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The Impact of Global Recessions in the Construction Market of Ada County

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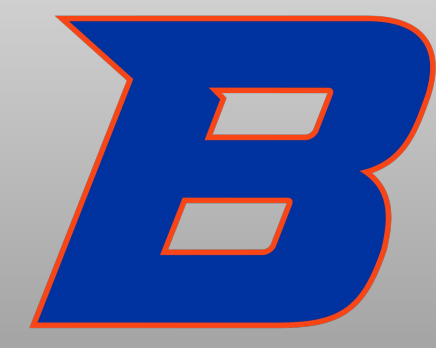
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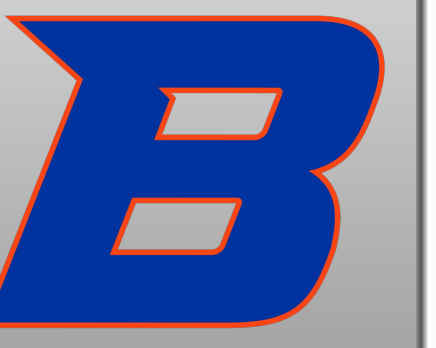
Abstract

An in-depth analysis of the trends surrounding the construction industry of Ada County was undertaken in order to find any indication of the impacts of recent global events, specifically the outbreak of Covid-19, while also comparing those findings to the time period around the 2007-2009 Great Recession.

Overall, the collection of this data is meant to serve as a thorough comparison of trends observable in the data. The amount of permits submitted and the overall valuation of property / permits allow us to examine the effect that the recent Covid-19 pandemic has had on the construction industry in Ada County.



The Impact of Global Recessions in the Construction Market of Ada County



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Poster created for Econ 432 Urban Economics; Faculty Adviser: Prof. Samia Islam

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ABSTRACT

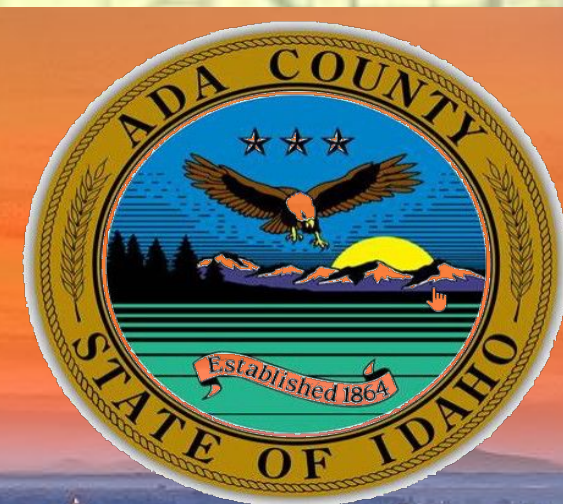
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METHODOLOGY

