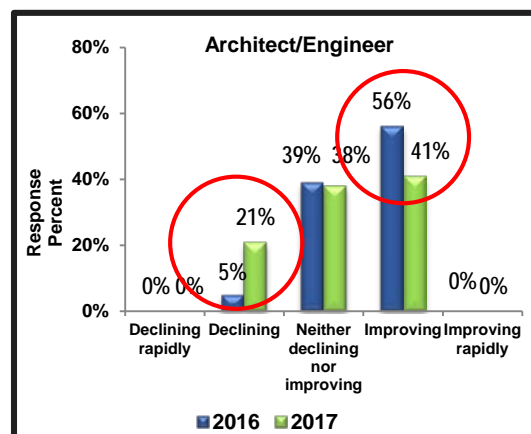
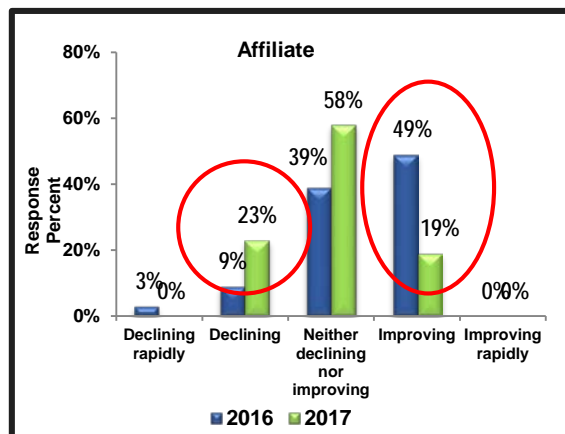
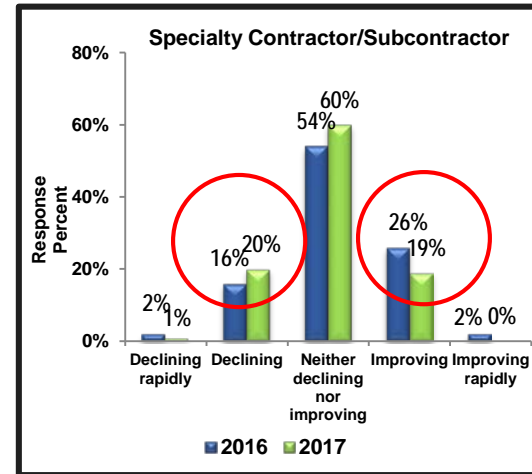
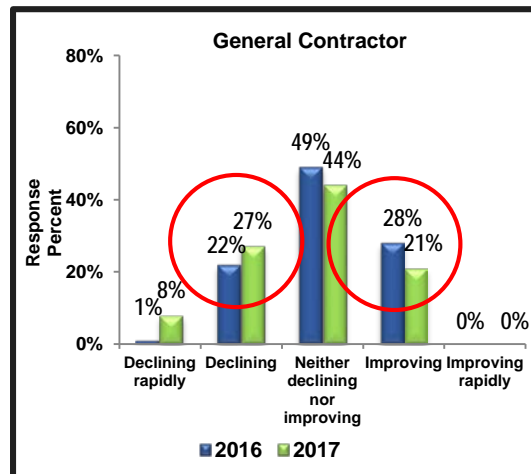
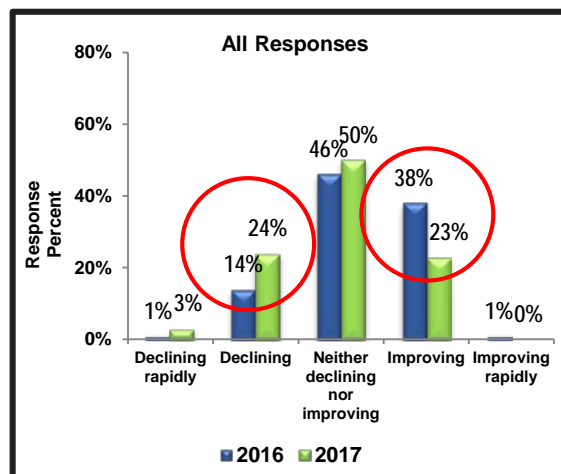


4. Looking ahead to 2017 in Minnesota, you see market conditions affecting your firm to be:





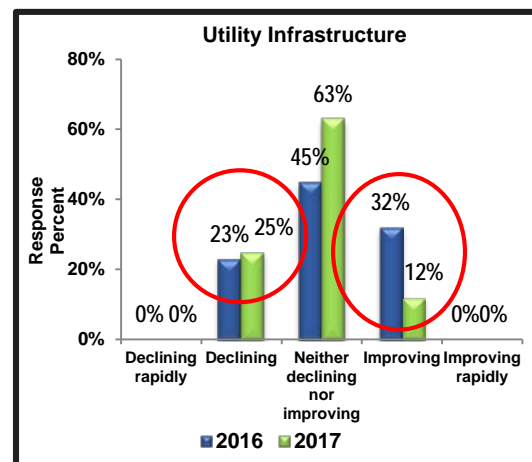
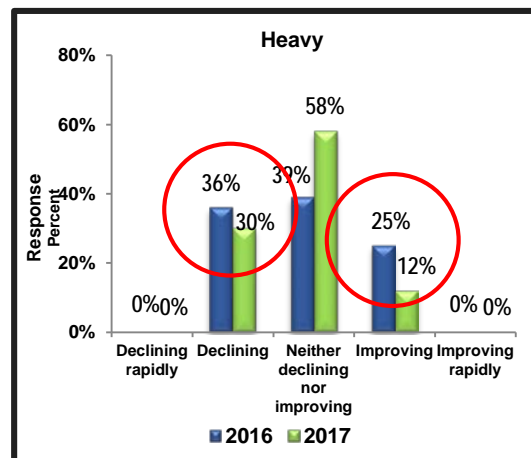
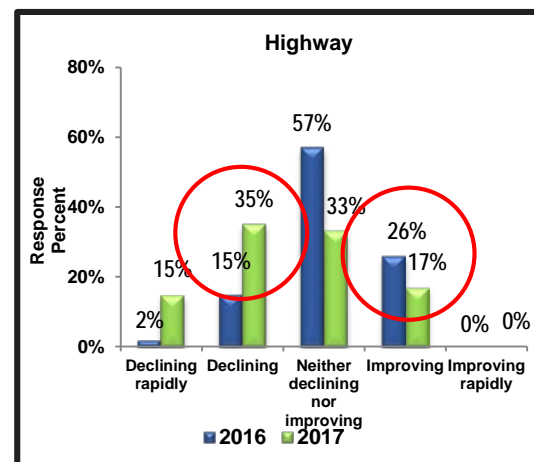
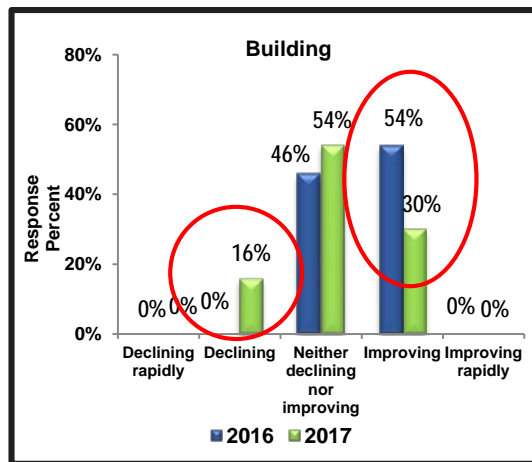
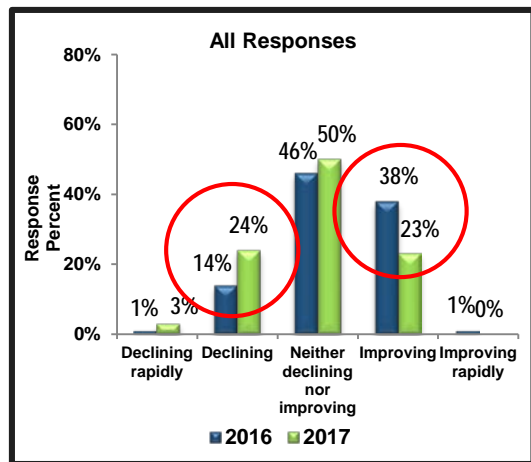
4. Looking ahead to 2017 in Minnesota, you see market conditions affecting your firm to be: (All Responses, General Contractor, Specialty Contractor/Subcontractor, Affiliate, Architect/Engineer)



Looking ahead to 2017, all firm types report an increase in declining market conditions and a decrease in improving conditions.



4. Looking ahead to 2017 in Minnesota, you see market conditions affecting your firm to be: (All Responses, Building, Highway, Heavy, Utility Infrastructure)

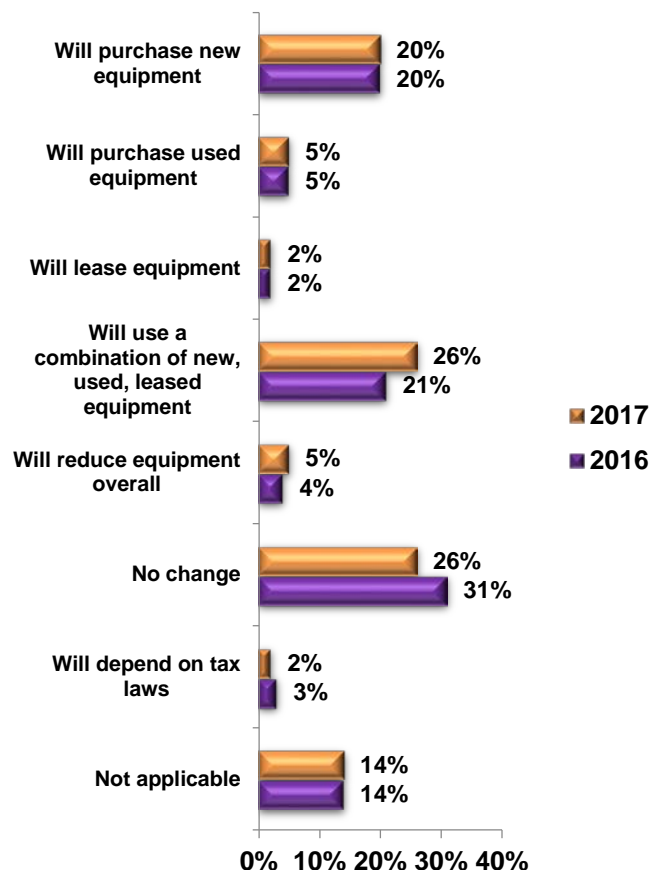


Looking to 2017, all sectors except Heavy predict an increase in declining market conditions. All sectors report a decline in improving conditions.

