



CONSTRUCTION  
MARKET ANALYSIS  
2021 - 2022



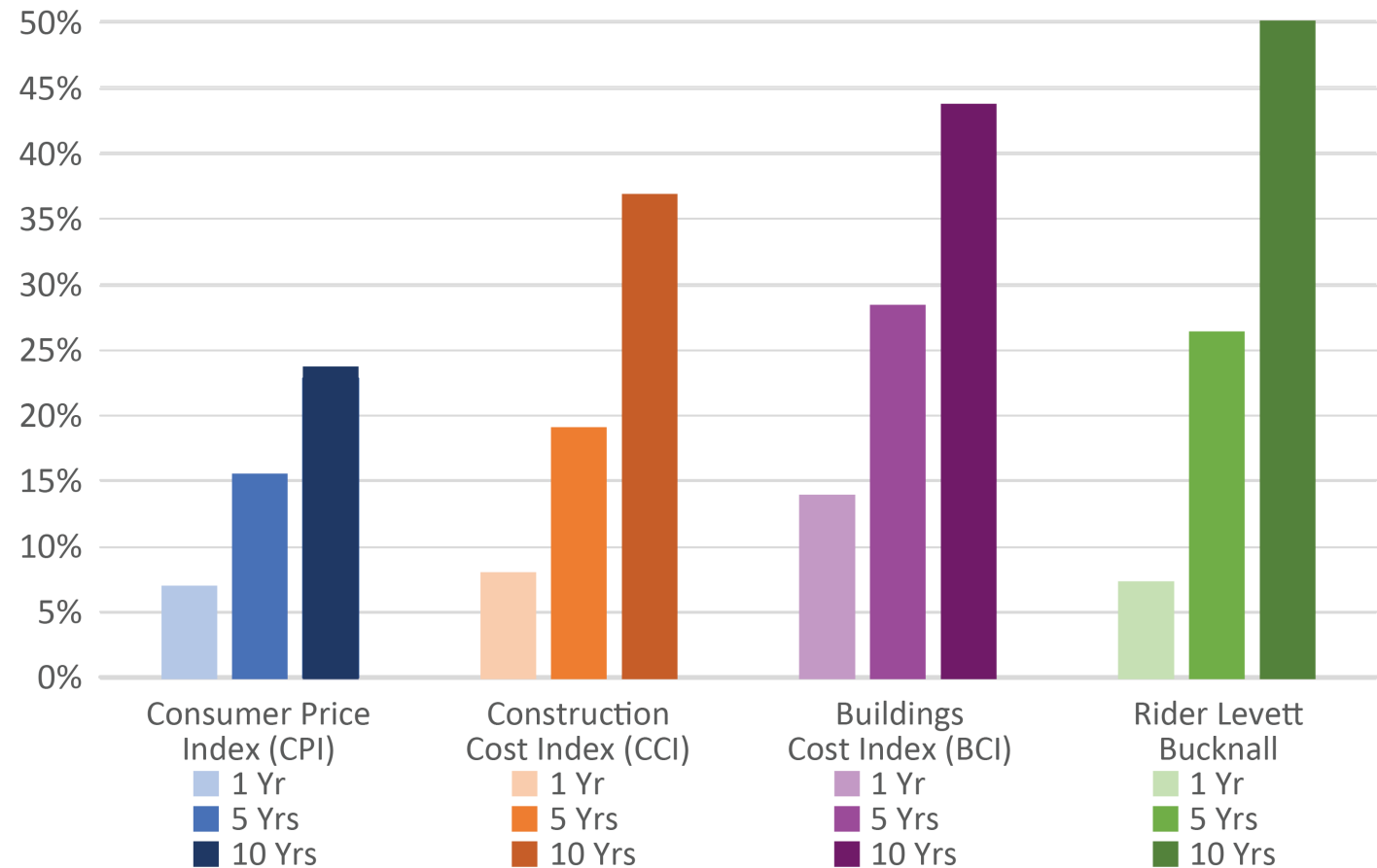
Metro™

2022

# CONSTRUCTION COSTS OUTPACING MARKET

- January's consumer market inflation rate of 7% (the highest since 1982) is lower than the construction inflation rate of 8%
- Since the passage of Measure M, construction costs have outpaced consumer market inflation
- Over the past 10 years, increase in construction prices are near double the consumer market inflation rate

