

Markets in Focus

Q4 2023

CONSTRUCTION

Economic Overview &
Market Update



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CONSTRUCTION ECONOMIC OUTLOOK

The IMA National Construction Group gathers to analyze construction economic data, weaving together insights that could influence risk and insurance strategies for construction firms. In specific scenarios, the construction sector thrives even amid a general economic downturn, thanks to the time lag between project initiation and completion, sustaining active spending by owners. Conversely, there are instances where the overall economy is booming, but the construction sector is in decline. The availability and potential of projects for contractors are intricately tied to spending dynamics, with the broader economy influencing owners' decisions to undertake construction projects.

To get a well-rounded picture of the current state of the construction economy, we look at construction spending, labor, and the cost of construction materials, followed by indicators that will give insight into future expectations. Our future state indicators include backlog, construction starts, ConstructConnect's Project Stress Index and Expansion Index, and the Architectural Billings Index.

The construction sector thrives even amid a general economic downturn.

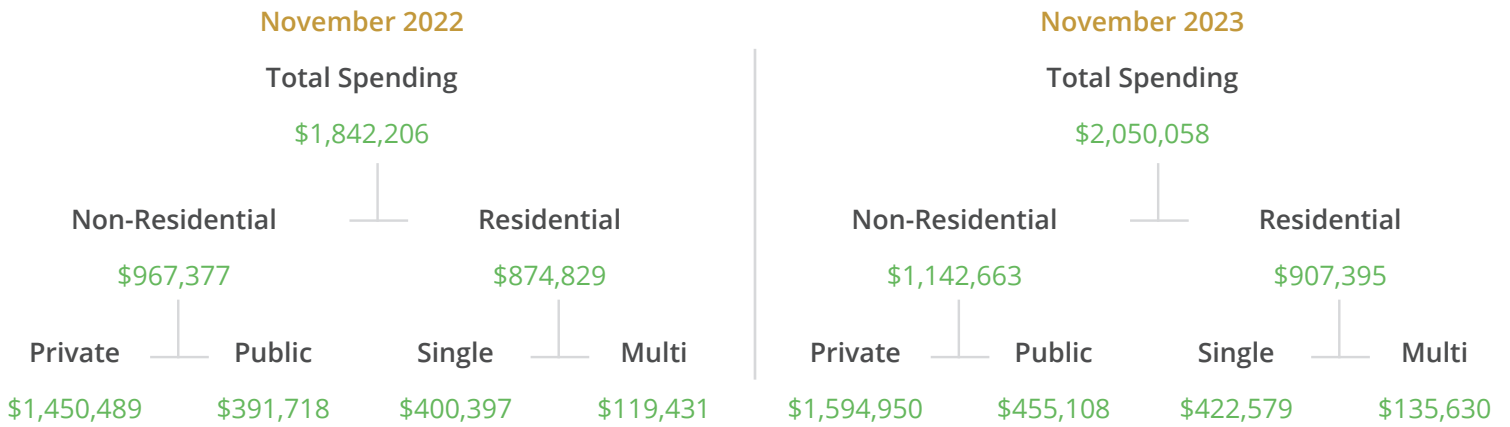


CONSTRUCTION ECONOMY CURRENT STATE

We build the Construction Spending Tree, beginning with total construction spending and breaking it into distinct components. It is essential to look at spending in these areas as only some contractors will experience advantages from the overall spending in each area.

ANNUAL SPEND RATE - YOY

IN MILLIONS



Source: U.S. Census Bureau. Construction Spending. Data as of November 31, 2023

The single-family spending rate is positive for the first time in over a year at 5.5%.

Overall, the seasonally adjusted construction spending rate for the United States is up 11.3% for the last 12 months as of November. This is almost double the previous quarter. All sub-components of total construction spending contributed to this increase except for single-family residential. Total spending pushes past the two trillion mark driven by nonresidential spending. For the first time in over a year, all the sectors are up in spending and all green.



RESIDENTIAL SPENDING

Residential construction increased the year-over-year spending rate. Multifamily construction is up with double-digit spending, but the rate has slowed from the blistering 24.6% increase from previous quarters to 13.6% as of November 2023.

The story of single-family construction spending is one of a rebound of sorts. The single-family construction spending rate has been increasing in an irregularly upward line since the recent trough in April 2023. The single-family spending rate is positive for the first time in over a year at 5.5%.

Residential Spending	November 2023	November 2022	Percent Change
Total Residential	\$896,758	\$865,170	+3.7%
New Single-Family	\$422,579	\$400,397	+5.5%
New Multifamily	\$135,630	\$119,431	+13.6%

In Millions of Dollars
 Source: U.S. Census Bureau. Construction Spending. Data as of November 31, 2023.

Total residential spending may not be seen as improving for contractors. The primary reason for this is found in the put-in-place spending. Put-in-place spending is actual spending without seasonal adjustments and not spending rate. Total residential spending is up 3.7%. This means the spending rate is up, but still needs to be reflected in the actual spending.

NONRESIDENTIAL CONSTRUCTION SPENDING

The nonresidential spending rate is up 18% year-over-year, which helps to lift the overall total construction spending rate to its 11.3% increase. Overall, spending is up for all categories of nonresidential projects within the various sectors. Manufacturing spending is up significantly compared to other industries.