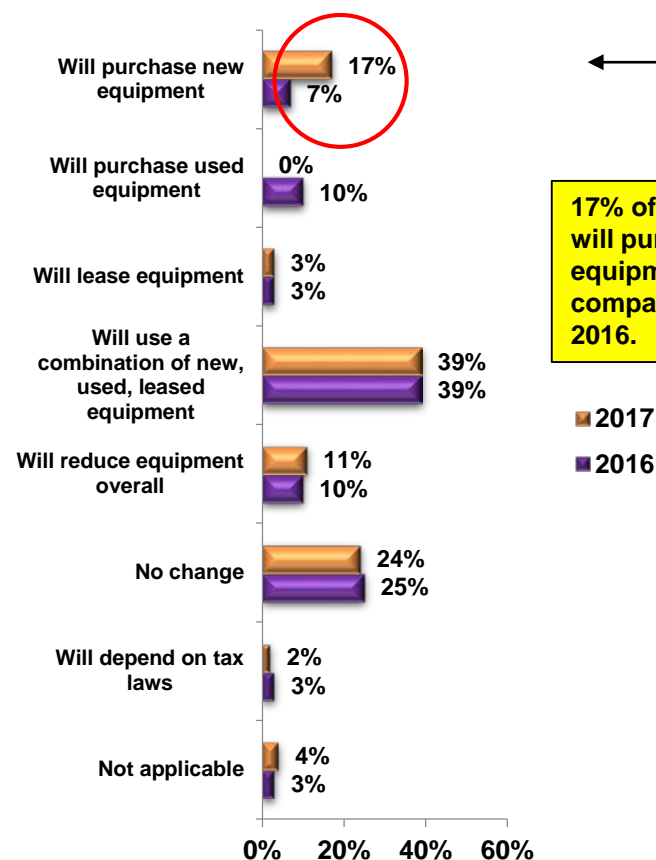


5. Your plans for equipment additions and reductions for 2017 can best be described as: (All Responses, General Contractor, Specialty Contractor/Subcontractor, Building, Highway, Heavy, Utility Infrastructure)

All Responses



General Contractor

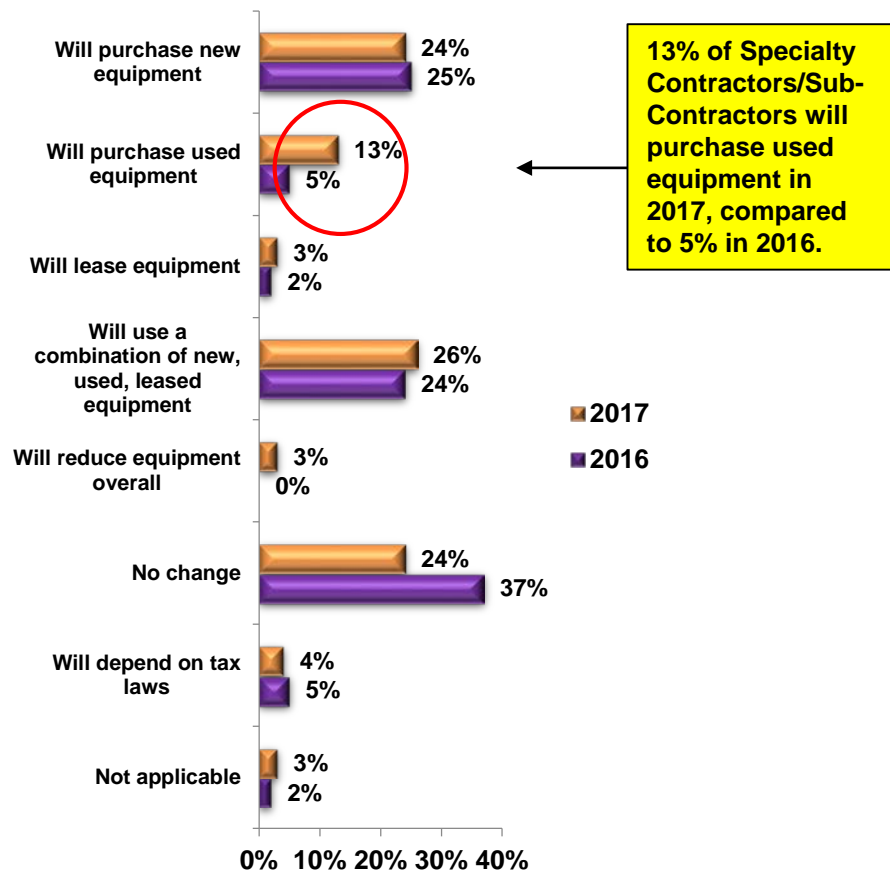


17% of General Contractors will purchase new equipment in 2017, compared to only 7% in 2016.

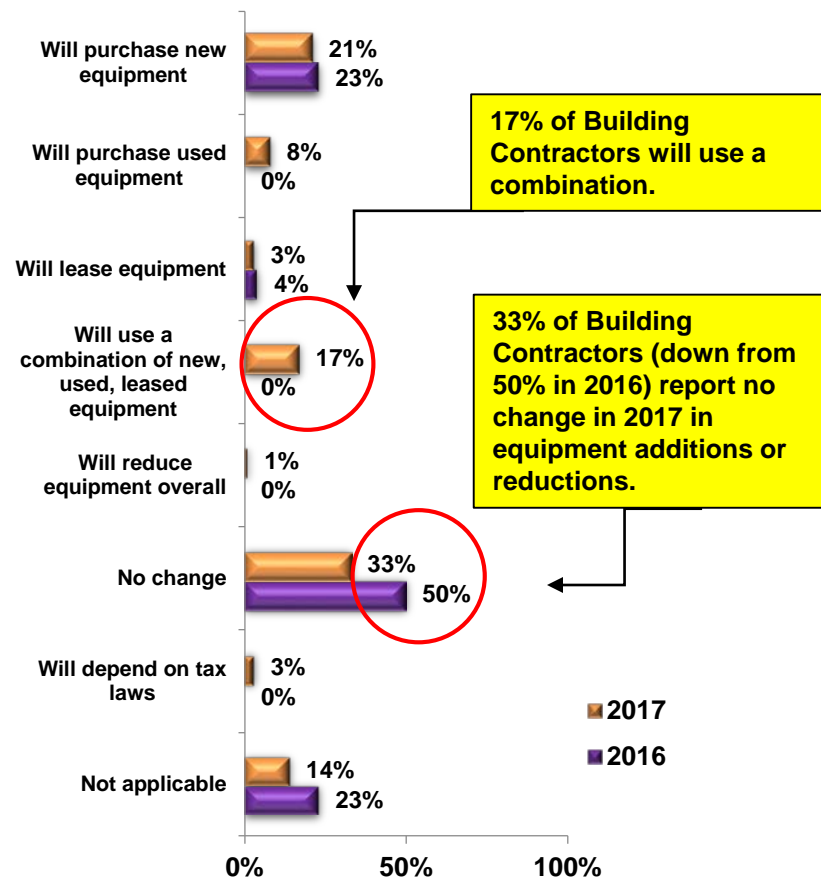


5. Your plans for equipment additions and reductions for 2017 are best described as: (All Responses, General Contractor, Specialty Contractor/Subcontractor, Building, Highway, Heavy, Utility Infrastructure)

Specialty Contractor/Subcontractor

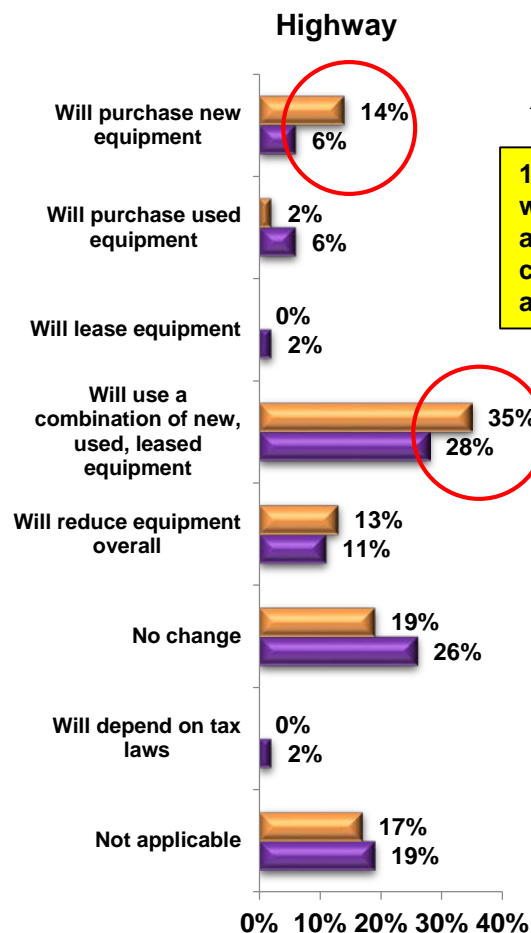


Building

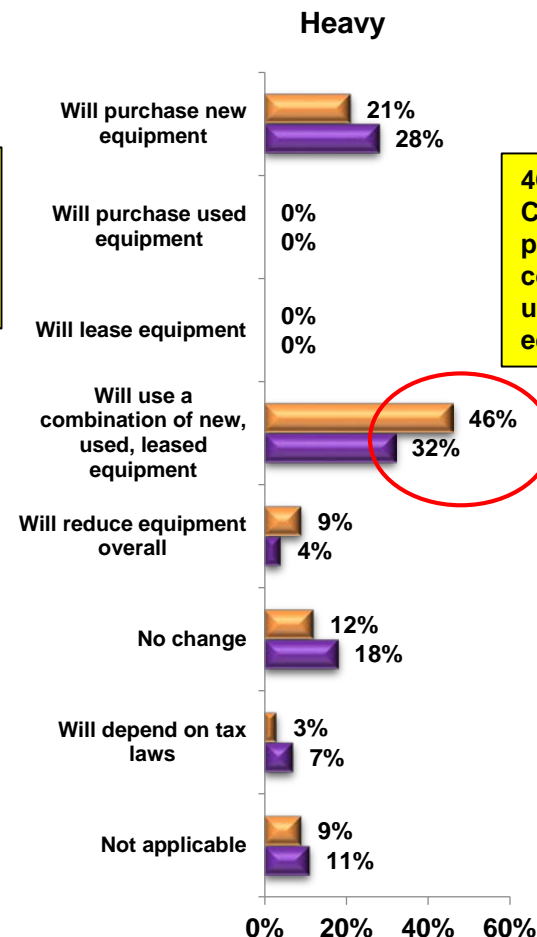




5. Your plans for equipment additions and reductions for 2017 can best be described as: (All Responses, General Contractor, Specialty Contractor/Subcontractor, Building, Highway, Heavy, Utility Infrastructure)



14% of Highway Contractors will purchase new equipment and 35% will purchase a combination of new, used, and leased equipment in 2017.

