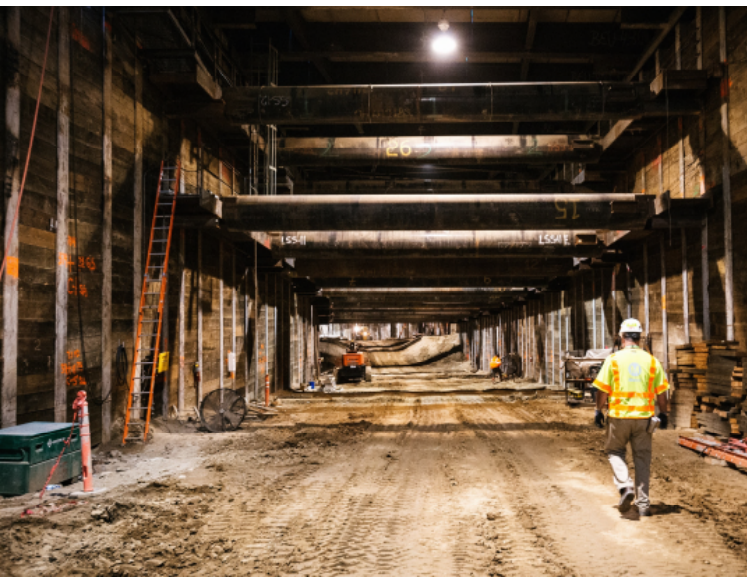


# **Program Management Major Project Status Report**

Presented By

**Bryan Pennington**

Chief Program Management Officer



CONSTRUCTION  
MARKET TRENDS  
2021 - 2022

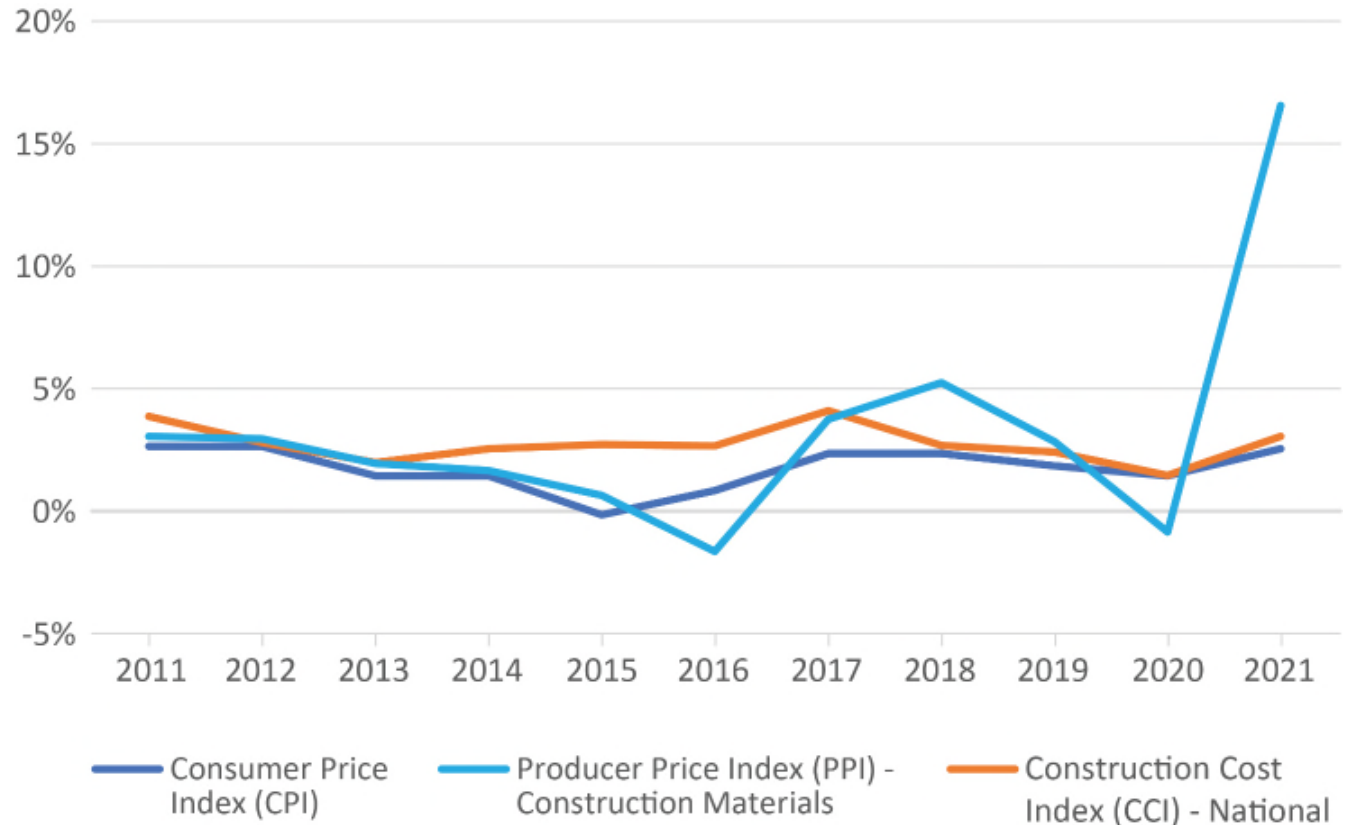


Metro™

2021

# SOARING CONSTRUCTION MATERIAL PRICES - MAY 2021

- Construction materials are seeing rapid cost escalation
- Largely due to:
  - Impediments to importation
  - Uptick in demand
  - COVID-19 impacts to domestic production, and transport/delivery