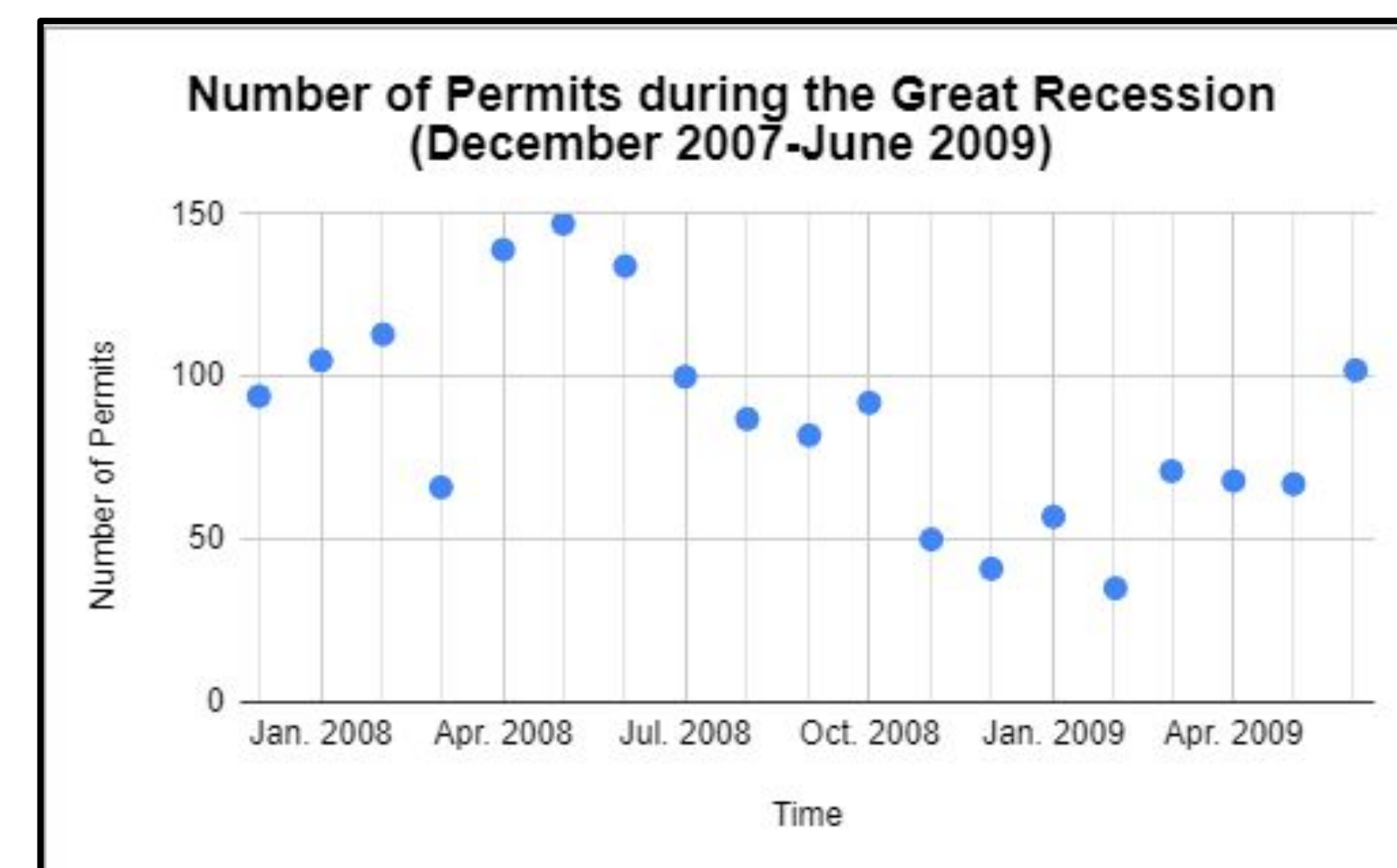
We used the available data from the Ada County Development Services in our analysis as the City of Boise, Kuna, Meridian, Ada County Highway District, and other local government agencies had limited publicly-available data or information. An example of this would be the City of Boise requiring an application be submitted prior to receiving access to their stored permits. As such, the data obtained from Ada County should accurately represent the Treasure Valley without having to omit information due to a lack of data.

While data on the number of submitted permits available from Ada County can shed light on the general regional/local trends, our team also used the valuation of permits as well as other granular details in the data (e.g., commercial, multi-family homes, single-family homes, etc.) to present a more comprehensive overview of Ada county's construction industry.