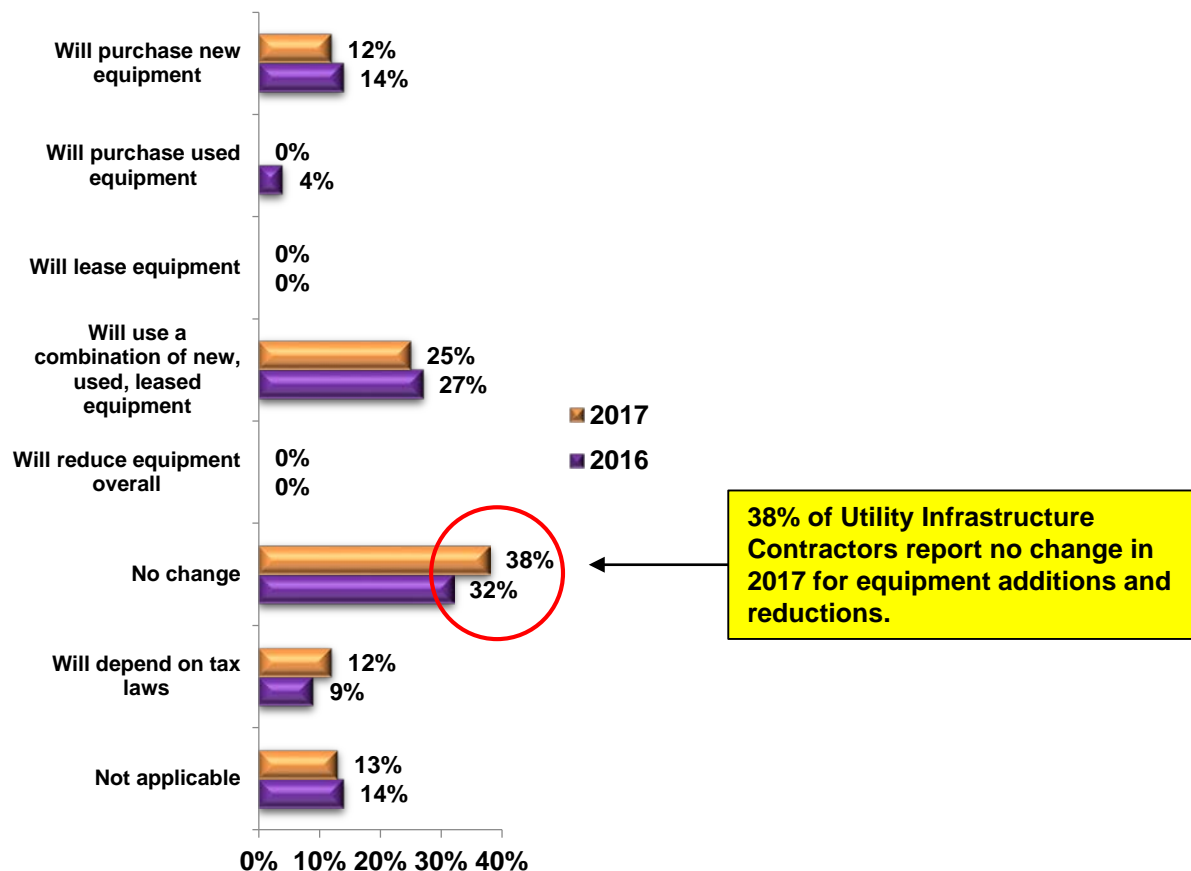


46% of Heavy Contractors will purchase a combination of new, used, and leased equipment in 2017.



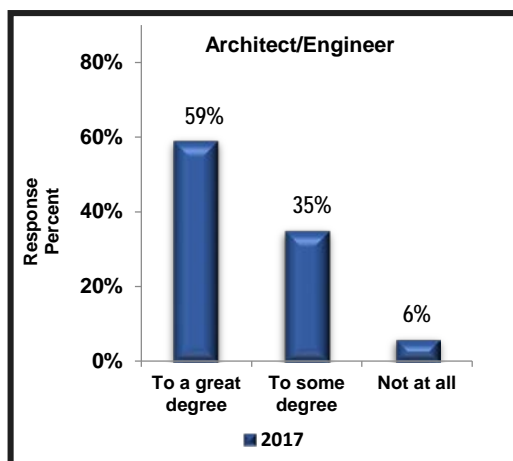
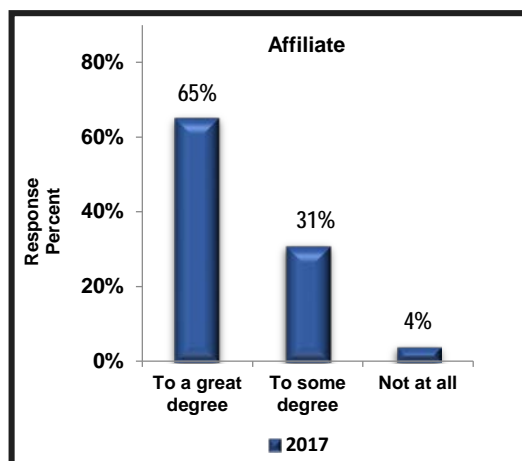
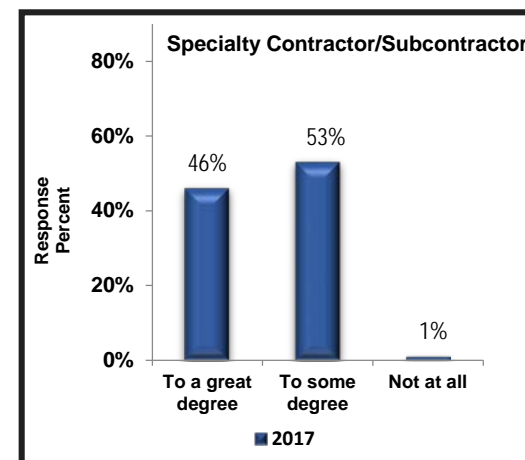
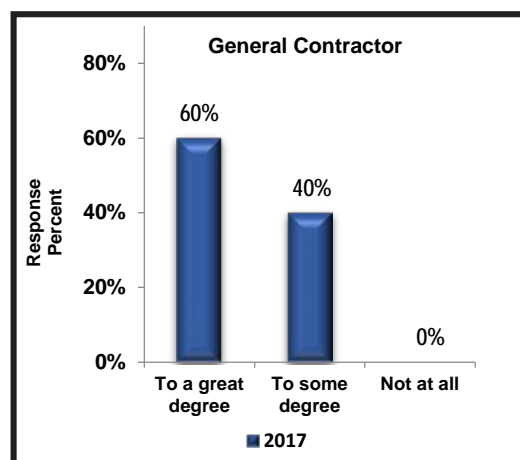
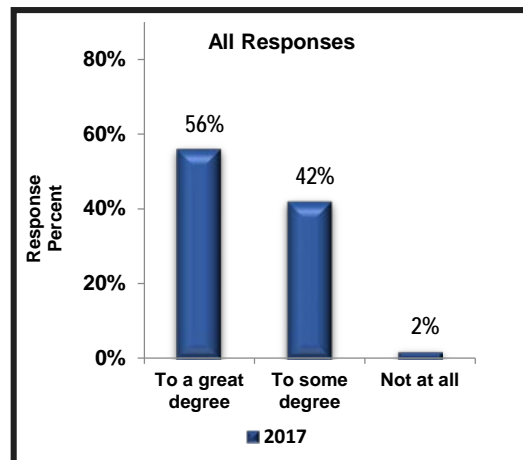
5. Your plans for equipment additions and reductions for 2017 can best be described as: (All Responses, General Contractor, Specialty Contractor/Subcontractor, Building, Highway, Heavy, Utility Infrastructure)

Utility Infrastructure





6. To what degree do you believe your company business model is relevant to Minnesota's current construction industry?



Believe their company business model is relevant to a great degree:

**56% All Responses
60% General Contractor
46% Specialty Contractor/Subcontractor
65% Affiliate
59% Architect/Engineer**



7. Below are factors that have been identified as important conditions in our industry, resulting in either positive or negative influence on business conditions. How do you expect the following factors to impact your business through 2017?

All Responses

	Response Count	Extremely positive	Positive	Neither positive nor negative	Negative	Extremely negative	
Credit availability	204	4%	46%	45%	4%	1%	
Project funding	204	6%	29%	28%	30%	7%	
State legislature	204	3%	13%	28%	35%	21%	56%
The November elections	204	2%	12%	41%	36%	9%	
Cost of construction labor	201	1%	6%	42%	46%	5%	51%
Integrated Project Delivery (IDP)	201	1%	21%	69%	7%	2%	
Availability of skilled workforce	204	2%	10%	17%	57%	14%	71% **
Cost of materials	204	1%	8%	63%	27%	1%	
DBE compliance	204	3%	7%	30%	38%	22%	60%
Mandated hiring goals	204	1%	2%	33%	39%	25%	64%
Worker productivity	200	2%	26%	45%	25%	2%	
Healthy partnering relationship with clients/owners	204	15%	51%	29%	5%	0%	66%
Public Private Partnerships (P3)	204	6%	28%	55%	8%	3%	



7. Below are factors that have been identified as important conditions in our industry, resulting in either positive or negative influence on business conditions. How do you expect the following factors to impact your business through 2017?

General Contractor

	Response Count	Extremely positive	Positive	Neither positive nor negative	Negative	Extremely negative	
Credit availability	74	4%	41%	50%	5%	0%	
Project funding	75	4%	17%	31%	31%	17%	
State legislature	75	3%	9%	21%	35%	32%	67%
The November elections	75	1%	9%	38%	35%	17%	
Cost of construction labor	75	0%	5%	39%	47%	9%	56%
Integrated Project Delivery (IDP)	75	0%	21%	64%	12%	3%	
Availability of skilled workforce	75	1%	7%	8%	67%	17%	84% **
Cost of materials	75	0%	8%	63%	29%	0%	
DBE compliance	75	0%	1%	20%	51%	28%	79%
Mandated hiring goals	75	0%	1%	23%	48%	28%	76%
Worker productivity	74	0%	20%	43%	34%	3%	
Healthy partnering relationship with clients/owners	75	8%	49%	38%	5%	0%	
Public Private Partnerships (P3)	75	3%	25%	59%	9%	4%	



7. Below are factors that have been identified as important conditions in our industry, resulting in either positive or negative influence on business conditions. How do you expect the following factors to impact your business through 2017?

Specialty Contractor/Subcontractor

	Response Count	Extremely positive	Positive	Neither positive nor negative	Negative	Extremely negative	
Credit availability	69	4%	54%	37%	4%	2%	
Project funding	69	4%	36%	27%	31%	2%	
State legislature	69	0%	13%	40%	31%	16%	
The November elections	69	1%	13%	37%	42%	7%	
Cost of construction labor	69	1%	6%	34%	53%	6%	59%
Integrated Project Delivery (IDP)	68	1%	19%	75%	3%	2%	
Availability of skilled workforce	69	3%	17%	11%	49%	20%	69%
Cost of materials	69	1%	9%	63%	27%	0%	
DBE compliance	69	3%	10%	31%	33%	23%	56%
Mandated hiring goals	69	1%	3%	23%	42%	31%	73% **
Worker productivity	68	1%	32%	43%	21%	3%	
Healthy partnering relationship with clients/owners	69	17%	53%	26%	4%	0%	70%
Public Private Partnerships (P3)	69	6%	30%	54%	9%	1%	



7. Below are factors that have been identified as important conditions in our industry, resulting in either positive or negative influence on business conditions. How do you expect the following factors to impact your business through 2017?

Affiliate

	Response Count	Extremely positive	Positive	Neither positive nor negative	Negative	Extremely negative
Credit availability	26	15%	54%	27%	4%	0%
Project funding	26	11%	31%	31%	27%	0%
State legislature	25	4%	24%	36%	24%	12%
The November elections	26	4%	12%	61%	23%	0%
Cost of construction labor	23	0%	9%	52%	39%	0%
Integrated Project Delivery (IDP)	26	0%	19%	73%	8%	0%
Availability of skilled workforce	26	0%	4%	42%	50%	4%
Cost of materials	26	4%	8%	77%	11%	0%
DBE compliance	26	4%	8%	42%	31%	15%
Mandated hiring goals	26	4%	0%	54%	31%	11%
Worker productivity	25	4%	28%	48%	20%	0%
Healthy partnering relationship with clients/owners	26	8%	50%	35%	7%	0%
Public Private Partnerships (P3)	26	0%	31%	57%	8%	4%



7. Below are factors that have been identified as important conditions in our industry, resulting in either positive or negative influence on business conditions. How do you expect the following factors to impact your business through 2017?