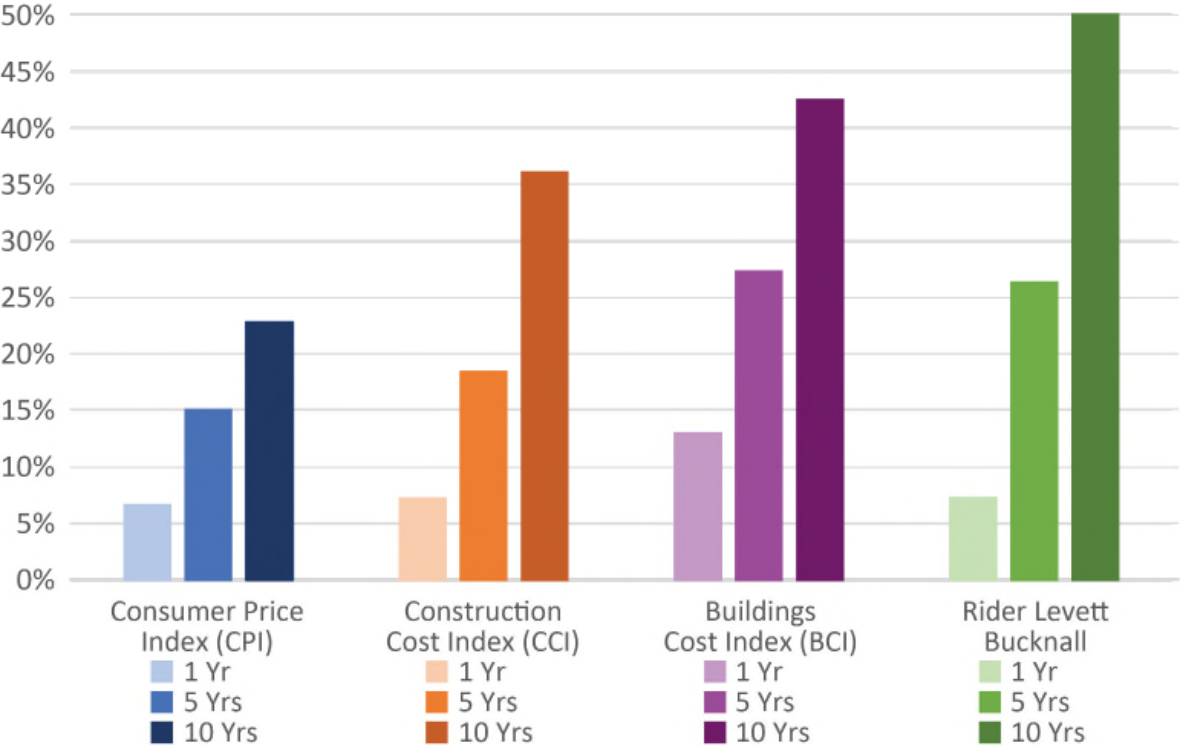


Source: Bureau of Labor Statistics

# CONSTRUCTION COSTS OUTPACING MARKET – MAY 2021

- November’s consumer market inflation rate of 6.8% (the highest since 1982) is lower than the construction inflation rate of 7.4%