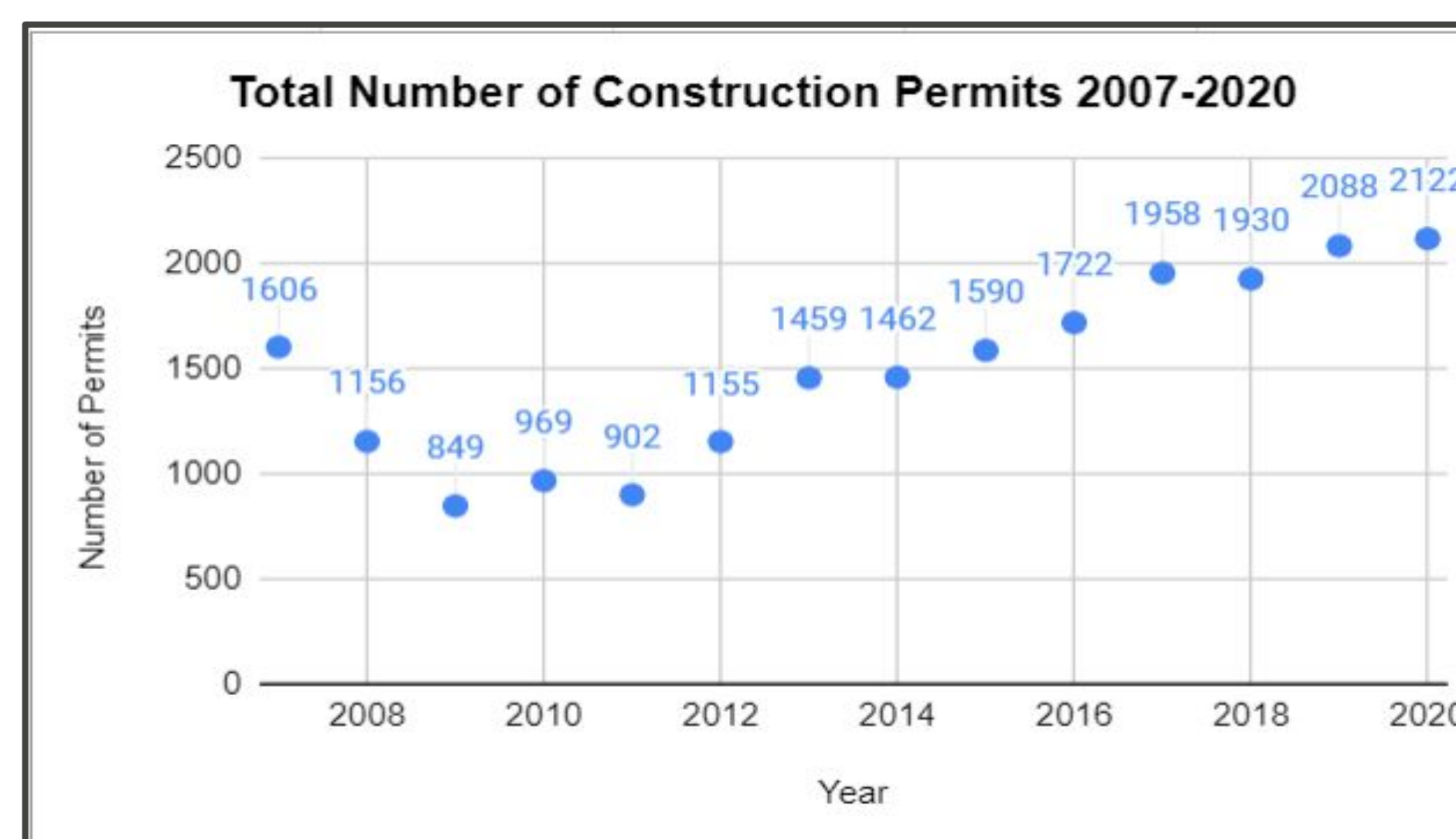
GREAT RECESSION (2007-2009)

In evaluating the impact of the Great Recession on our local area construction industry, our group focused primarily on researching the number of construction permits issued during the Great Recession.



Source: <https://adacounty.id.gov/developmentservices/building-division/permit-records/>

Effects of the Great Recession can be seen in the number of permits issued in the subsequent years after the recession (2010 onwards). The total number of issued permits did not exceed the 2007 benchmark of 1606 permits until 2016. While there was a noticeable increase in the number of issued permits from 2010 through 2016, for three consecutive years (2013-2015), the count remained relatively static, indicating that construction had yet to pick back up from the low of 2009.