Architect/Engineer

	Response Count	Extremely positive	Positive	Neither positive nor negative	Negative	Extremely negative
Credit availability	34	0%	35%	65%	0%	0%
Project funding	34	9%	38%	24%	29%	0%
State legislature	34	12%	12%	14%	50%	12%
The November elections	34	6%	15%	41%	35%	3%
Cost of construction labor	33	0%	9%	58%	33%	0%
Integrated Project Delivery (IDP)	32	0%	28%	63%	6%	3%
Availability of skilled workforce	34	6%	9%	26%	56%	3%
Cost of materials	34	0%	9%	53%	35%	3%
DBE compliance	34	9%	15%	38%	26%	12%
Mandated hiring goals	34	0%	6%	61%	18%	15%
Worker productivity	33	9%	24%	52%	15%	0%
Healthy partnering relationship with clients/owners	34	32%	50%	15%	3%	0%
Public Private Partnerships (P3)	34	18%	29%	47%	3%	3%

62%

82% **

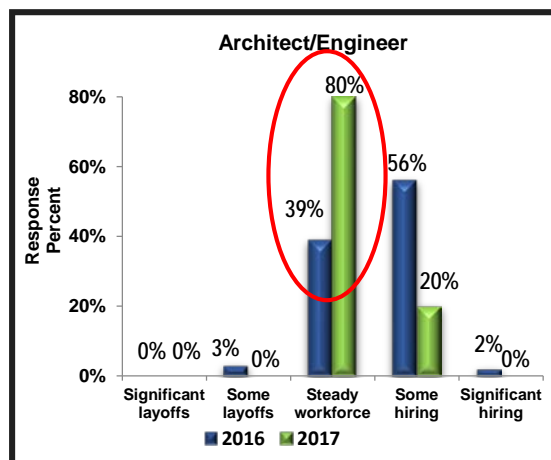
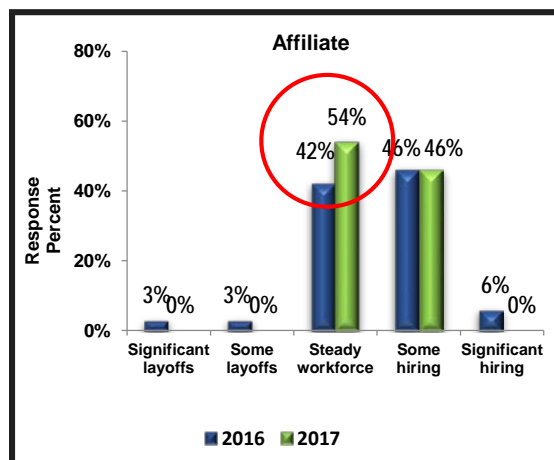
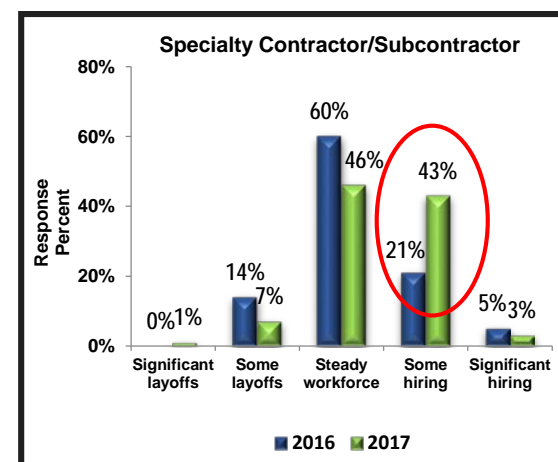
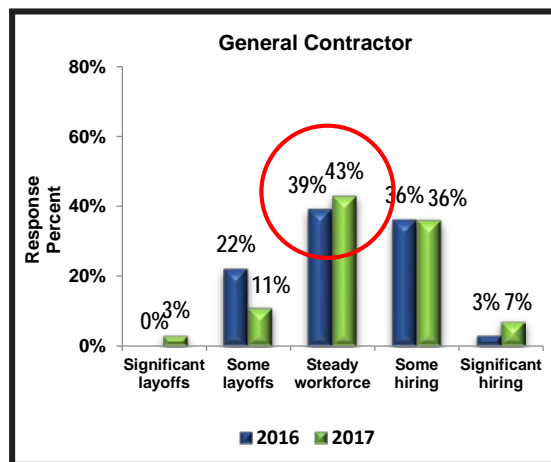
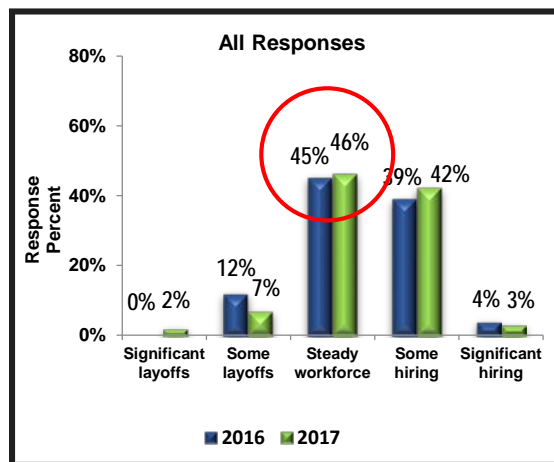


Question 7 Comments

1. Nobody wants to work hard labor anymore!
2. Not able to bid on projects due to mandated minority requirements. My company is required to hire from the union hall, and the union does not have a 32% minority or a 6% female membership. Small companies need trained and skilled employees. In my opinion, this is the largest negative factor that effects small DBEs.
3. Minnesota regulatory hurdles – have ranked worst in the entire nation! People should be outraged about private infrastructure projects such as pipelines facing state government red tape (and flat out bullshit) when other projects can effectively “circle the state” getting approval for similar projects (i.e., Dakota Access Pipeline’s timely approvals in ND, SD, IA, and IL) has effectively killed the Sandpiper Pipeline through Minnesota.
4. Minnesota risks the loss of \$856M for failure to add \$135M to the budget. Our infrastructure has seen the last of the 2008 funding. Yet, the division between the legislature and governor is a chasm.
5. No bonding bill has a huge impact on everything.
6. Legislation is needed so that condos can be built without lawsuits following their completion.
7. Everything has gone into slow motion since the Legislature failed to act on transportation funding.



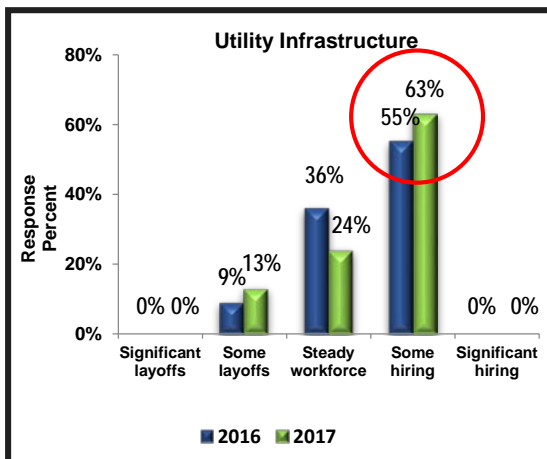
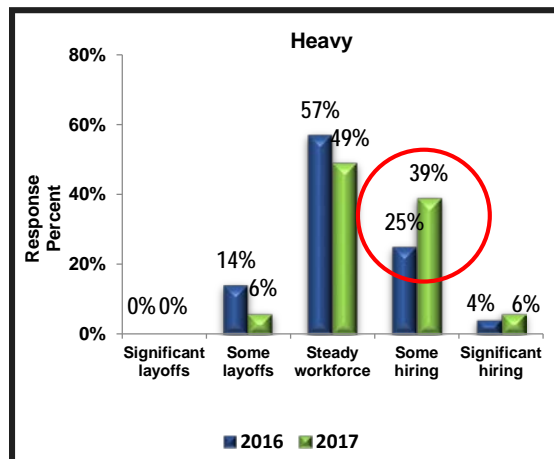
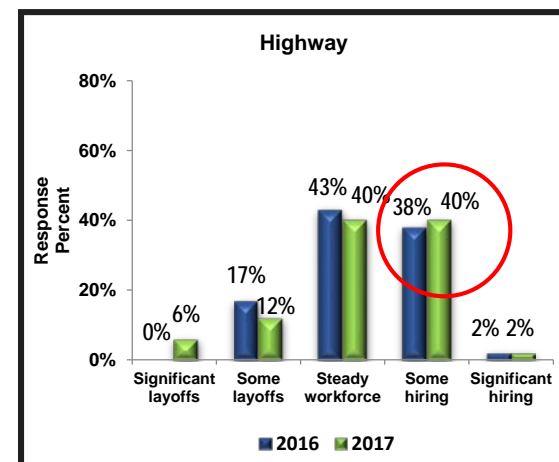
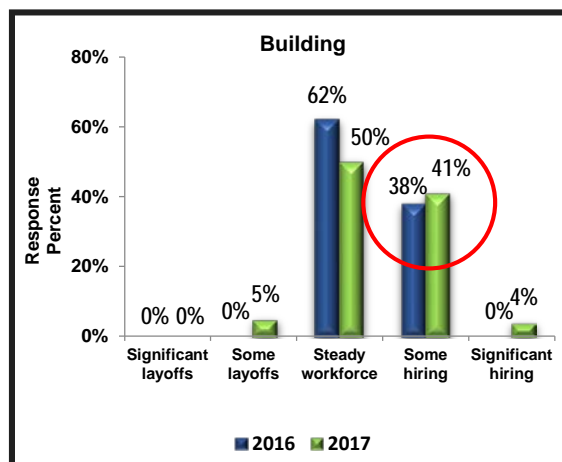
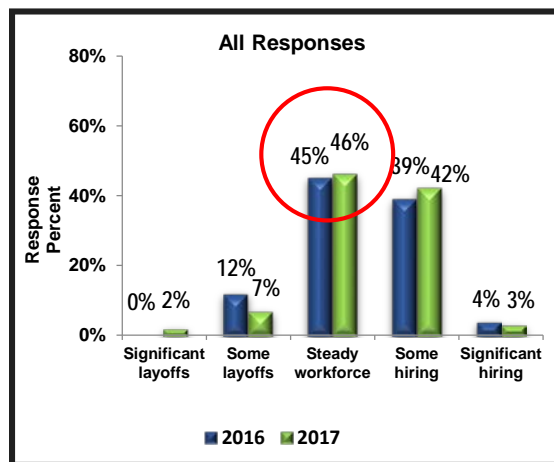
8. Your general workforce plans for 2017 are best described as: (All Responses, General Contractor, Specialty Contractor/Subcontractor, Affiliate, Architect/Engineer)



Workforce plans for 2017:
 All Respondents - 46% Steady workforce
 General Contractor - 43% Steady workforce
 Specialty Contractor/Subcontractor - 43% Some hiring
 Affiliate - 54% Steady workforce
 Architect/Engineer - 80% Steady workforce



8. Your general workforce plans for 2017 are best described as: : (All Responses, Building, Highway, Heavy, Utility Infrastructure)



Workforce plans for 2017:
 All respondents - 46% Steady workforce
 Building – 41% Some hiring
 Highway – 40% Some hiring
 Heavy – 39% Some hiring
 Utility Infrastructure – 63% Some hiring



9. With 1 being least difficult and 5 being most difficult, how would you rate your professional workforce hiring challenges? (professional workforce means estimators, PMs, office staff, etc.)