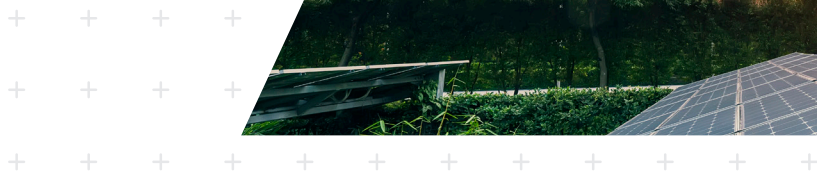
When looking at the put-in-place spending, actual spending, and not spending rate, we see that every sector of nonresidential spending has been up over the last twelve months as of November 2023.

CONSTRUCTION PUT-IN-PLACE SPENDING RATE

IN MILLIONS

Type of Construction	Nov 2023	Nov 2022	Percent Change
Total Construction	\$2,050,058	\$1,842,206	+11.3%
Residential	\$907,395	\$874,829	+3.7%
Nonresidential	\$1,142,663	\$967,377	+18.1%
Lodging	\$23,156	\$21,956	+5.5%
Office	\$100,945	\$95,466	+5.7%
Commercial	\$131,982	\$126,631	+4.2%
Healthcare	\$63,348	\$56,724	+11.7%
Educational	\$123,033	\$105,446	+16.7%
Religious	\$3,585	\$2,735	+31.1%
Public safety	\$14,181	\$11,574	+22.5%
Amusement and recreation	\$33,370	\$31,446	+6.1%
Transportation	\$64,355	\$59,958	+7.3%
Communication	\$25,373	\$25,002	+1.5%
Power	\$128,115	\$109,430	+17.1%
Highway and street	\$136,972	\$118,786	+15.3%
Sewage and waste disposal	\$43,819	\$34,619	+26.6%
Water supply	\$29,301	\$24,393	+20.1%
Conservation and development	\$11,351	\$11,394	-0.4%
Manufacturing	\$209,778	\$131,816	+59.1%

Source: Value of Construction Put in Place in the United States, Seasonally Adjusted. U.S. Census Bureau. Construction Spending. January 2, 2024.



MANUFACTURING

Manufacturing spending is up 59.1% over last year. Some owner industries are spending more on capital projects than others. Contractors who serve owners building manufacturing plants have a lot of work on their hands. Manufacturing spending is a direct result of the U.S. Congress passing the Infrastructure Investment and Jobs Act, CHIPS and Science Act, Bipartisan Infrastructure Law (BIL), and Inflation Reduction Act.

According to the Rhodium Group 2022 report cited in the Center for American Progress written testimony to the U.S. House Oversight and Accountability Committee’s Subcommittee on Health Care and Financial Services, there has been \$213 billion of investments to manufacture and deploy clean energy since the passage of the Inflation Reduction Act.¹ New investments have supported at least 272 new clean energy projects in 44 states, as documented by Climate Power, including:

- + 91 new battery manufacturing sites, creating nearly 93,000 new jobs in states such as Kentucky, Missouri, Louisiana, and New York
- + 84 new wind and solar manufacturing plants in cities such as Pensacola, Florida; Cochran, Pennsylvania; and Georgetown, Texas
- + 65 new or expanded electric vehicle manufacturing facilities, creating 32,000 new jobs in cities such as Savannah, Georgia; Montgomery, Alabama; and Auburn Hills, Michigan



The \$52 billion CHIPS and Science Act was signed into law in August 2022. The first round of CHIPS Act incentives totaling \$39 billion for constructing large-scale fabrication facilities became available in February. As of December 11, 2023, the first CHIPS incentive award of \$35 million announced by the Department of Commerce will go to BAE Systems, which makes chips for military aircraft, to increase its production capacity. However, since the signing of the CHIPS and Science Act in 2022, private company investment in American manufacturing has reached \$614 billion, according to the White House.²



PUBLIC VS. PRIVATE SPENDING

Public spending rate has increased 16.2% year-over-year. Public spending includes spending by city, county, state, and federal governmental entities. Public spending accounts for 39.8% of total nonresidential construction spending rate.

The government is becoming a more prolific spender on capital improvement projects. Public spending at the federal, state, and municipal levels is increasing.

Even though the public sector spending rate is up 16.2% year-over-year, it is important to note the nonresidential spending rate grew by 19.3%. Public spending has increased substantially in the last 12 months, and other nonresidential spending has increased. The private sector manufacturing spending is a good example of this.

TOTAL PUBLIC SPENDING IN MILLIONS

Nov 2022	Nov 2023	Percent Change
\$391,718	\$455,108	+16.2%

Source: U.S. Census Bureau. Construction Spending. Data as of November 31, 2023.



Public spending rate has increased 16.2% year-over-year.



WHAT THIS MEANS FOR YOU

- + The **Davis-Bacon Act** changes went into effect in on October 23, 2023. On November 7th, the Association of General Contractors (AGC) sued the Department of Labor (DOL), claiming overreach. AGC argues that Davis-Bacon is only for "mechanics and laborers on the site," not truck drivers. The lawsuit notes that the administration can't retroactively enforce Davis-Bacon on contracts that didn't have it when signed. The association is not challenging the Biden Administration's efforts to revert to an earlier process for determining the prevailing wage rates for federally funded construction projects.³

- + **Project Labor Agreements**
 - On February 4, 2022, President Biden signed Executive Order 14063, mandating project labor agreements (PLAs) for federal construction projects exceeding \$35 million. The Federal Acquisition Regulatory Council's final rule on December 22, 2023, that construction employers should assume that large-scale federal projects that require coordination among various contractors and subcontractors across several trades will require a PLA that, at a minimum, complies with the Order's requirements, including providing guarantees against strikes and lockouts and dispute resolution procedures.⁴ Moreover, although the Order does not provide for any mandated wage rates on such projects, construction employers should assume that union officials negotiating these PLAs will strongly push for wage rates consistent with union collective bargaining agreements in the relevant area.