- Since the passage of Measure M, construction costs have outpaced consumer market inflation
- Over the past ten 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**

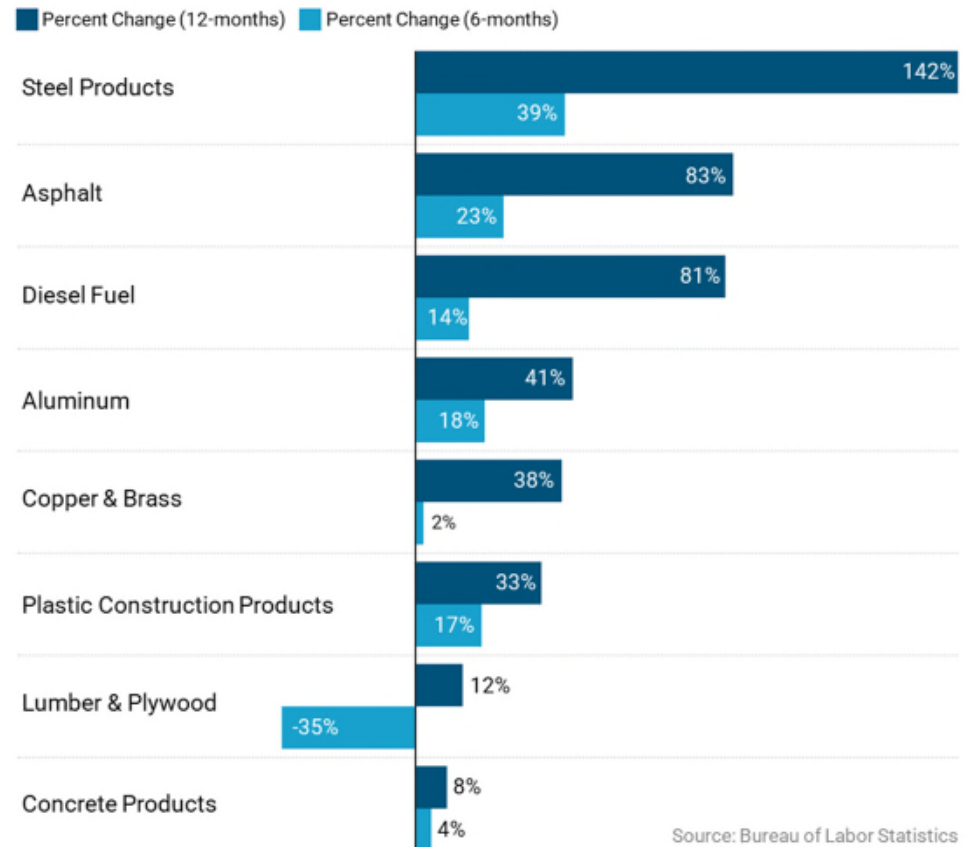


Sources: Bureau of Labor Statistics, Engineering News Record, Rider Levett Bucknall