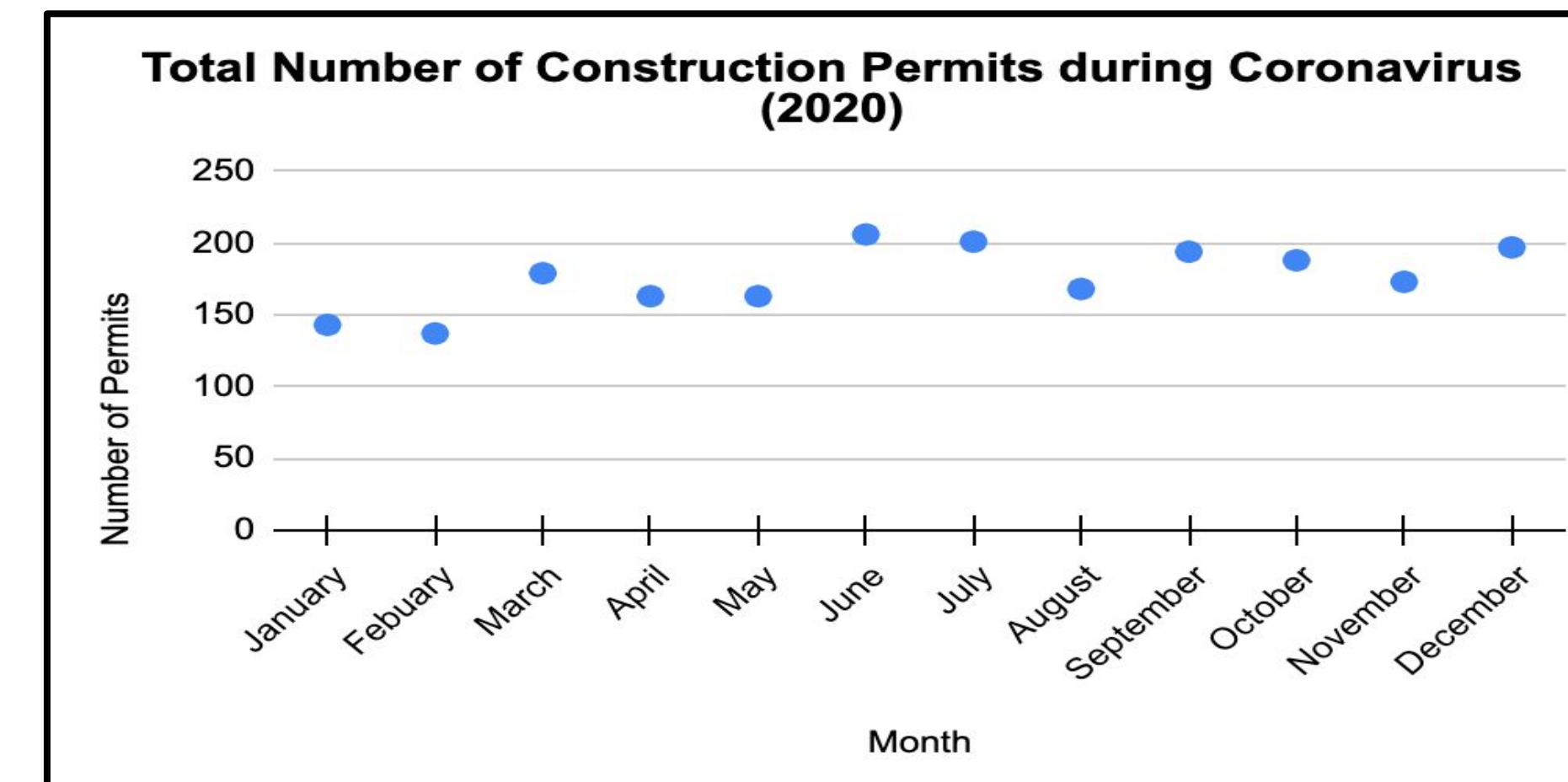


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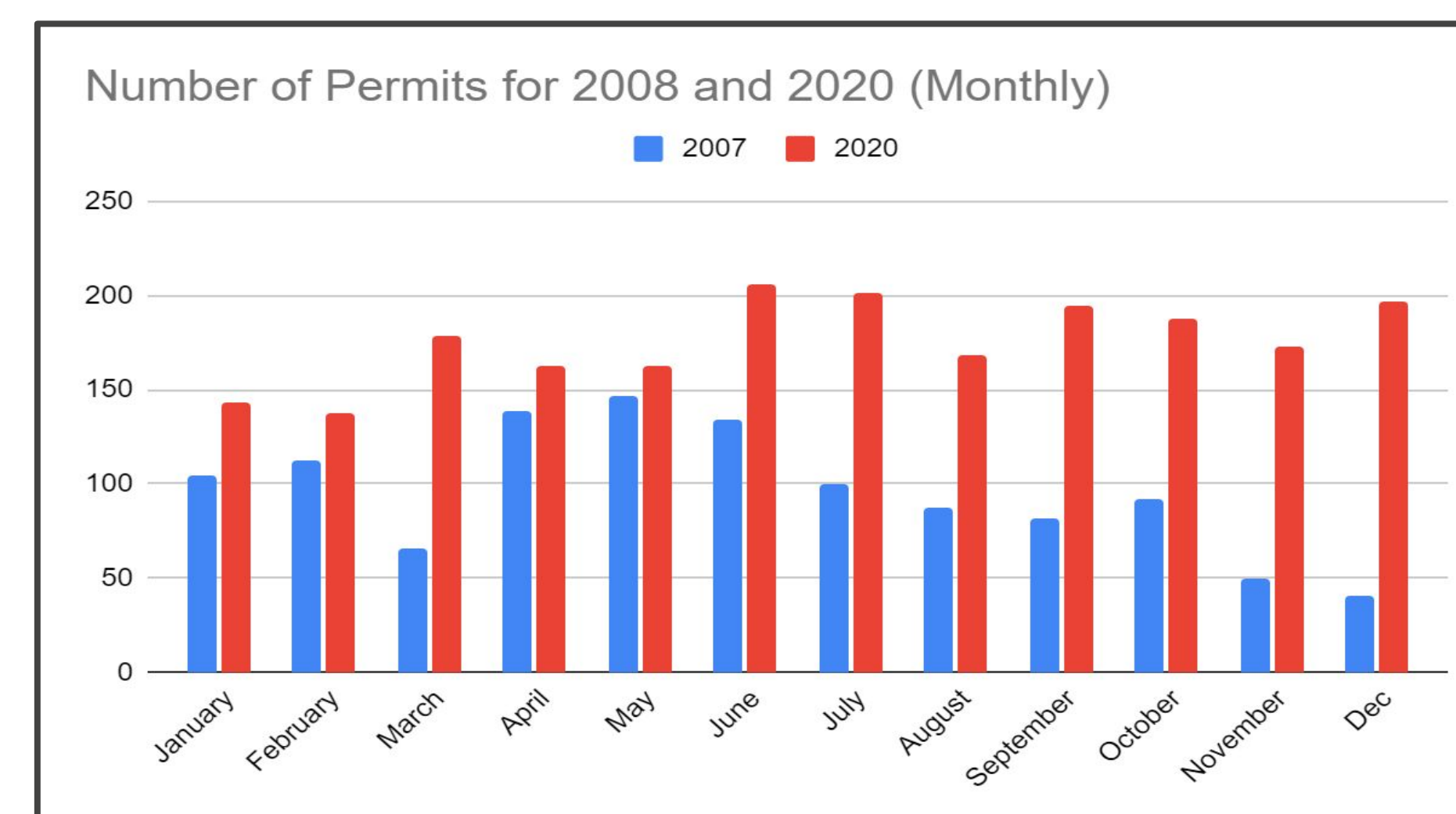
Data on housing valuation shows a significant decline from 2007 to 2010. For multi-family dwellings, valuation declined by 99.35% from 2007 to 2010 whereas single family dwelling declined by 64.36% from 2007 to 2009 but recovered in 2010. Another noteworthy aspect of this data is the decrease in the total valuation of permits issued between 2007 and 2010 which declined by 67.62% during this timespan.

COVID (2020)

