

"Although real estate values are down, the price of raw materials needed for the building industry have not moved downward much and in some cases are more expensive than two years ago. While vacancies increase, credit markets remain difficult and there continues to be downward pressure on rents, there is no incentive to build."

Dunn states that retrofit work in North Carolina has been the "one lifesaver," and reports that service work was steady in 2010.

Heinrich reports that the retrofit/remodel market has been important in his area of the country, and he believes that will continue.

"Many projects are small- to medium-sized additions to existing facilities that are not sprinklered and the building addition requires retrofit of sprinkler coverage to the existing building. This often doubles or triples the size of the sprinkler contract."

In and around Idaho, however, retrofit work has been slower.

"There's been some activity, but not much," states Patrick. "Owners are still leery to spend much money."

Thibodeau agrees. "Retrofit work is not very active, other than in existing sprinklered buildings that are being retenant for new occupancies."

#### **Manufacturer/Supplier**

**Perspective** Chuck Kitts of System Sensor and chairman of AFSA's Manufacturers/Suppliers (M/S) Council notes 2010 "trended upward" as the year went by and that 2011 looks to be a "flat to small upward movement."

"Inflation is a problem for the new year," notes Kitts. "Interest rate increases and the tight availability of construction or real estate financing are going to be concerns."

While Kitts states that retrofit activity would help cushion the effect of slow downs in new construction, his customers don't talk much about retrofit anymore, which leads him to believe there isn't a lot being done.

Residential building does seem to be moving some, however.

"I am not seeing a great amount of uptick in residential building, but there is some movement," he comments. "It is mostly in customer homes in small clusters. I haven't seen the effects of the residential requirement in the IRC yet, but I do expect there to be some in the near future."

Dean Taylor with Anvil International and immediate past chairman of the M/S Council, notes that 2010 started off "pretty tough" for the manufacturers but got better with each quarter.

"The fourth quarter is well above the same quarter last year," summarizes Taylor. "Confidence seems to be growing and distribution seems to be stocking more products in preparation of the contractors' needs. 2009 was filled with retraction of not only the economy, but also the amount of inventory in the field at both the contractor and distributor level."

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