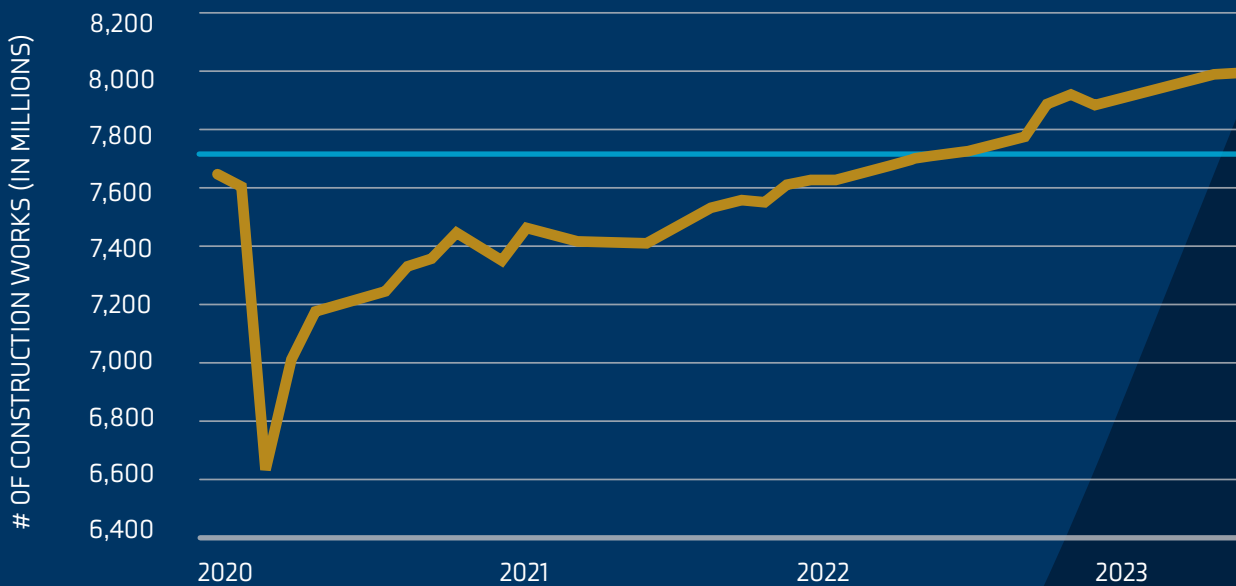


CONSTRUCTION EMPLOYMENT

There are slightly over 8,000,000 construction workers employed as of November 2023. Employment for nonresidential construction workers is up 3.2% year-over-year, but heavy and civil engineering construction employment is up 5.3% to feed the growing demand fueled by Congressional spending bills.

Wages for construction workers as of November 2023 were up 4.9% over the last 12 months. At the same time, the average weekly hours worked is 39.3 hours, a 2.1% increase from a year ago. This means workers are working longer and being paid more than a year ago.

NUMBER OF CONSTRUCTION WORKERS IN THE U.S. 2020-2023



Source: U.S. Bureau of Labor Statistics via ABC.ORG.
Construction Employment Statistics. November 2023.



WHAT THIS MEANS FOR YOU

Higher workers' compensation premiums for the same number of workers

- + With the most recent changes to the Davis-Bacon Act and Project Labor Agreement rules, wages for workers are expected to increase for the upcoming year on top of the almost 5% increase in wages a year ago. Workers' compensation premiums are determined by multiplying the insurance rate per \$100 of payroll. If payroll is higher and rates do not go down, then premiums will be higher without adding additional employees.

Overtime Rule Changes

- + On August 30, 2023, the U.S. Department of Labor proposed an overtime rule to increase the weekly salary limit under the FLSA from \$35,568 to \$60,209. The Association of General Contractors expressed concerns about the potential impact, citing potential limitations on career advancement, reduced access to benefits like incentive pay, and harm to flexibility for remote work.⁵ These include:
 - Limit career advancement opportunities for employees;
 - Reduce employee access to a variety of additional benefits, including incentive pay; and
 - Harm flexibilities allowed for remote work opportunities.

Joint Employer Changes

- + Effective February 26, 2024, the National Labor Relations Board's new final rule for determining joint-employer status under the National Labor Relations Act would find joint-employer status if one employer possesses the authority to control at least one of the seven enumerated essential terms and conditions of employment, regardless of whether that control is actually exercised.⁶

1. Wages, benefits, and other compensation;
2. Hours of work and scheduling;
3. The assignment of duties to be performed;

4. The supervision of the performance of duties;
 5. Work rules and directions governing the manner, means, and methods of the performance of duties and the grounds for discipline;
 6. The tenure of employment, including hiring and discharge; and
 7. Working conditions related to the safety and health of employees.
- + This rule would mean that a general contractor becomes the joint employer of a lower-tiered subcontractor's employees quite easily by virtue of conditions number 4 and 7.
 - The Association of General Contractors points out that if a general contractor is deemed a joint employer, the general contractor could be:⁷
 - forced to respond to the union-organizing campaigns of the subcontractor's employees;
 - pulled into disputes between the subcontractor and a union, without protections from secondary boycotts—like reserved gates—normally accorded to neutral third parties; and
 - held jointly responsible for unfair labor practices conducted by the subcontractor.
 - + It would not be limited to the general contractor – subcontractor relationships. Many subcontractors who are not a prime contractor also utilizes subcontracting relationships. These “upstream” subcontractors could also be deemed to be a joint employer.