Percent Change in 1-Year, 5-Year, and 10-Years by Index

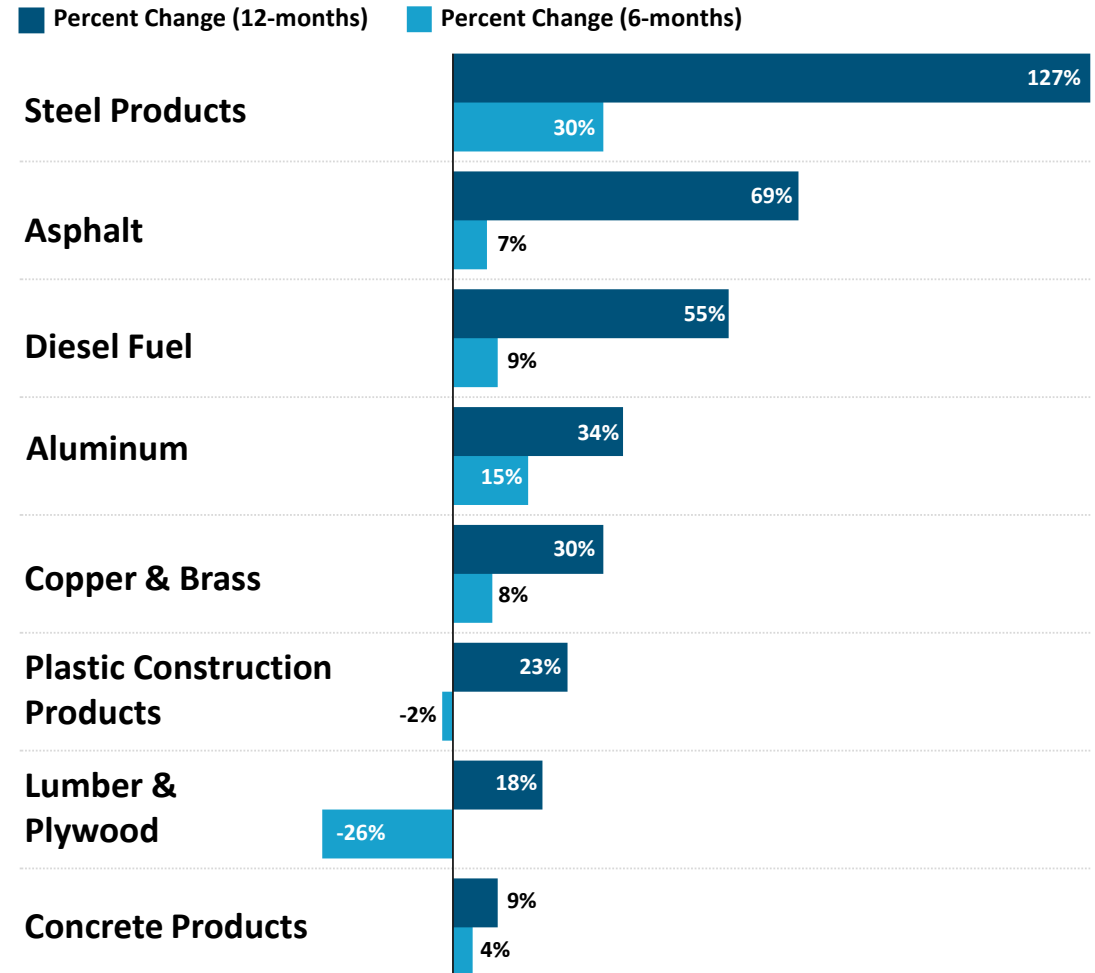


Sources: Bureau of Labor Statistics, Engineering News Record, Rider Levett Bucknall

# CONTINUED INCREASE IN MATERIALS PRICES

- Majority of materials prices have jumped in the past year
- Lumber prices are normalizing
- Key drivers increasing the price of steel products:
  - High demand
  - Tariffs
  - Supply chain issues
  - Consolidation in the industry
  - Pandemic related shutdowns of steel mills