# CONTINUED INCREASE IN MATERIALS PRICES – DEC 2021

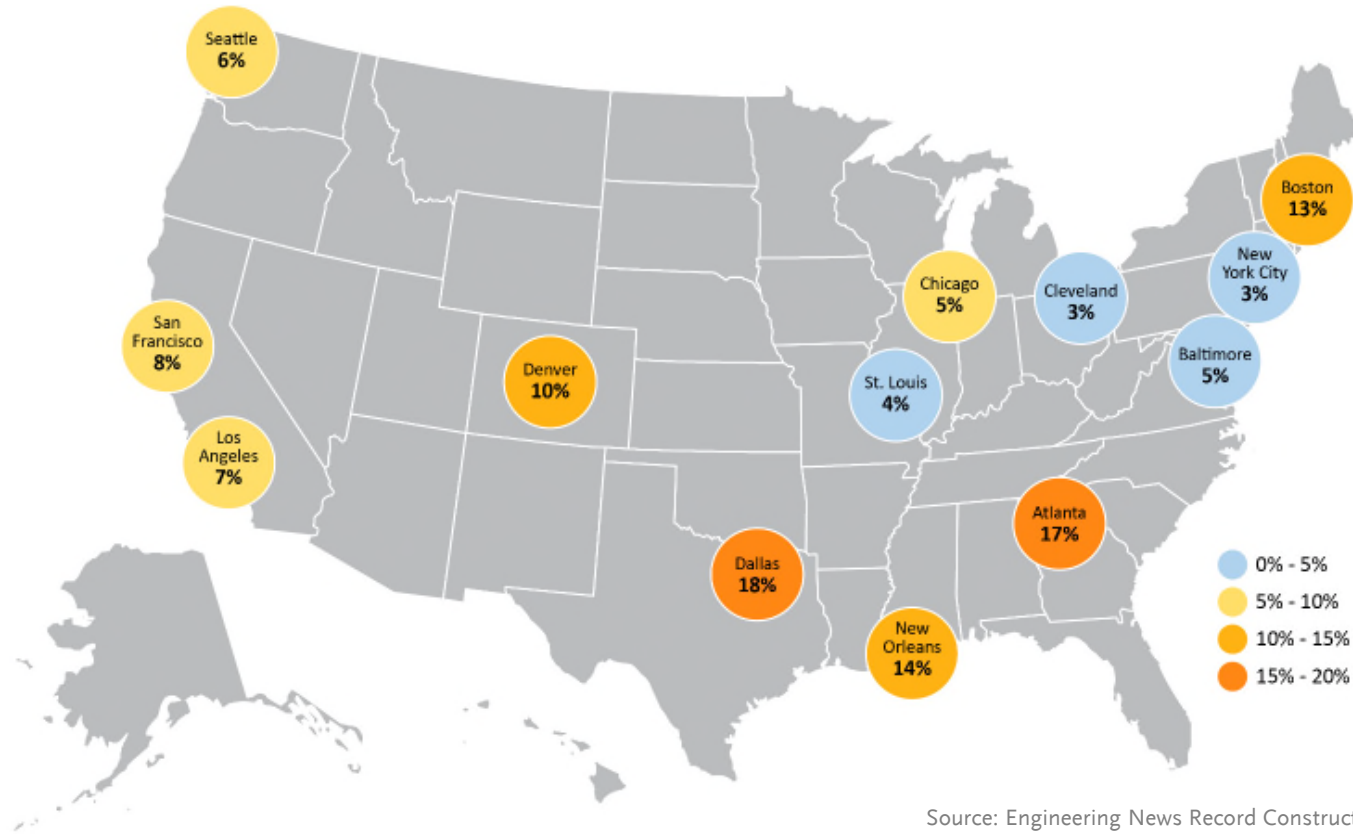
- Majority of materials prices have jumped in the past year
- Lumber prices are normalizing
- Key drivers increasing the price of steel products:
  - High demand
  - Tariffs
  - Supply chain issues
  - Consolidation in the industry
  - Pandemic related shutdowns of steel mills