+	+	+	+	+	+	+	+	+	+	+	+
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MATERIAL PRICE

In the last year, the inputs to construction have gone down. These inputs include materials and financing costs, including insurance and labor. Overall, the trend input pricing is coming down.

PRODUCER PRICE INDEX, NOVEMBER 2023

	1-Month % Change	12-Month % Change	Change Since Feb 2020
INPUTS TO INDUSTRIES			
Inputs to Construction	-0.3%	-0.8%	+38.8%
Inputs to Multifamily Construction	-0.2%	+0.8%	+37.8%
Inputs to Nonresidential Construction	-0.3%	-0.4%	+39.6%
Inputs to Commercial Construction	-0.1%	0.0%	+39.8%
Inputs to Healthcare Construction	-0.1%	+0.1%	+39.3%
Inputs to Industrial Construction	-0.2%	+1.1%	+35.6%
Inputs to Other Nonresidential Construction	-0.3%	-0.6%	+39.7%
Inputs to Maintenance and Repair Construction	-0.4%	-1.6%	+36.8%
COMMODITIES			
Adhesives and Sealants	0.0%	+2.0%	+33.8%
Brick and Structural Clay Tile	0.0%	+5.6%	+25.2%
Concrete Products	+0.3%	+8.3%	+35.6%
Construction Machinery and Equipment	+1.0%	+6.9%	+28.1%
Construction Sand, Gravel, and Crushed Stone	+0.4%	+8.4%	+29.6%
Copper Wire and Cable	+0.4%	+0.5%	+28.5%
Crude Petroleum	-9.5%	-10.6%	+58.9%
Fabricated Structural Metal Products	+0.3%	+0.7%	+53.5%
Gypsum Products	+0.6%	-1.5%	+43.3%
Hot Rolled Steel Bars, Plates, and Structural Shapes	-0.3%	-8.4%	+52.1%
Insulation Materials	-0.1%	+1.2%	+36.5%
Iron and Steel	-0.1%	-3.6%	+51.2%
Lumber and Wood Products	-0.7%	-5.8%	+23.9%
Natural Gas	+24.1%	-40.3%	+78.1%
Plumbing Fixtures and Fittings	+0.6%	+1.3%	+18.7%
Prepared Asphalt, Tar Roofing and Siding Equipment	-0.3%	+2.8%	+41.1%
Softwood Lumber	-5.1%	-19.7%	+4.7%
Steel Mill Products	-1.5%	-8.4%	+59.7%
Switchgear, Switchboard, Industrial Controls Equipment	+1.0%	+7.5%	+40.0%
Unprocessed Energy Materials	-3.2%	-14.8%	+76.7%

Source: Associated Builders and Contractors. Producer Price Index. November 2023.



WHAT THIS MEANS FOR YOU

- + Soft lumber is used in interior moldings, framing, window manufacturing, and wood sheet goods. This is a primary construction material for apartments, lodging, and residential projects. This reduction in pricing bodes well for owners who are construction pro formas for those projects and the contractors that serve those owners.
- + The decrease in crude petroleum positively affects fuel prices to run equipment and transport people to construction job sites. Construction materials undergo many processing stages and must be transported to dealers and the job site. Crude petroleum is an indirect cost driver that touches many aspects of construction, significantly affecting construction costs.
- + Natural gas is a cost input for cement, and given the amount of street and road infrastructure, this could impact the cost of providing materials for those jobs.



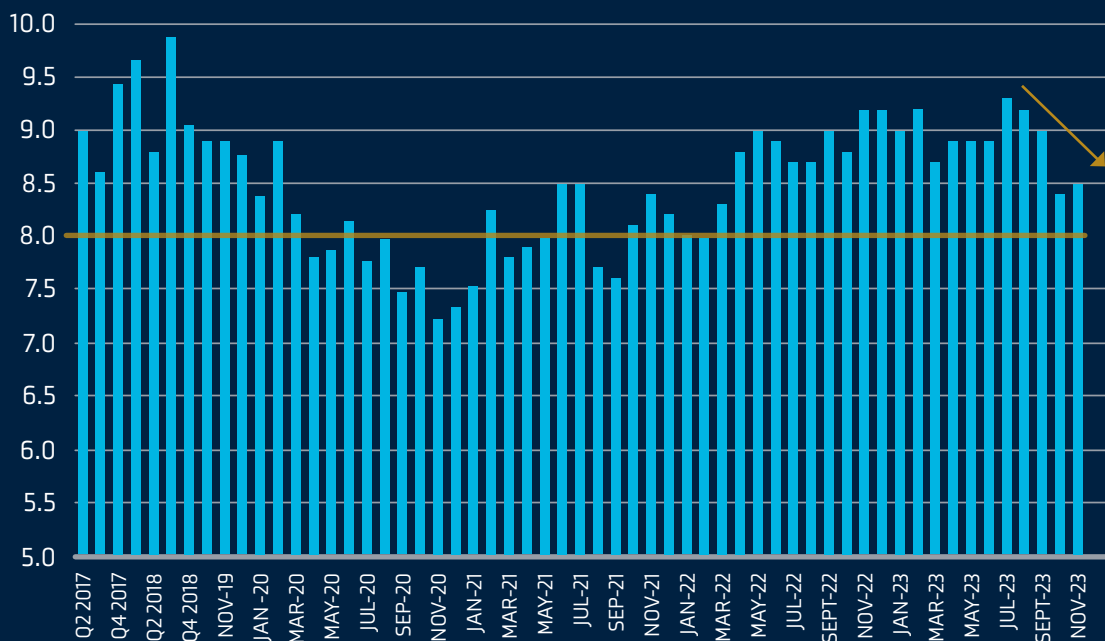
CONSTRUCTION ECONOMIC OUTLOOK FUTURE STATE