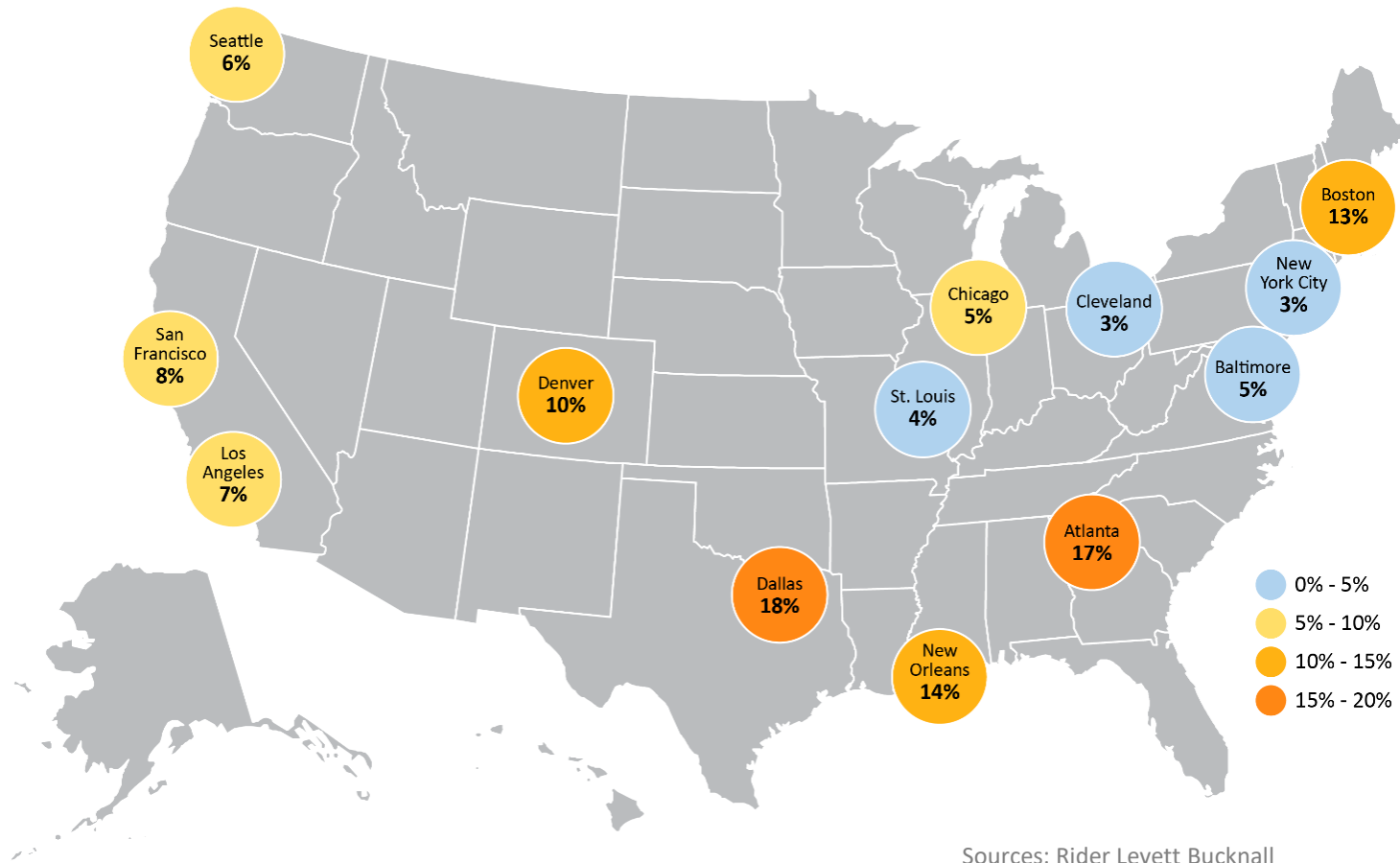
## Construction Materials Cost: Percent Change



Source: Bureau of Labor Statistics

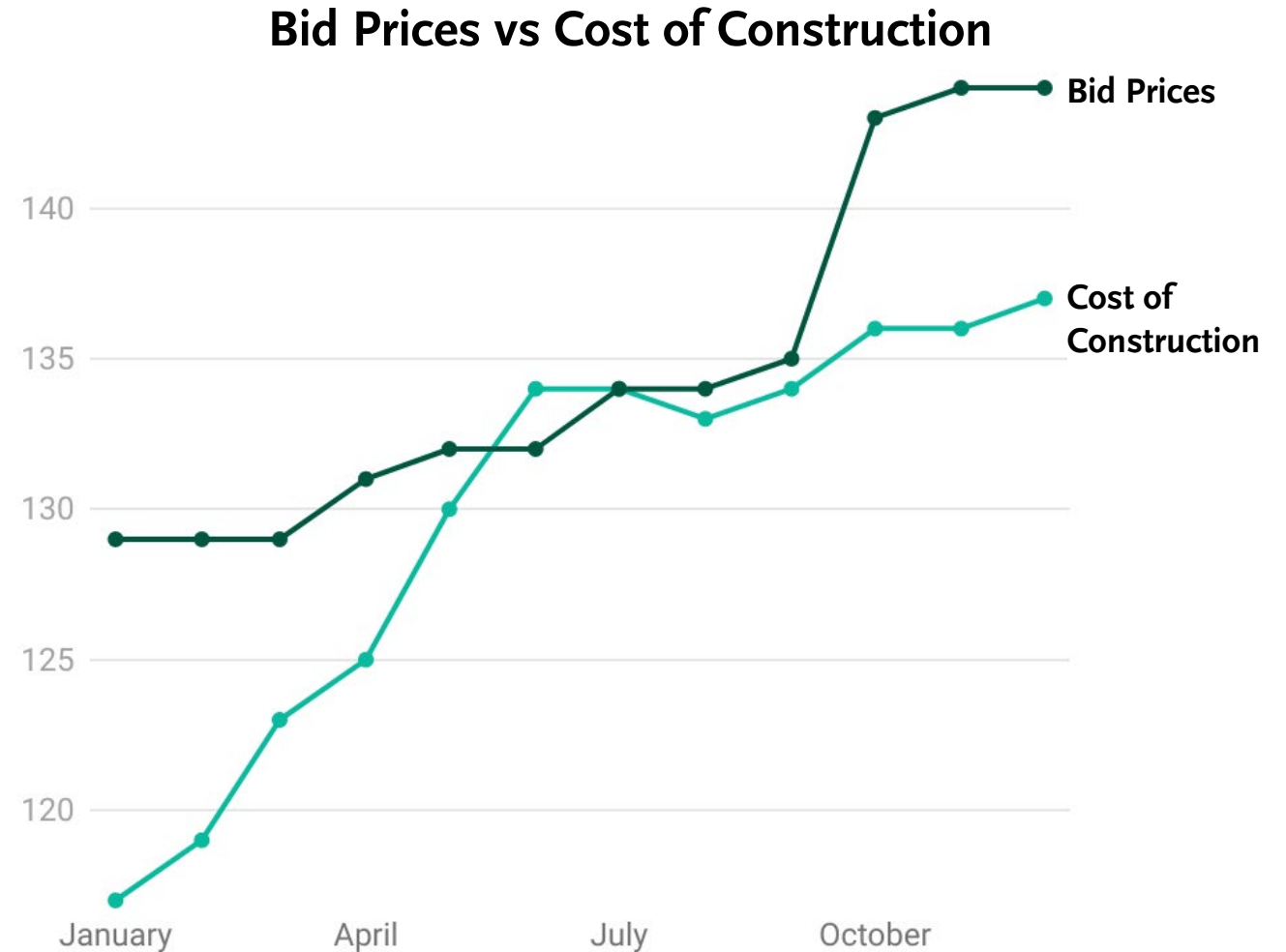
# LOCAL & NATIONAL CONSTRUCTION INFLATION