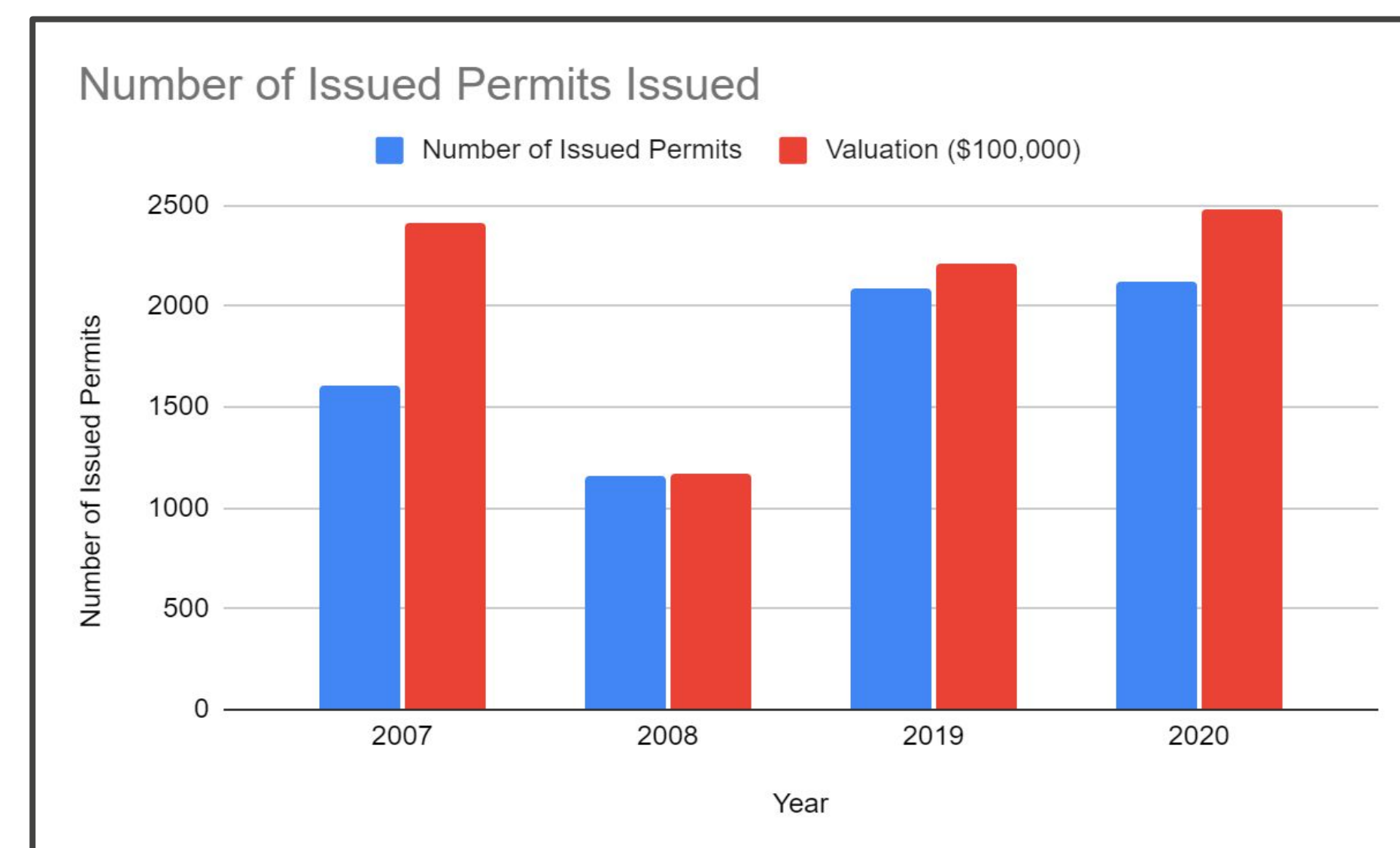
When analyzing construction permits issued in 2020 amid the COVID-19 pandemic, we did not observe a significant decline. Rather, there was only a slight decline in permits immediately following the shutdowns that ensued in the month of March. This slight decline was then followed by an increase in the summer with permits issued remaining in a consistent range of between about 160 and 200. This trend could be attributed to the fact that projects were funded well in advance and/or delayed county response to the pandemic. It should also be noted that construction workers were deemed to be a critical trade and considered essential workers, allowing for them to continue working during the pandemic.



Source: <https://adacounty.id.gov/developmentservices/building-division/permit-records/>



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Research Findings

- Fewer young males who don't go to college do not enter the construction industry because there are other higher paying jobs that do not require a degree. The average annual salary for construction workers in Idaho is only \$27,178 while jobs such as truck drivers, and sales representatives that have similar qualifications have an average annual salary of \$43,710.
- As of 2018, 6% of Idaho's population are immigrants. In 2018, 6,549 construction workers were immigrants, or about 10% of Idaho's construction worker population. The decrease in the number of immigrants entering the construction industry of Idaho reduces the supply of construction workers. Within the county the increase in demand for labor, due to the growing construction industry, has lead to a labor shortage. The shortage in the labor force for the construction industry result to a wage increase.
- To counteract the construction labor shortage, new manufacturing techniques to build houses more efficiently are in place this includes construction robots, drones, augmented reality, and other technologies.
- According to O'Sullivan (94), the increase in the workforce pushes the cost of housing to rise which in turn leads to an increase in wages. An increase in the labor force size would result in an increase in the demand for housing which can significantly affect the price of housing given its limited supply. If we recall the law of demand and supply, if there is an increase in demand and supply remains constant, wages will increase. Increased in-migration in Boise metro area has increased demand for housing causing housing prices to rise.

CONCLUSION

The 2020 pandemic was an unprecedented event for the global economy. In the post Great Recession recovery, the total number of permits issued after 2015 had continued to increase as well as the total valuation of constructions. Boise has seen this upward trend continue in 2020 however, it is important to note that the effects of this pandemic may be felt in the years to come since prior to the pandemic, the local economy was doing well and the level of activity recorded in permits issued and the increase in valuation may have been a residual of that earlier economic recovery. In sum, it is premature for us to conclude that the pandemic did not significantly affect the construction industry since it is too early to know it's long term impact.

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