BACKLOG

We include backlog in the future rather than the current state because it tells how much work is under contract and still yet to be completed. The Association of Builders and Contractors calculates the figure.

The overall backlog number has decreased -0.7% year-over-year. As of November 2023, the average contractor has approximately 8.5 months' worth of work under contract to be completed. However, the backlog has begun to fall from its most recent July 2023 high of 9.3 months. This could result from what is happening in the Project Stress Index.

BACKLOG INDICATOR



Source: Associate Builders and Contractors. Backlog Indicator. December 6, 2023

Contractors operating in the \$50-\$100 million space increased from 10.6 months to 12 months, strengthening their project under contract for the next 12 months. Larger contractors above \$100 million had a decrease, which may result from larger projects being completed. Although the figures have flattened, the industry is still at elevated levels.	+	+	+	+	+	+	+
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CONSTRUCTCONNECT'S PROJECT STRESS INDEX

ConstructConnect has a database of projects, and they have recently created the Project Stress Index. This index gives us insight into the quality of the construction backlog. As of October 2023, the index sits at 132, the second highest only during Covid-19.

Key observations include:

- + The number of jobs on hold is higher than three months ago.
- + Abandoned projects increased three months ago and remain unchanged compared to October 2023.
- + This late fourth quarter surge in abandoned and on hold activity is highly unusual in the 4-year history of the index, suggesting that market conditions remain fundamentally challenging for the construction industry.⁸

PROJECT STRESS INDEX: U.S. CIVIL AND BUILDING PROJECTS

A seasonally adjusted, equal weight measure of delayed, on hold and abandoned projects



Source: ConstructConnect. Project Stress Index. December 16, 2023

The net result is that backlogs, although still above the eight-month threshold, have been coming down for the past five months simultaneously. The stability of those backlogs executing at the expected time is eroding due to jobs being abandoned or put on hold. Unfortunately, these abandoned or projects on hold reduces the prospects of future spending.

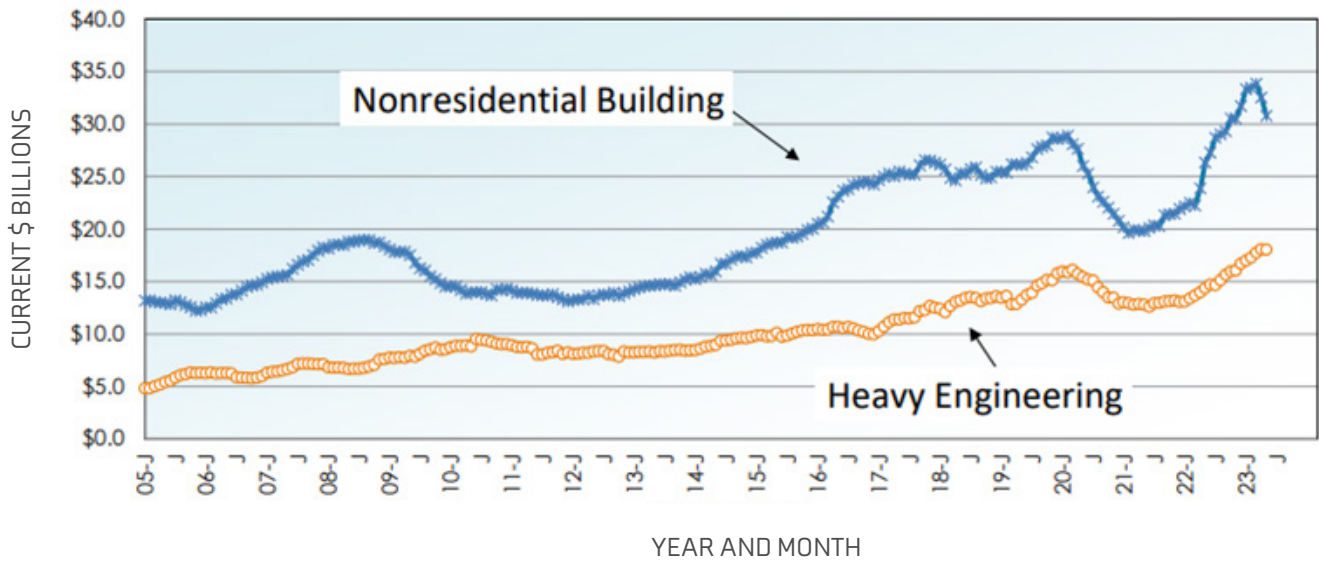
CONSTRUCTION STARTS

Construction starts refers to the total project value at the project's start date. The spending curve for each start varies by project type. Construction starts directly correlate to what we can expect in future spending.