- Los Angeles and national average peaked in the summer at 11% and 9% respectively
- Los Angeles experienced similar increases to the national average over the past year
- Current construction inflation rates for Los Angeles and national average are at 7%



# COMPARING BID PRICES & CONSTRUCTION COSTS

- Cost of construction has increased by 20% this year
- Bid prices have increased by 13% this year
- Within the last 4 months, bid prices have jumped by 7%
- Contractors are passing along higher costs to owners
- High bid prices are anticipated to continue through the first half of 2022 shutdowns of steel mills



Source: Bureau of Labor Statistics



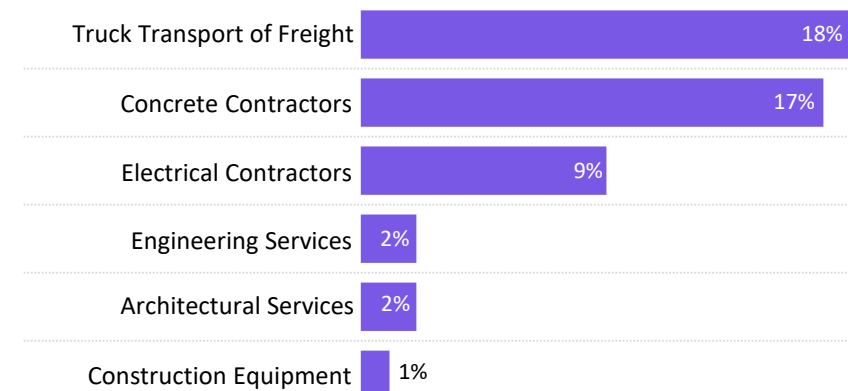
# CONSTRUCTION MARKET OUTLOOK FOR 2022

- Transportation construction activity to increase by 5% compared to last year
- Inflation likely to remain high with a drop in the later half of the year
- Construction escalation is forecasted between 4% to 6% for 2022
- Challenges likely to continue in 2022:
  - Supply chain disruptions
  - High construction materials and services costs
  - Labor shortages
  - COVID-19 variants

## AGC Workforce Survey Results

- 86%** of contractors are having a hard time filling positions
- 72%** of contractors have difficulty finding quality workers
- 61%** of contractors say shortage of workers resulting in delays

## Labor-Related Construction Cost Increase in the Past Year



Source: Bureau of Labor Statistics

# CONCLUSION

- Market factors arising from the ongoing recovery from the Covid pandemic continue to escalate project related costs. Updated economic projections indicate that this will continue into 2022 and supply chain issues and labor impacts will continue to be potential cost and schedule drivers.
- Staff will address the implication for Metro projects in our upcoming fiscal year Annual Program Evaluation. Staff will continue to monitor the market condition, develop and initiate mitigation strategies and continue Federal and State funding advocacy.