	1 Least Difficult	2	3	4	5 Most Difficult	N/A	Total
All Responses	4%	10%	26%	41%	11%	8%	204
General Contractor	3%	13%	27%	45%	11%	1%	74
Specialty Contractor/ Subcontractor	4%	13%	27%	41%	9%	6%	69
Affiliate	0%	0%	12%	28%	16%	44%	25
Architect/Engineer	6%	2%	18%	38%	21%	15%	34

Difficult

All respondents – 67%
General Contractor – 72%
Specialty Contractor/
Subcontractor – 68%

Difficult/Most Difficult

Affiliate – 44%
Architect/Engineer – 59%



10. With 1 being least difficult and 5 being most difficult, how would you rate your craft workforce hiring challenges? (craft workforce means your field labor force)

	1 Least Difficult	2	3	4	5 Most Difficult	N/A	Total
All Responses	2%	4%	22%	32%	24%	16%	204
General Contractor	1%	4%	26%	39%	29%	1%	74
Specialty Contractor/ Subcontractor	1%	7%	26%	33%	33%	0%	69

Difficult/Most Difficult
All Responses – 56%
General Contractor – 68%
Specialty Contractor/
Subcontractor – 66%



11. With 1 being least difficult and 5 being most difficult, please indicate your degree of difficulty in hiring professional positions. (All Responses, General Contractor, Specialty Contractor/Subcontractor, Affiliate, Architect/Engineer)

All Responses

	1 Least Difficult	2	3	4	5 Most Difficult	N/A	Total
Estimating professionals	2%	10%	20%	19%	28%	21%	200
Project managers/supervisors	3%	9%	20%	41%	15%	12%	199
Engineers	2%	10%	17%	21%	10%	40%	202
Business development	3%	12%	25%	17%	8%	35%	200
Safety professionals	4%	15%	27%	18%	6%	30%	196
Design professionals	4%	12%	15%	16%	8%	45%	201

Difficult
Safety professionals – 27%

More Difficult
Project managers/
supervisors – 61%
Business development – 42%

Most Difficult
Estimating professionals – 28%

General Contractor

	1 Least Difficult	2	3	4	5 Most Difficult	N/A	Total
Estimating professionals	4%	11%	16%	33%	31%	5%	75
Project managers/supervisors	5%	8%	19%	51%	14%	3%	74
Engineers	1%	16%	16%	19%	6%	42%	74
Business development	2%	12%	28%	19%	8%	31%	74
Safety professionals	4%	20%	28%	20%	14%	14%	74
Design professionals	4%	18%	14%	9%	1%	54%	74

More Difficult
Business development – 47%
Safety professionals – 48%

Difficult/Most Difficult
Estimating professionals – 64%
Project managers/
supervisors – 65%



11. With 1 being least difficult and 5 being most difficult, please indicate your degree of difficulty in hiring professional positions. (All Responses, General Contractor, Specialty Contractor/Subcontractor, Affiliate, Architect/Engineer)

Specialty Contractor/Subcontractor

	1 Least Difficult	2	3	4	5 Most Difficult	N/A	Total
Estimating professionals	2%	14%	30%	31%	14%	9%	69
Project managers/supervisors	1%	13%	29%	37%	14%	6%	69
Engineers	3%	10%	16%	16%	7%	48%	69
Business development	6%	10%	21%	13%	9%	41%	69
Safety professionals	4%	12%	30%	19%	3%	32%	68
Design professionals	4%	7%	16%	15%	6%	52%	68

Difficult
Safety professionals – 30%

Difficult/More Difficult
Estimating professionals – 61%
Project managers/
supervisors – 66%

Affiliate

	1 Least Difficult	2	3	4	5 Most Difficult	N/A	Total
Estimating professionals	0%	8%	17%	21%	0%	54%	24
Project managers/supervisors	0%	4%	13%	33%	0%	50%	24
Engineers	0%	4%	25%	13%	8%	50%	24
Business development	0%	13%	33%	17%	4%	33%	24
Safety professionals	0%	12%	28%	20%	0%	40%	25
Design professionals	0%	8%	21%	21%	0%	50%	24

Difficult
Business development – 33%
Safety professionals – 28%

More Difficult
Project manager/supervisors – 33%



11. With 1 being least difficult and 5 being most difficult, please indicate your degree of difficulty in hiring professional positions. (All Responses, General Contractor, Specialty Contractor/Subcontractor, Affiliate, Architect/Engineer)

Architect/Engineer

	1 Least Difficult	2	3	4	5 Most Difficult	N/A	Total
Estimating professionals	2%	2%	6%	13%	10%	67%	31
Project managers/supervisors	3%	3%	10%	32%	28%	24%	31
Engineers	3%	3%	18%	41%	26%	9%	34
Business development	3%	16%	16%	24%	6%	35%	32
Safety professionals	4%	14%	14%	7%	0%	61%	28
Design professionals	6%	9%	15%	32%	29%	9%	34

More Difficult/Most Difficult
Project managers/
supervisors – 60%
Engineers – 67%
Design professionals – 61%



Question 11 Comments

1. We are a very small family business.
2. Obtaining talent with experience is difficult as they have many options from which to choose.



12. With 1 being least difficult and 5 being most difficult, please indicate the degree of difficulty in hiring for these qualified craft worker positions. (All Responses, General Contractor, Specialty Contractor/Subcontractor)

All Responses

	1 Least Difficult	2	3	4	5 Most Difficult	N/A	Total
Bricklayers	0%	1%	4%	6%	7%	82%	192
Carpenters	1%	2%	10%	19%	7%	61%	193
Cement Masons	2%	1%	9%	11%	7%	70%	192
Drywall Installers	1%	1%	7%	6%	0%	85%	192
Electricians	1%	2%	8%	2%	3%	84%	192
Equipment Operators	1%	4%	21%	18%	11%	45%	194
Ironworkers	2%	3%	9%	8%	3%	75%	192
Laborers	4%	11%	23%	19%	8%	35%	194
Millwrights	1%	1%	7%	3%	1%	87%	192
Painters	2%	2%	5%	4%	0%	87%	192
Pipefitters/Welders	1%	3%	6%	4%	5%	81%	192
Plumbers	1%	2%	5%	5%	3%	84%	192
Roofers	1%	2%	5%	3%	1%	88%	192
Sheet Metal Workers	1%	1%	6%	4%	4%	84%	193
Tile Setters	1%	0%	3%	5%	3%	88%	190
Truck Drivers	3%	11%	16%	10%	8%	52%	191

Difficult/More Difficult
 Carpenters – 29%
 Equipment Operators – 39%
 Laborers – 42%
 Truck Drivers – 26%



12. With 1 being least difficult and 5 being most difficult, please indicate the degree of difficulty in hiring for these qualified craft worker positions. (All Responses, General Contractor, Specialty Contractor/Subcontractor)

General Contractor

	1 Least Difficult	2	3	4	5 Most Difficult	N/A	Total
Bricklayers	1%	1%	8%	11%	12%	67%	74
Carpenters	1%	5%	21%	32%	10%	31%	75
Cement Masons	3%	0%	17%	28%	11%	41%	75
Drywall Installers	1%	1%	12%	12%	0%	74%	75
Electricians	1%	2%	11%	3%	3%	80%	74
Equipment Operators	1%	5%	34%	27%	20%	13%	75
Ironworkers	4%	1%	15%	12%	4%	64%	74
Laborers	8%	16%	33%	28%	12%	3%	75
Millwrights	1%	3%	15%	5%	0%	76%	75
Painters	1%	1%	9%	6%	1%	82%	75
Pipefitters/Welders	1%	3%	12%	5%	7%	72%	75
Plumbers	2%	3%	8%	5%	5%	77%	75
Roofers	1%	2%	8%	4%	3%	82%	75
Sheet Metal Workers	1%	3%	10%	5%	3%	78%	74
Tile Setters	1%	0%	6%	8%	4%	81%	75
Truck Drivers	4%	12%	24%	11%	11%	38%	74

Difficult
Truck Drivers – 24%

Difficult/More Difficult
Carpenters – 53%
Laborers – 61%

More Difficult
Cement Masons – 28%

Difficult – Most Difficult
Equipment Operators – 81%



12. With 1 being least difficult and 5 being most difficult, please indicate the degree of difficulty in hiring for these qualified craft worker positions. (All Responses, General Contractor, Specialty Contractor/Subcontractor)

Specialty Contractor/Subcontractor

	1 Least Difficult	2	3	4	5 Most Difficult	N/A	Total
Bricklayers	1%	0%	2%	3%	5%	89%	63
Carpenters	1%	0%	5%	19%	9%	66%	64
Cement Masons	3%	2%	5%	3%	6%	81%	62
Drywall Installers	2%	2%	5%	3%	0%	88%	62
Electricians	2%	2%	8%	3%	3%	82%	63
Equipment Operators	2%	5%	14%	22%	9%	48%	64
Ironworkers	3%	5%	8%	10%	3%	71%	63
Laborers	3%	13%	23%	17%	11%	33%	64
Millwrights	2%	0%	3%	2%	2%	91%	62
Painters	2%	5%	0%	5%	0%	88%	62
Pipefitters/Welders	2%	3%	2%	6%	5%	82%	62
Plumbers	2%	5%	3%	6%	2%	82%	62
Roofers	1%	3%	2%	2%	0%	92%	62
Sheet Metal Workers	1%	1%	5%	5%	5%	83%	64
Tile Setters	1%	2%	0%	5%	3%	89%	62
Truck Drivers	2%	18%	11%	13%	6%	50%	62

Less Difficult
Truck Drivers – 18%

Difficult/More Difficult
Laborers – 40%

Difficult/More Difficult
Carpenters – 19%
Equipment Operators – 22%



Question 12 Comments

General Contractor

1. Boilermakers 5.
2. All lack depth of experienced and productive people.
3. Work is so short-lived. Who would want to be in this industry? No long-term future. Why bother getting the skills?

Specialty Contractor/Subcontractor

1. Mechanical Insulators (3)
2. Shortage of qualified CCO crane operators.
3. We are a floor covering firm and you don't have the trade listed.
4. The challenge is NOT the quantity of laborers available to us. The challenge is finding quality talent!
5. Sign-installer – 5
6. Skill levels are declining, but can only speak for the two unions we hire from - sheet metal (Arch not HCAV) and carpenters.

