Construction Market Recap

Contractors across the country remain optimistic about the infrastructure bill and its planned spending. Expected backlog growth emphasizes the importance of prudent risk management. Labor shortages, supply chain disruption, and inflationary concerns all need to be at the forefront and can be mitigated through careful planning and estimating.

Starting 2022, many construction segments continue to falter seeing little to no growth for the upcoming year, while others are optimistic. The sectors with the most favorable outlooks include:

Sewage & Waste Disposal

Increased investment will continue to flow to handle the increasing waste produced via a higher population, furthering industrial sectors, and community development. IIJA assigned more than $50B in funds, with the biggest focus on replacing lead water pipes.

Water Supply

Per the 2021 ASCE report card, roughly $123B will flow into this space annually to ensure that infrastructure remains in an acceptable state. Increased residential and industrial sectors will drive the need for further development and improvements. $8.3B of IIJA is specifically for the western water infrastructure needs.

Manufacturing

Rising transportation costs and interrupted supply chains will create advantageous opportunities for domestic manufacturing. Fabricated metals, semiconductors, nonmetallic minerals, and food & beverage are the focus of most domestic increases.

Commercial

The significant increase in Ecommerce continues to drive the need for warehouse and distribution space. Ecommerce sales in Q3 2021 accounted for roughly 13% of all retail sales and is expected to keep growing. Likewise, standard brick-and-mortar stores are gaining back customers shown through the first positive opening/closing report in five years.

Healthcare

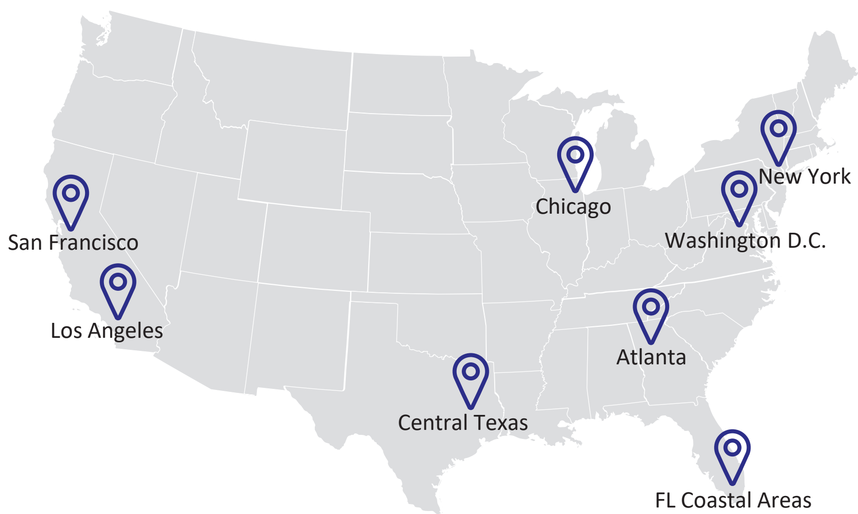
Growth from COVID-19 response spending, planned hospital expansion, and an aging demographic will be slightly stunted by staffing shortages, supply chain interruption, and uncertainty in construction costs.

Other Construction Segments

Single Family Residential
Multi-Family Residential
Home Improvement

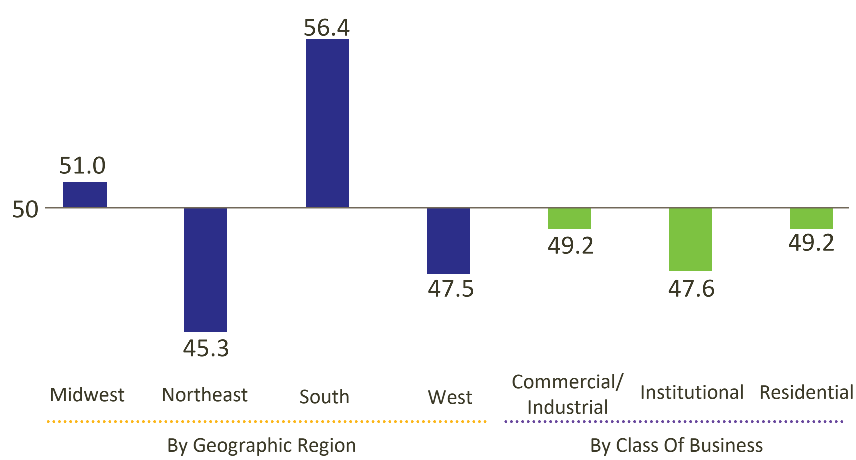
Key Construction Markets

Markets expecting the most construction activity over the next 5 years:



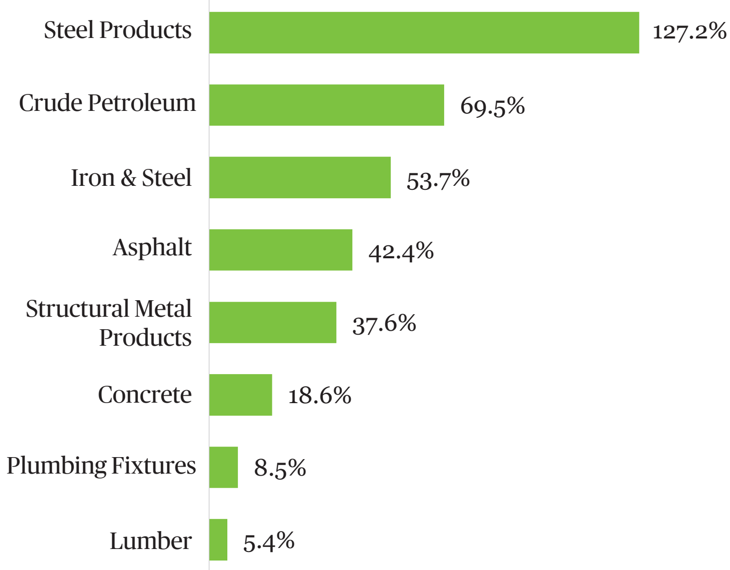
Architectural Billings Index

The Architectural Billings Index was 52.0 for the US as of December 2021. Momentum has continued in an upward trend in both the South and Midwest at readings of 56.4 and 51.0. Both the West and Northeast markets saw their second consecutive decline with readings of 47.5 and 45.3. All construction sectors are seeing a minor decline from last month, with Commercial/Industrial, Institutional, and Residential having corresponding readings of 49.2, 47.6, and 49.2.



Materials Prices

Material prices in December 2021 continued to significantly inflated. Some notable price changes to key construction materials year-over-year in December included:



Managing Labor Shortage Risk

As backlogs grow, the emphasis on productivity and managing labor shortage risk becomes critical. There is a battle to both retain and acquire skilled labor. Given the inflationary and supply chain issues the construction community is facing, project schedules become condensed which can only be managed with quality, experienced labor.

Many contractors have backfilled open positions with less experienced talent, which puts stress on field management while also sacrificing jobsite safety. This eats away at efficiency and productivity and will quickly absorb the hard-earned margin.

In the current environment, it is imperative to understand the value of existing talent. Culture is as important as wage and benefits today and will influence successful recruitment. Investments in training and development along with identifiable career growth opportunities will assist employee retention.

Employment Figures

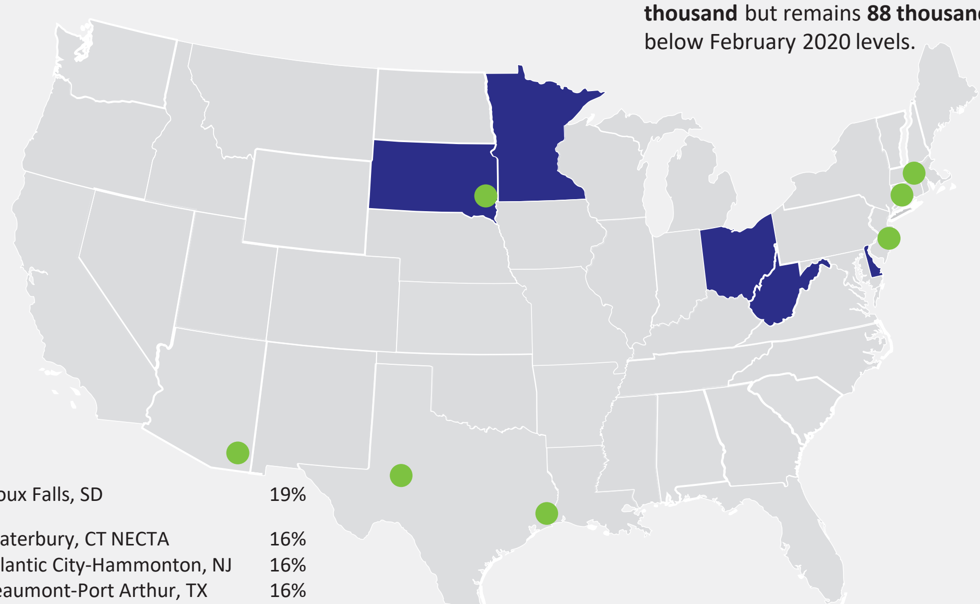
81.9% of able-bodied persons aged 25-54 are currently in the workforce, marginally improved from **81.0%** a year ago in December 2020.

In November 2021, the US had **10.6 million** open jobs. The construction industry accounted for **345 thousand** or **3.3%** of open jobs.

Nonfarm Payroll Employment increased by **199 thousand** in December, compared to a 2021 monthly average of **537 thousand**. Construction employment was up **22 thousand** but remains **88 thousand** below February 2020 levels.

Roughly 68% of states have seen an increase in construction employment levels since December 2020. The largest percentage gains were in:

1	West Virginia	12.0%
2	Delaware	10.2%
3	South Dakota	8.7%
4	Ohio	7.9%
5	Minnesota	7.7%



Similarly, two-thirds of metropolitan areas have seen some level of increase from a year ago in November 2020. The largest percentage increases were in:

1	Sioux Falls, SD	19%
2	Waterbury, CT NECTA	16%
	Atlantic City-Hammonton, NJ	16%
	Beaumont-Port Arthur, TX	16%
5	Sierra Vista-Douglas, AZ	15%
	Worchester, MA-CT NECTA	15%
	Midland, TX	15%

Sources
US Bureau of Labor Statistics
US Chamber of Commerce
AIA Architectural Billings Index