In the Trailing Twelve Month (TTM), nonresidential construction starts compared to heavy engineering starts as of November 2023 provides further evidence that future private sector nonresidential construction spending is starting to decrease, while government future spending is increasing.

U.S. NONRESIDENTIAL CONSTRUCTION STARTS

(12-month moving average)



Source: ConstructConnect. U.S. Nonresidential Constructions Starts. July 2023.



Further evidence of the government's impact on future spending can be seen in the comparison chart below.

- + Three of the largest states have significant double-digit increases in heavy engineering/civil starts while having double-digit decreases in all other nonresidential building starts.
- + Further, six states of the top 20 ranked states have more public spending starts through October than private spending starts – Illinois, Michigan, Louisiana, Minnesota, Wyoming and New Mexico.

As heavy engineering/civil projects have completion times greater than all other nonresidential building starts, it stands to reason spending from the public sector will continue to be a significant source of construction spending for several years to come for the top-ranked states.

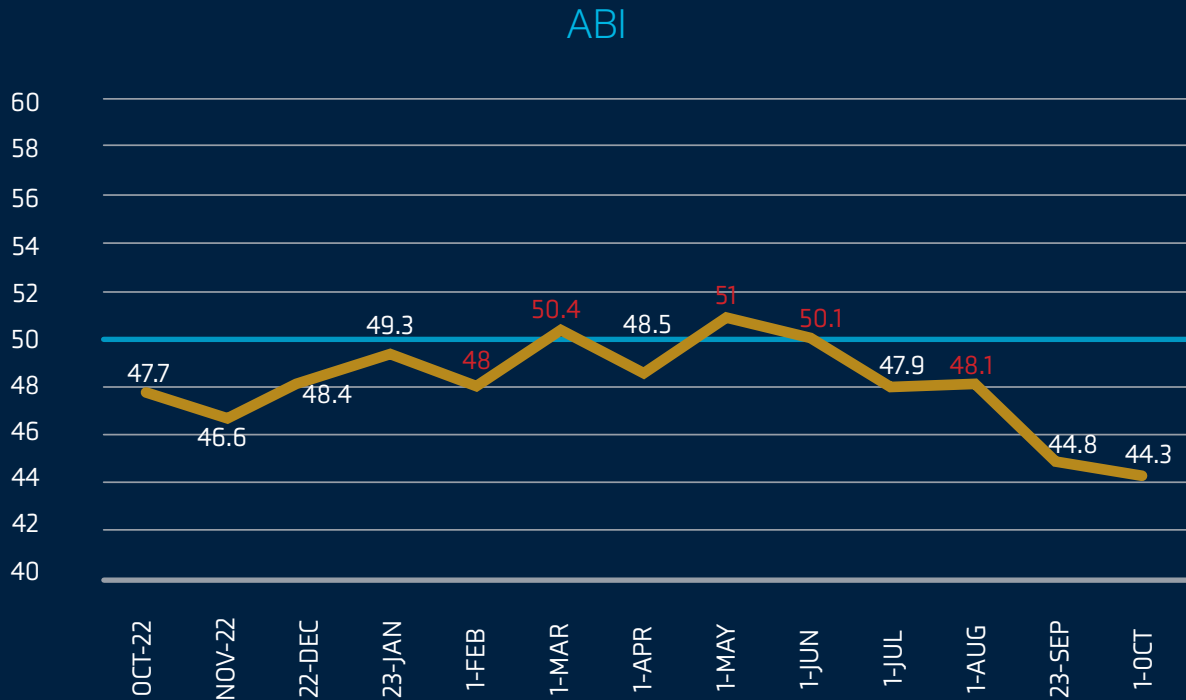
CONSTRUCTCONNECT TOP 20 STATES RANKED BY HEAVY ENGINEERING/CIVIL STARTS BY VOLUME DOLLAR

	Heavy Engineering/ Civil Starts Jan-Oct 2023	% Change vs 2022	All Other Nonresidential Building Starts Jan-Oct 2023	% Change vs 2022
Texas	\$29,228,549,139	+20.1	\$53,966,010,753	-14.7
California	\$17,820,174,013	+31.9	\$22,770,834,789	-12.0
Florida	\$10,448,586,355	+31.7	\$15,357,960,731	-10.3
New York	\$9,512,097,097	-3.2	\$18,333,606,894	+10.6
Illinois	\$6,992,066,031	-6.6	\$6,737,842,371	-2.0
Michigan	\$6,529,354,582	+32.2	\$6,294,832,664	-51.2
Pennsylvania	\$6,434,139,461	+16.9	\$7,565,573,800	-14.4
Ohio	\$5,784,945,191	+16.0	\$11,606,985,158	+68.5
Georgia	\$5,178,113,440	+55.5	\$10,218,055,080	-25.5
North Carolina	\$4,875,983,335	-15.2	\$13,779,590,492	3.7
Colorado	\$4,425,266,572	+53.1	\$4,820,991,326	+51.1
Louisiana	\$4,294,966,081	+33.1	\$3,788,480,298	
Minnesota	\$4,250,020,787	-11.6	\$2,969,741,622	
Virginia	\$4,193,014,714	+6.1	\$8,882,316,875	+41.9
Alaska	\$4,144,073,245	+319.9	\$547,788,415	
Washington	\$4,064,967,003	-5.7	\$4,430,996,395	
Indiana	\$3,654,548,333	-15.5	\$10,988,710,518	+43.9
Massachusetts	\$3,640,137,076	+44.2	\$7,376,829,940	-19.5
Wyoming	\$3,578,185,446	+104.3	\$761,183,561	
New Mexico	\$3,539,910,759	+196.2	\$1,351,747,935	

Source: Data from ConstructConnect. 2023 YTD Ranking of Top 20 States by \$ Volume of Heavy Engineering/Civil Construction Starts and U.S. Year-to-date Regional Starts Nonresidential Construction. October 2023.