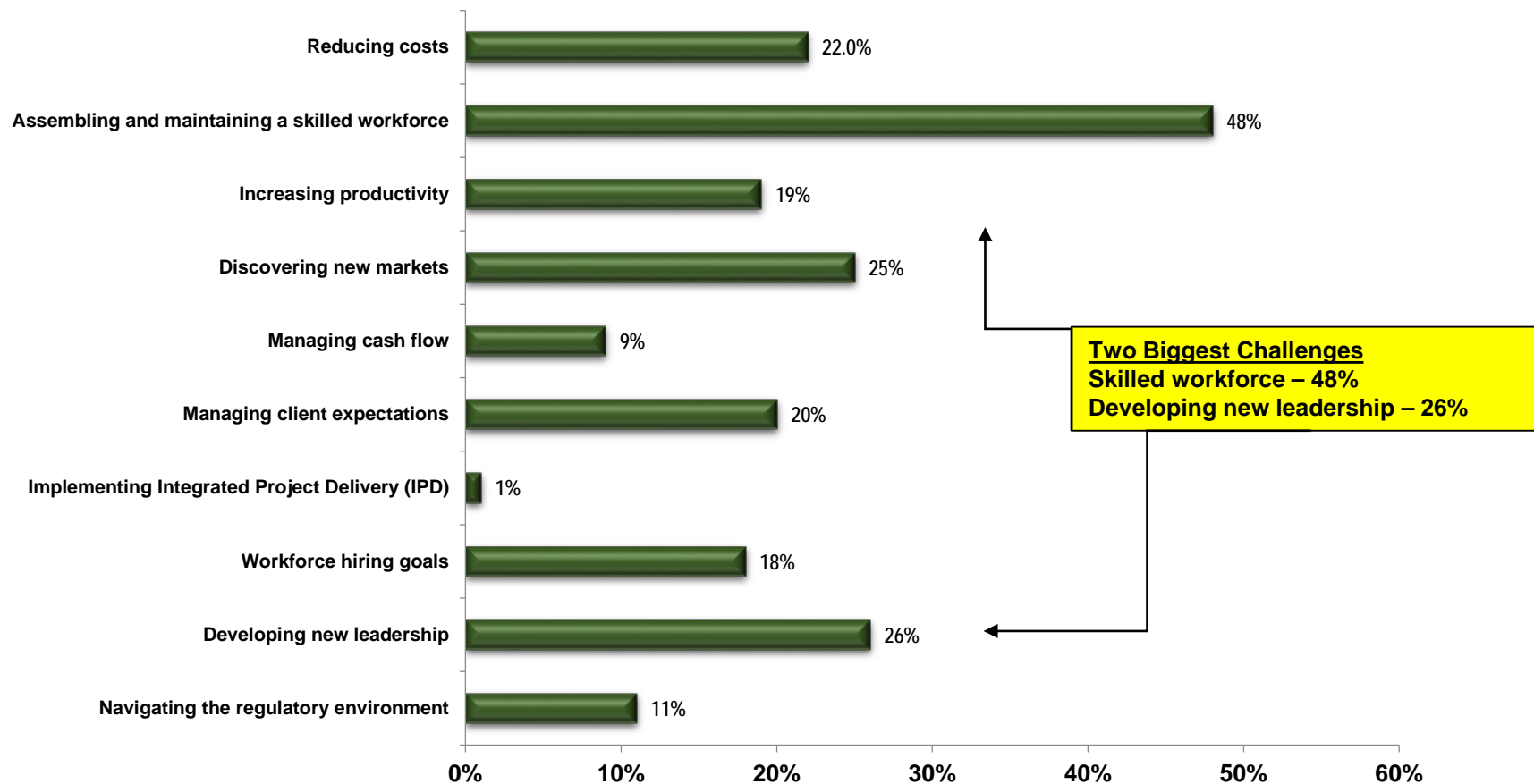
Affiliate

1. Mechanics/Service Technicians – 5.
2. Experienced HVAC Service Technicians – Difficult.



13. The two biggest challenges your company faces in 2017 and beyond are (select two): (All Responses, General Contractor, Specialty Contractor/Subcontractor, Affiliate, Architect/Engineer)

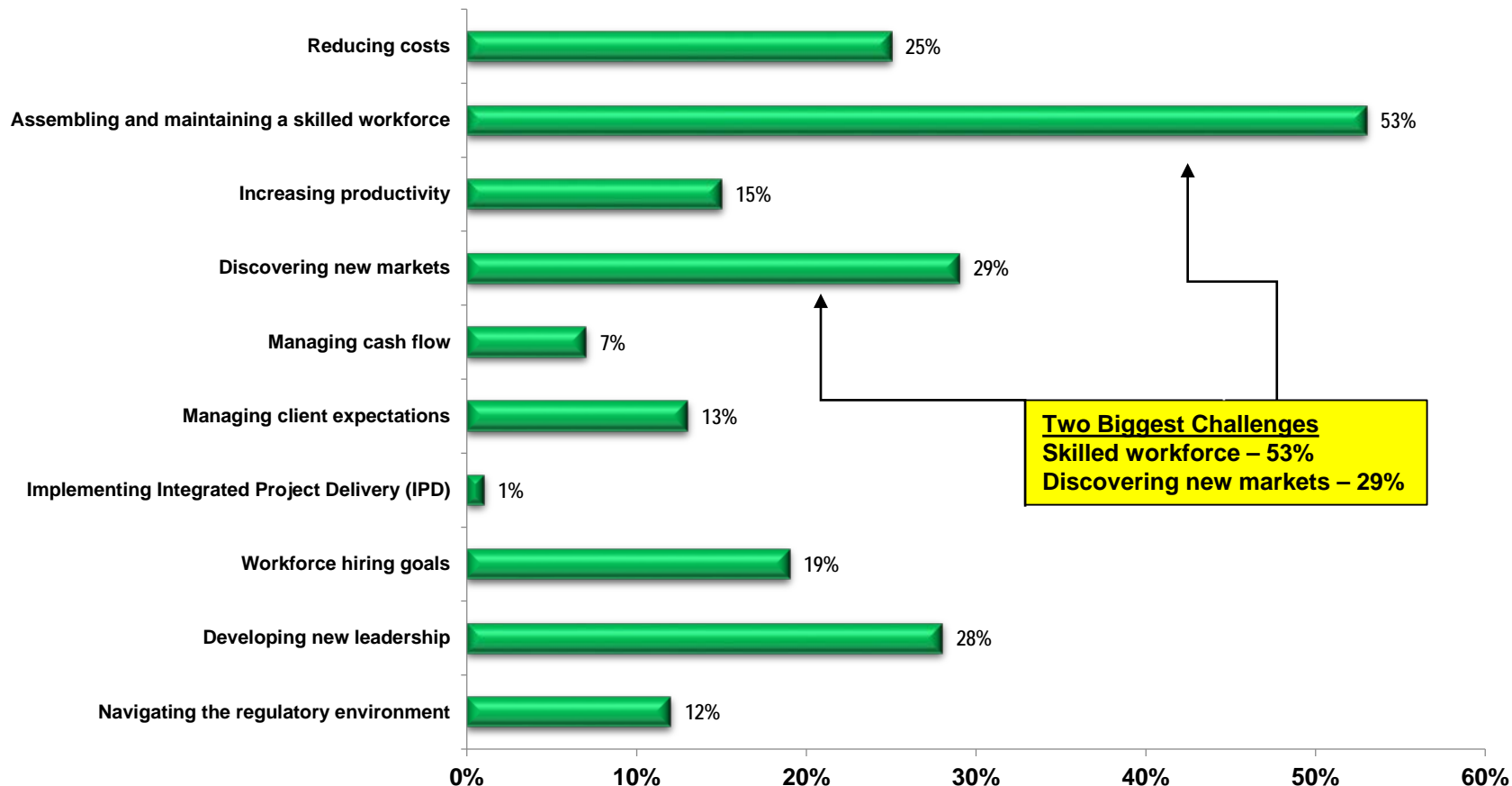
All Responses





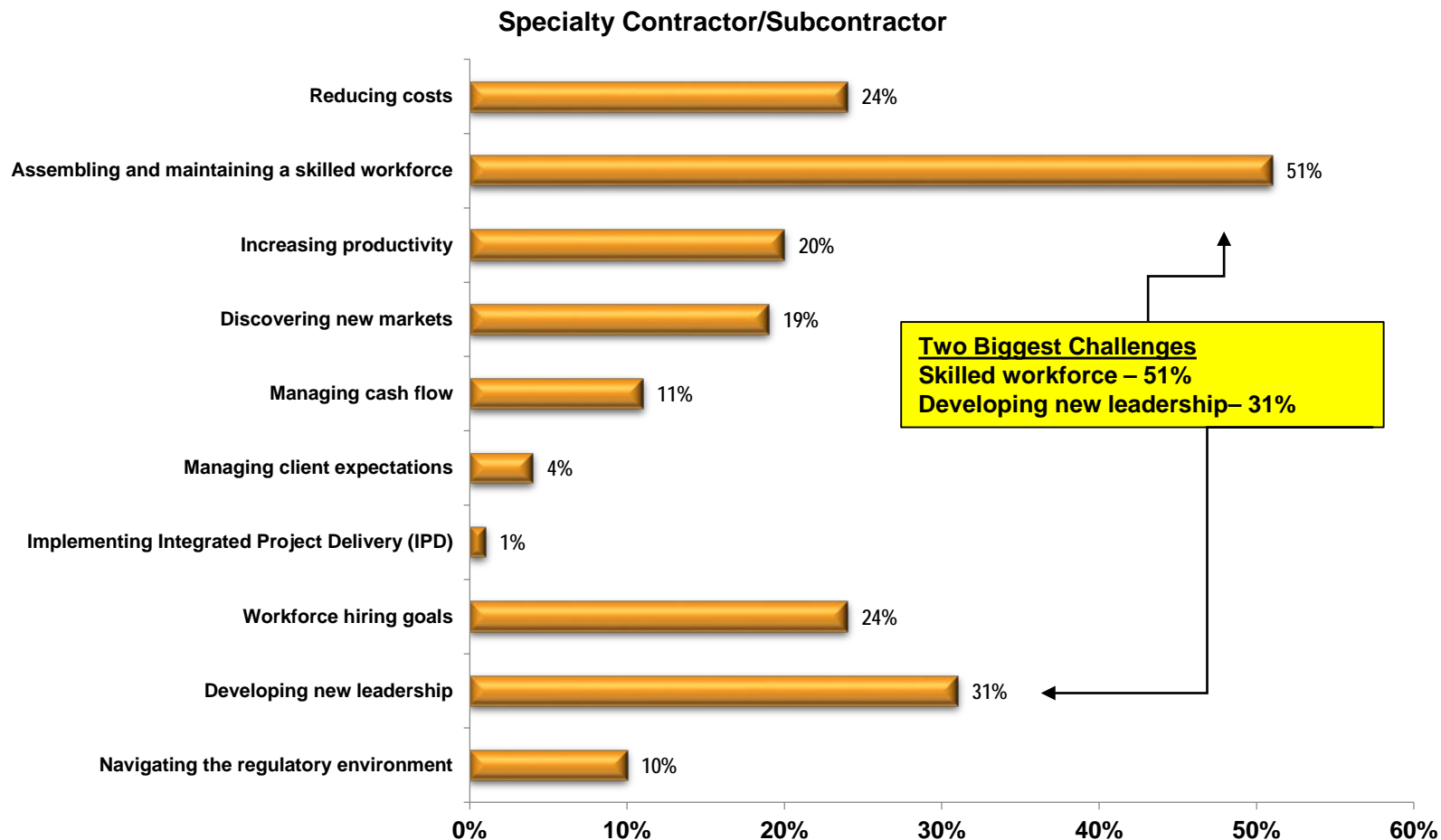
13. The two biggest challenges your company faces in 2017 and beyond are (select two): (All Responses, General Contractor, Specialty Contractor/Subcontractor, Affiliate, Architect/Engineer)

