

Industry Analysis

Construction

Q1 2014

Industry Overview

The construction and engineering industry plays a pivotal role in any economic recovery and falloff, as well as a major indicator of both global and national economic health. Despite the challenges facing the industry, management teams are optimistic about the prospects for 2011, as many firms expect backlogs to be up this year and some are starting to talk about hiring additional employees to support the renewed workflow.

Construction and Engineering defined. The construction and engineering industry is composed of companies that construct and design buildings, houses, factories, plants, roads, bridges, tunnels, and other facilities. Architectural and engineering firm are part of this industry. The types of construction are generally broken down into residential, commercial, and infrastructure.

The residential construction market is a very large and fragmented market in various geographic regions specializing in different niches. Residential construction consists of building single-family homes, multi-family dwellings such as apartment complexes, townhouses, and manufactured homes.

Commercial construction consists of a wide range of activities, including constructing office buildings, retail space, warehouses, and industrial properties, many performing heavy construction projects. It is also fragmented, but more regional and national firms exist than in residential construction, reflecting the capital-intensive needs of large commercial construction projects.

Infrastructure construction involves building roads, tunnels, bridges, ports, airports, railroads, mass transit systems, power plants, sewer systems, power lines, and other not-for-profit structures such as hospitals and public schools. Many heavy construction projects, such as power plants, are built by large firms that specialize in this type of construction. Other large firms concentrate on the heavy construction aspects of large bridges, tunnels, and mass transit systems. However, most of the participants in this segment are small, local companies, with many concentrating on labor-intensive road construction, with most projects are awarded through bidding on local and state government jobs.

Architects and engineers design plans used by construction contractors. Many large construction firms, often referred to as design-builders, have their own staff of these professionals. Most services of design firms for these functions.

Types of contractors. Contractors perform construction work in accordance with the requirements set forth by owners and developers, and are usually required to be licensed by state or local government in their area of expertise, further localizing the construction industry. General contractors manage the completion of projects through subcontracting out substantial parts of the project through project managers and onsite supervision. Often, owners of projects hire project managers working for them, which the general contractor will report to, or the general contractor will report to the general manager.

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