AIA ARCHITECTURAL BILLINGS INDEX

The Architectural Billing Index (ABI) is a leading indicator in the construction industry. The ABI, surveyed by the American Institute of Architects (AIA), measures whether architects are billing more or less than the previous months. If the index is above 50, it indicates growth, while below 50 suggests a decline.



Source: AIA Architecture Billings Index. November 30, 2023.

- + The ABI has been negative for nine of the last 13 months and has almost registered a positive indication of demand for architectural services.
- + All sectors have been trending down since August 2023, with residential recording substantial readings under 50 for over a year.

The American Council of Engineering Companies (ACEC) Research Institute publishes a quarterly Engineering Business Sentiment report after surveying each member. Construction plans are produced closer in time to the actual start of construction. Because of this, the survey component of future sentiment provides a shorter leading indicator two quarters (180 days) of future economic activity. This differs from the AIA Architectural Billings Institute, where the design activity is in the pre-construction phase and provides a leading indicator of construction activity by 9-12 months.

In their Engineering Business Sentiment Q4 2023 report, the ACEC Research Institute notes the following future sentiment for the following categories of projects.

INDUSTRY SENTIMENT BY SECTOR 12 MONTHS FROM NOW VS. PREVIOUS QUARTERS

Future Industry Sector Sentiment	2023 Q1 (n = 196-402)	2023 Q2 (n = 225-467)	2023 Q3 (n = 203-402)	2023 Q4 (n = 177-362)	Change vs. Previous QTR
Data Center	+9	+20	+23	+25	+2
Healthcare Facilities	+30	+23	+25	+24	-1
Federal/Military, State and Local Government Buildings	+28	+32	+28	+26	-2
Education	+9	+11	+14	+11	-3
Convention Centers, Sports Facilities and Cultural Facilities	-13	-10	-6	-10	-4
Residential – Land Development	-25	-19	-10	-15	-5
Justice	-1	+4	+4	-1	-5
Transportation – Transit	+48	+49	+41	+35	-6
Transportation – Airports	+46	+42	+43	+36	-7
Commercial Real Estate	-23	-24	-14	-21	-7
Transportation – Roads and Bridges	+58	+53	+54	+46	-8
Industrial and Manufacturing Facilities	+10	+17	+20	+12	-8
Energy and Utilities	+46	+51	+47	+38	-9
Water/Wastewater	+46	+45	+49	+37	-12
Science and Technology	+25	+25	+35	+21	-14
Telecommunications	+33	+26	+38	+22	-16

Source: ACEC Research Institute. State of the Engineering Economy Q4 2023. November 29, 2023.

- + Future sentiment is positive in most sectors, including transportation (roads/bridges/transit/airports), energy and utilities, and water/wastewater.
- + While most sectors have a positive net rating, all categories except data centers have a decreased sentiment from last quarter. This would suggest prospects for construction spending in the short-term will decrease.



FORECAST

There are many organizations that provide their 2024 construction economy outlook. The IMA National Construction Group analyzes no less than five different organizations forecasts. We aggregate input from our design and construction clients to capture our internal forecast, and present two different organizational forecasts to reflect the the divergent views on residential spending.

Our design and construction clients provide us with varying views as to how residential spending will perform in 2024. We believe this is based on differing opinions on what happens to interest rates. We reflect this by comparing construction spending outlooks by Dodge Data & Analytics 2024 and Construction Analytics. Included are the forecast breakdowns below.

CONSTRUCTION ANALYTICS

IN BILLIONS

	Total	Non Residential	Residential	Nonbuilding
IMA				
YTD Nov	1,817	618	808	390
2023 YE Forecast	1,968	673	873	423
CONSTRUCTION ANALYTICS				
2023 YE Forecast	1,970	675	873	423
2024 Forecast	2,131	728	940	463
% change over 2023E	8.2%	7.8%	7.8%	9.5%
DODGE DATA & ANALYTICS				
2023 YE Forecast	1,933	738	875	320
2024 Forecast	1,930	722	813	345
% change over 2023E	-0.2%	4.6%	-7.1%	7.7%

Source: Data from Ed Zarenski, Construction Analytics, Construction Data Briefs Forecast as of November 2023. December 2023. Data from Dodge Data & Analytics. Put in Place Forecast. Data IMA Construction Practice Group, 2023 Year End Forecast