General Contractor





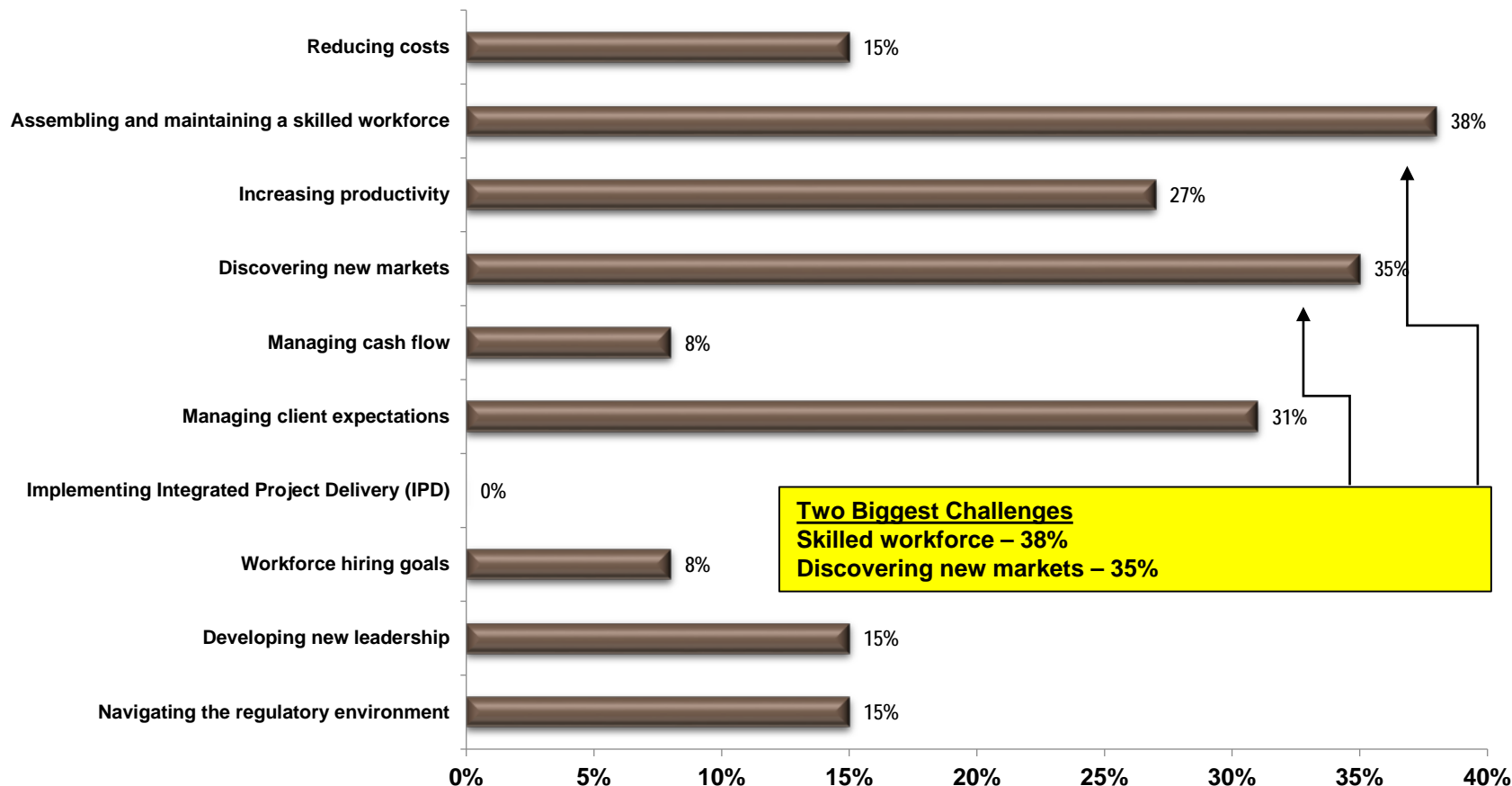
13. The two biggest challenges your company faces in 2017 and beyond are (select two): (All Responses, General Contractor, Specialty Contractor/Subcontractor, Affiliate, Architect/Engineer)





13. The two biggest challenges your company faces in 2017 and beyond are (select two): (All Responses, General Contractor, Specialty Contractor/Subcontractor, Affiliate, Architect/Engineer)

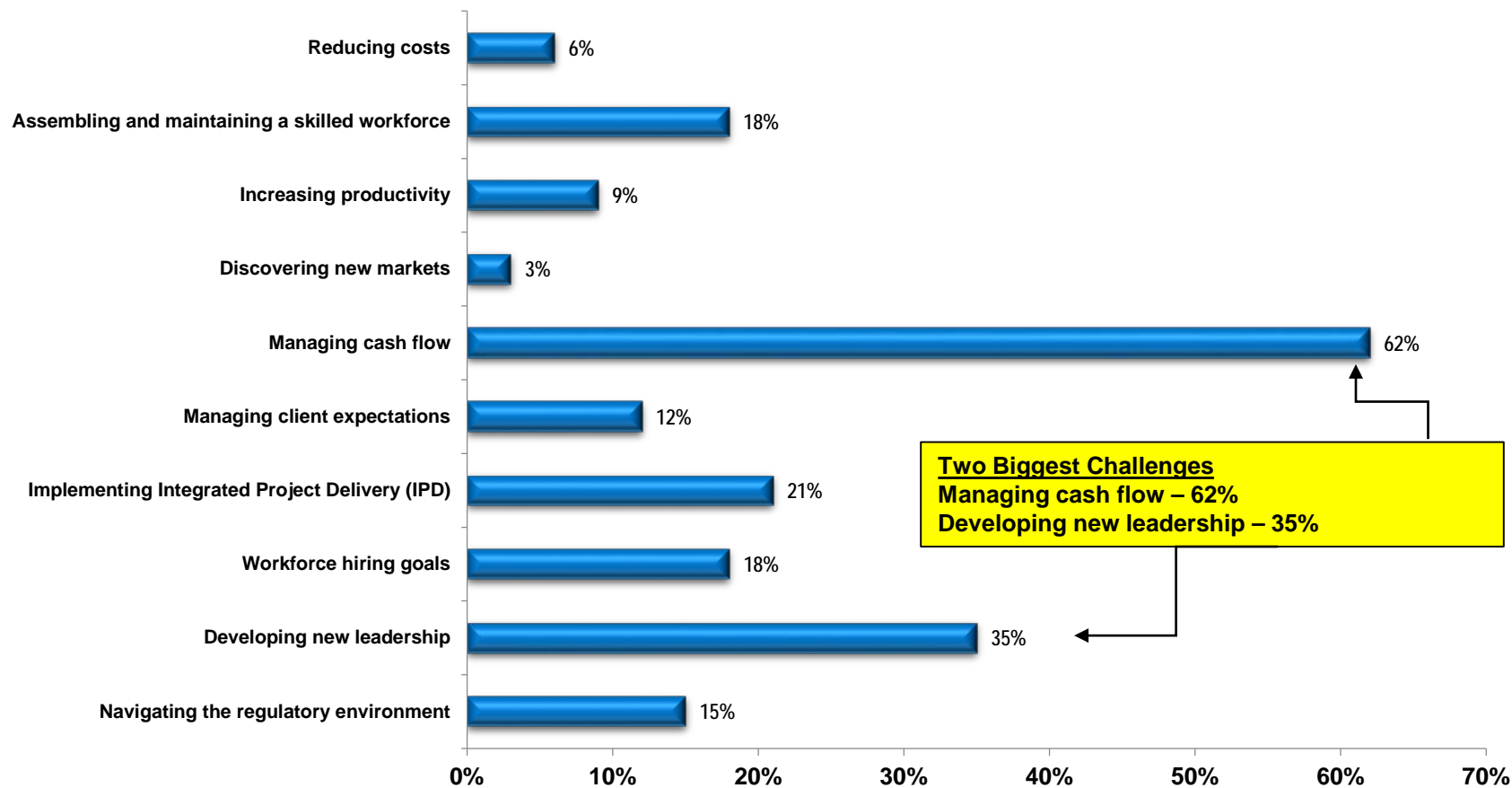
Affiliate





13. The two biggest challenges your company faces in 2017 and beyond are (select two): (All Responses, General Contractor, Specialty Contractor/Subcontractor, Affiliate, Architect/Engineer)

Architect/Engineer





Question 13 Comments

General Contractor

1. Available work to bid on.
2. A. Meeting the schedule and quality requirements of our clients.
B. Integrating the impacts into the design and construction from new legislation that is poorly put together.
3. Highway bill passage.
4. Developing new leadership is a very big problem as well.

Specialty Contractor/Subcontractor

1. A slowdown in the economy.
2. Receiving payments over 120 days or greater.
3. Retainage payments.
4. Logistics and costs associated with increased traffic congestion.

Affiliate

1. Increasing and maintaining quality expectations.
2. Challenging economy.

Architect

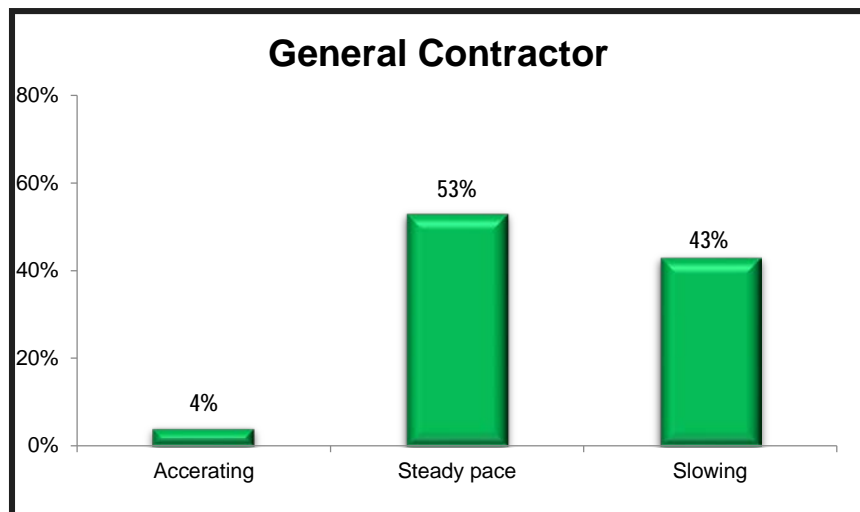
1. Enhancing unique position in the market.