## Construction Materials Cost: Percent Change



# COVID IMPACT ON CONSTRUCTION INFLATION – DEC 2021

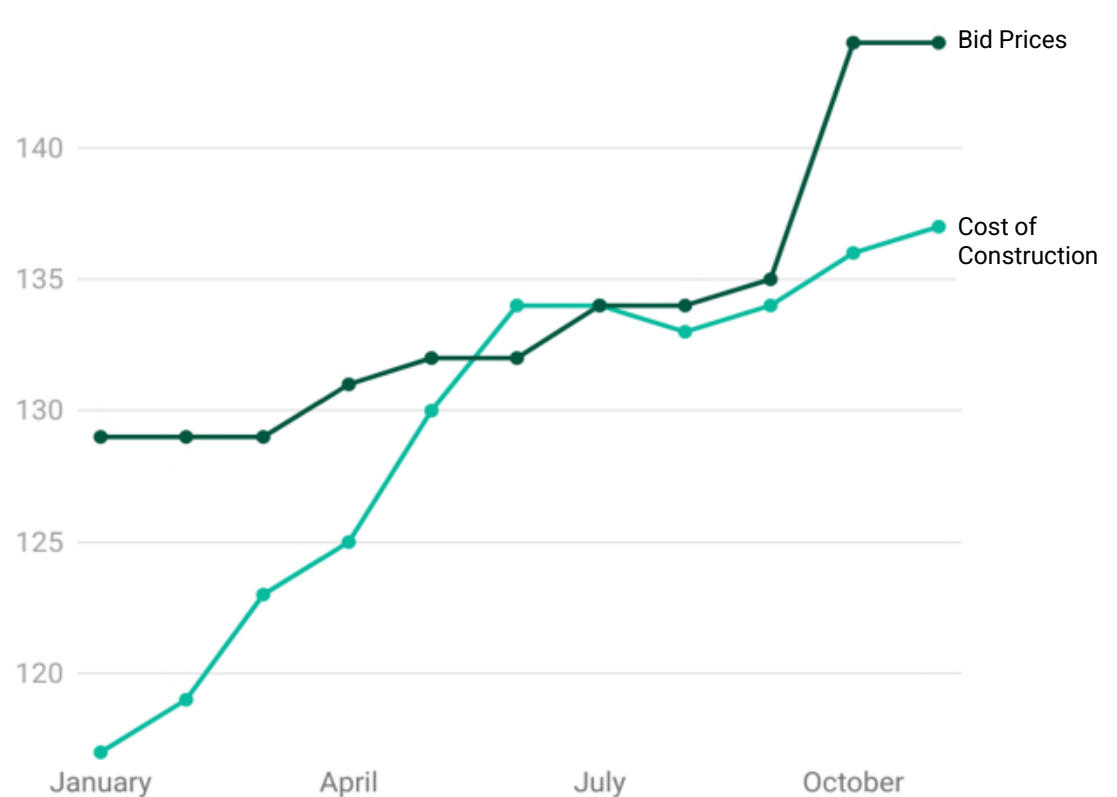
- Los Angeles and national average peaked in the summer at 11% and 9% respectively
- Los Angeles experienced similar increases to the national average over the past year
- Current construction inflation rates for Los Angeles and national average are at 7%



# BID PRICES VS CONSTRUCTION COST – DEC 2021

- Cost of construction has increased by 19% this year
- Bid prices have increased by 12% this year
- Within the last 3 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

**Bid Prices vs Cost of Construction**



Source: Engineering News Record Construction Cost Index

# 2022 CONSTRUCTION MARKET OUTLOOK – DEC 2021

- 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
- 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 Costs Increase in the Past Year





# 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.