CONSTRUCTION ANALYTICS SPENDING SUMMARY

U.S. Total Construction Spending Summary

\$ in billions % growth vs prior year	Actual 2021		Actual 2022		Year-to-date 2023 as of Nov		Forecast 2023 as of Nov		Forecast 2024	
Total Construction	1653	10.3%	1849	11.8%	1817	6.2%	1970	6.6%	2131	8.2%
Residential	809	25.6%	927	14.6%	808	-6.6%	873	-5.9%	940	7.8%
Nonresidential Buildings	483	-2.5%	549	13.7%	618	23.2%	675	23.0%	728	7.8%
Nonbuilding Infrastructure	362	0.4%	372	3.0%	391	13.5%	423	13.4%	463	9.5%
Educational	101.0	-8.8%	102.1	1.1%	106.6	12.9%	115.5	13.1%	131.3	13.7%
Healthcare	50.3	3.6%	54.8	8.8%	57.2	14.2%	62.3	13.8%	63.8	2.4%
Amusement / Recreation	27.1	-4.2%	30.0	10.7%	29.6	7.5%	32.2	7.4%	34.5	7.2%
Commercial/Retail	97.4	8.6%	121.4	24.6%	120.6	8.7%	130.9	7.9%	123.4	-5.7%
Lodging	19.1	-33.0%	19.7	3.5%	21.6	20.6%	23.5	18.8%	22.8	-3.0%
Office	89.9	-3.2%	91.6	1.9%	90.6	7.9%	98.7	7.8%	104.4	5.8%
Manufacturing	82.0	8.8%	114.7	39.8%	177.0	71.0%	195.7	70.6%	229.0	17.0%
Religious + Public Safety	15.9	-24.7%	14.5	-8.8%	15.1	12.3%	16.5	13.4%	19.0	15.4%
Power	119.1	0.8%	109.8	-7.8%	111.3	10.4%	121.2	10.4%	136.2	12.4%
Highway / Bridge / Street	103.4	1.0%	114.1	10.4%	124.3	16.1%	132.4	16.0%	145.8	10.1%
Transportation / Air / Rail	59.1	-2.7%	58.7	-0.6%	58.7	8.7%	63.7	8.5%	63.9	0.4%
Sewer / Water / Conservation	57.0	3.6%	65.5	14.9%	73.7	22.4%	80.2	22.5%	90.4	12.7%
Communication	23.1	-3.3%	24.3	5.3%	22.6	2.6%	25.0	2.9%	26.5	5.8%

Forecast includes U.S. Census Nov 2023 year-to-date spending issued 1-2-24

Actual Spending data includes 2021-2022 issued 7-3-23

Forecast includes Dodge Starts through Nov 2023

Source: Data from Ed Zarenski, Construction Analytics, Construction Data Briefs Forecast as of November 2023, December 2023.⁹

DODGE ANALYTICS CONSTRUCTION PUT-IN-PLACE FORECAST

	Actual 2022	Estimate 2023	Forecast 2024	%CHG. '22-'23	%CHG. '23-'24
Total Construction	1,848.7	1,933.1	1,929.9	+4.6	-0.2
Total Residential	927.4	874.9	813	-5.7	-7.1
Single Family	453.7	392.5	354.2	-13.5	-9.8
Multifamily	118.5	140.2	130.9	+18.3	-6.6
Home Improvement	355.3	342.2	327.8	-3.7	-4.2
Total Non-residential	631.8	738	772.2	+16.8	+4.6
Lodging	19.7	22.9	23.7	+16.1	+3.6
Office	91.6	98.5	94.2	+7.5	-4.4
Amusement and Recreation	30	32.4	33.6	+8.0	+3.8
Religious	2.9	3.1	3.1	+4.1	+1.3
Education	102.1	110.2	117.4	+7.9	+6.6
Healthcare	54.8	59.9	63.3	+9.4	+5.6
Commercial	121.3	129.2	117.6	+6.4	-8.9
Manufacturing	114.7	181.5	209	+58.2	+15.1
Public Safety, Administrative	11.6	12.6	13.8	+8.6	+9.9
Transportation	58.7	63	70.7	+7.3	+12.1
Non-Building Structures	289.4	320.2	344.8	+10.6	+7.7
Conservation and Development	9.4	11.1	12.2	+17.3	+9.9
Highways and Streets	114.1	128	139	+12.1	+8.6
Sewer Systems	32.7	38.6	42.1	+18.1	+9.1
Power	109.8	115.5	122.7	+5.2	+6.2
Water Supply	23.4	27	28.9	+15.6	+7.0

Source: FMI Corp., historical data are compiled from building permits, construction put-in-place and trade sources. Estimates for 2023 and forecast for 2024 by FMI.¹⁰

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The big question mark for us is multifamily. Multifamily is experiencing continued spending but there are headwinds to expect to slow spending in the later part of 2023 and 2024. This is driven by lower architectural billings, higher interest rates on construction loans, higher builders' risk and property insurance, and uncertainty of regional banks to continue to make commercial loans. In addition, permits for multifamily have been trending downward for the last two years.

IN SUMMARY

In the current construction landscape, overall construction is stabilizing at 10.7%, primarily influenced by a downturn in single-family construction, while nonresidential expenditures across all categories are on the rise, notably with a significant 59.1% increase in manufacturing projects from the previous year. The industry backlog, standing at 8.5 months, according to the Association of Building Contractors. However, ConstructConnect projects stress index suggests backlog is vulnerable to delay in materializing.

Our comprehensive analysis incorporates insights from various organizations, presenting a holistic view of the industry. We highlight the growing public versus private spending. This increase in public spending creates additional areas of risk as federal government agencies implement rules surrounding wages and employer responsibilities. Two organizational forecasts are presented, aligning closely with the sentiments expressed by our clients including the divergent views on residential spending projections for 2024.



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