Engineer

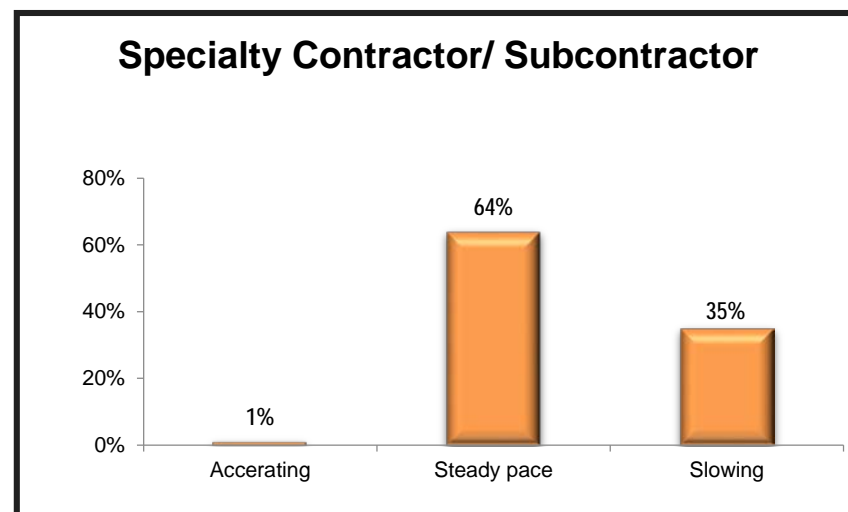
1. Workforce mandates for pay and hiring at both state and federal levels.
2. Government intrudes further into business practices.



14. Looking ahead, how do you see the overall 2017 Minnesota construction economy?



Looking ahead to 2017
General Contractor
53% Report steady pace
43% Report slowing construction economy



Looking ahead to 2017
Specialty Contractor/Subcontractor
64% Report steady pace
35% Report slowing construction economy



Question 14 Comments

General Contractor

1. Greatly depends on the outcome of the elections.
2. Depends on funding.
3. Long-term sustainable transportation deal needs to get done.
4. Minnesota's liberal government drives away business by the \$Billions! Can't imagine who would bother setting up a new business in this backwards state.
5. If legislature works together.

Specialty Contractor/Subcontractor

1. Depends on the outcome of the presidential election.
2. Unknown.

Affiliate

1. Backlogs for mid/small sized contractors seem to be slipping.
2. I really don't know.

Architect

1. Don't know, but hoping for the best.

Engineer (no response)



15. Please tell us what we haven't included in this survey that keeps you up at night.

General Contractor

1. Minnesota needs a bonding bill to fund future projects so we don't continue to see a decline in projects.
2. I believe the survey gets at the same issue, but getting through to young students (high school age) that jobs in construction are relevant and can provide a good living.
3. The lack of State Legislature's ability to agree on anything.
4. Fear of litigation arising from claims for additional compensation.
5. MnDOT's ever changing bituminous technical specifications.
6. Minority hiring goals and DBE goals. Demographically difficult to build a solid workforce when there is a smaller percentage of minorities that WANT TO work in the specific industry we specialize in. Also, when the word GOAL turns into a new definition of "MUST DO" instead of the true definition of the word.
7. Owners not delaying on project starts.
8. Skilled workforce.
9. A bonding bill must be passed. I will not vote for one single person currently in an elected position!
10. The thought of Hillary Clinton, the most crooked person who ever lived, becoming President! This country will end as we know it if she is elected.
11. Continued flow of new work.
12. More publicity is needed about the lost opportunities to our cities, towns, counties, and residents of the state.
13. Keeping up with regulatory agencies.
14. Continuing to develop new clients, identify and staff for emerging markets, and manage subcontractor performance.
15. The blatant failure of our legislature to address the transportation funding gap has begun to take hold. This summer led to our first major layoff in the last 30 years. We had to lay off twelve people which is equal to approximately 7.5% of our work force. Considering our size, the symptom of this is that while it may not have hit the smaller companies yet, it most definitely will. The number of bidders per project is increasing almost exponentially, and work shortages will be very real going into next season. This is a critical problem that needs a permanent solution. Not addressing the needs of the second largest workforce behind only the government is simply asinine. Something needs to be done.
16. Overall, construction /project safety. Transportation funding.
17. The change in spending at the state level from construction to maintenance. Construction jobs that are not state paid are drying up fast or being put into MEGA projects that preclude Minnesota firms from remaining competitive. The attitude now is fast construction is better – low cost is not necessary as long as you can write a really great paper.
18. Risk put on Contractors by owners and design professionals.
19. We are entering a recession in the construction industry.



15 Please tell us what we haven't included in this survey that keeps you up at night.

Specialty Contractor/Subcontractor

1. Aging workforce, not attractive to younger population.
2. Cutbacks in large project spending.
3. Finding a bank with vision that is willing to grow with a small rapidly growing business.
4. Cash flow management with longer payment periods coming from projects that have public money (e.g. schools, low income housing, government projects) that cannot be absorbed by small subcontractors. Concern about interest rates rising and development slowing as a result in private projects. Large construction projects like US Bank Stadium, St. Paul Saints, DT East have all wrapped up. Concerned about the competitiveness on bidding with additional resources in marketplace from these projects. Makes it really difficult for small subcontractors.
5. What keeps me up at night as a small women owned business, are the following 1. Regulations and mandated hiring requirements. 2. As a subcontractor my receivables are at least 120 days old if not older on public works projects. 3. Forced to perform work out of the original scope without a written change order and then never receiving payment for such work. This happens 90% of the time. In most cases if the work is not completed occupancy will not be issued. General contractors go as far as to threaten my business. 4. Accelerated time schedule and not being compensated for overtime necessary to meet the new schedule or "living breathing schedules"(fictitious schedules). 5. The decrease in private sector bidding opportunities. My business went from a 50% private and a 50% public to a 95% public funded projects. Mandated hiring and reporting requirements takes away precious time that is needed to look for future work and managing ongoing projects. What has kept me up at night is when I had no choice but to lay off over 75% of my workforce. I have not yet recovered from that most painful decision.
6. Retainage trigger dates, Duty to Defend, and contract clauses.
7. Slowing economy. How to be more competitive.
8. Ways to increase bid to award ratio that is not dependent on LOW number. Thank goodness a lot of our work is in the private/negotiated market. However, the public market should not be OK with buying poor workmanship!
9. The non-union taking market share.
10. The fact that there is a hidden bubble and it will burst and stop work as it did in 2008. We will know by May of each year how the year will be. Based on our current workload, next year will be as good or better than 2016 but it's what happens after that, that keeps me up at night.
11. Securing appropriate and consistent work to support the level our business has grown to. Lack of work/life balance for key employees. Increased risk - legal, contractual, compliance, cyber, safety, employer, etc.
12. As a union company, our labor costs are fixed and continue to rise steadily. On the flip side, the market has been unable (or unwilling!) to bear the cost of increased prices from our specialty industry for the past decade. As a result, our margins continue to shrink each year, and our primary focuses are on increasing our efficiency and reduction.
13. The impact of reduced work in other regions leading to an influx of those returning to the metro market.



15. Please tell us what we haven't included in this survey that keeps you up at night:

Specialty Contractor/Subcontractor (Cont.)

14. Maintaining a steady and balanced workload. Is it sustainable? What will it take to get state and federal Legislatures to support increased funding to match needs? If that happens, will there be adequate workforce and materials to meet needs? Roadway traffic congestion is not new but is continually worsening, which is leading to less market areas we are willing to serve (greater risk factors with longer hauls), hence negatively impacting sales. Our aging workforce means bigger chunks of retirements coming. The younger workforce expects work-life balance. In an industry based on hard work and great effort, this will require some modifications to our industry's overall expectations of "outworking the competition." IT/IS becoming a big animal in construction, making it more difficult for me to keep up with almost every aspect of our business. Since there is less hard evidence there is now greater reliance on having to "trust that it works right." This also has great potential to change the way we communicate; we need to be sure it is relevant and effective. Regulatory environment is always a challenge. Permitting.

Affiliate

1. People skills.
2. Impact of November elections.
3. Increasing number of Individuals and agencies with significant power and very little expertise or experience, involving themselves in the daily activities of a project.
4. Use of procurement methods that favor only the largest contractors.

Architect

1. The instability of the construction climate in an election year makes it very difficult to predict what 2017 will bring since most of our work is connected to public funding.



15. Please tell us what we haven't included in this survey that keeps you up at night.

Engineer

1. Continued low commodity process (oil, steel/iron ore) and uncertain political climate have significantly stifled private sector industry capital spending, affecting revenue for engineering/environmental services.
2. Code and regulation restrictions and inconsistent enforcement.
3. The integrated delivery method of construction and its effect on the consulting industry.
4. Impact on local and national elections.
5. I believe 2017 will start strong with carry over work and new starts in the spring; however, we are concerned with the second half of 2017.
6. Political leaders (both parties) that focus solely on defeating the opposition and have abandoned any concern about addressing the needs of middle class families and small businesses.
7. The slow down in the "heavy sector" (mining, pulp & paper) and the "oil & gas" sectors in northeast Minnesota.
8. The inevitable correction in the stock market pushing us back into another recession.



Conclusion

The results of this year's survey indicate that 2017 will see a moderate slowing of the Minnesota construction economy. Forty-three percent of Minnesota General Contractors and 35% of Specialty Contractors see the overall 2017 construction economy as slowing. By no means is there evidence of a drastic downturn, but more of a gradual deceleration after a period of significant activity.

While the industry appears to be slowing, 79% of General Contractors and 89% of Specialty Contractors report a steady workforce/some hiring in 2017. We believe contractors are on constant lookout for the most qualified workers to replace workers being lost to retirement or relocation. Skilled, qualified workers are a precious asset, especially considering the workforce shortages.

When identifying business conditions that result in either a positive or negative influence on their business, respondents report more negative conditions than positive (5:2). The most significant negative condition reported is the availability of a skilled workforce. This has been reported as a negative factor every year since our 2013 report. This year, 84% of General Contractors reported the availability of a skilled workforce as a negative/extremely negative factor. The shortage of a skilled workforce is becoming a major obstacle to industry growth. When looking at all responses, other dominant negative/extremely negative factors include mandated hiring goals, DBE compliance, the state Legislature, and the cost of construction labor. Numerous written comments decry the 2016 state legislative session as a significant failure and obstacle to a healthy industry, mainly because the Legislature, in spite of its promises at the beginning of the session, did not pass meaningful bonding or transportation funding measures.

Regarding the key issue of workforce, looking at September's numbers, the nation's construction industry has still not recovered all jobs lost during the recession. Nationally, the construction workforce is off 14% from its peak in April 2006. Minnesota (119,300, seasonally adjusted) is off 9.6% from its peak (132,000) in February 2006. This is clear evidence that contractors are doing more work with fewer workers, a trend most industry experts see continuing.

We believe the industry is addressing workforce issues, but it will take a concerted effort by all stakeholders to develop new models and initiatives to recruit, train, and retain our future workforce. The nature of construction work has changed – it can no longer be viewed as a job, but rather a professional career requiring an educated and technically proficient workforce. And the industry must change its image to attract and retain a bright, motivated group of young men and women of all races. The industry competes with other industries for workforce, and it must prepare itself for this competition by distinguishing itself as an industry worthy of a long-term career.

As we look ahead, there is both optimism and uncertainty. The optimism is driven by an awareness that the industry remains a critical economic engine in the future economy that will be called upon to rebuild our nation's public and private infrastructure. The uncertainty seems more driven by politics and the November elections. Stay tuned!

Thanks to all of you who participated in this year's survey.

Dave Semerad, CEO
November 17, 2016