



# CONSTRUCTION MARKET ANALYSIS



Metro™

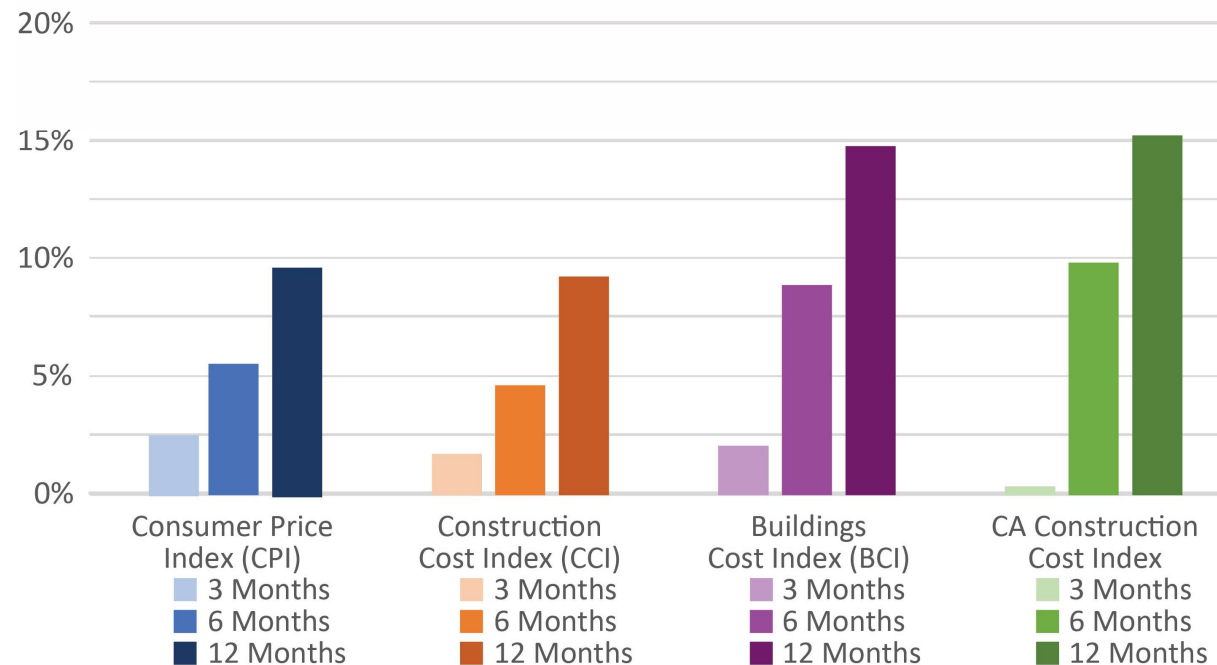
September Update

# 2022

# CONSUMER INFLATION CATCHES UP TO CONSTRUCTION

- Inflation climbs to 9.1% compared to a year ago (highest in 40 years)
- Consumer inflation is generally rising at the same pace as construction inflation
- California construction inflation still much higher than the national average, but has plateaued over the past three months

Percent Change in Past 3-Months, 6-Months, & 12-Months by Index



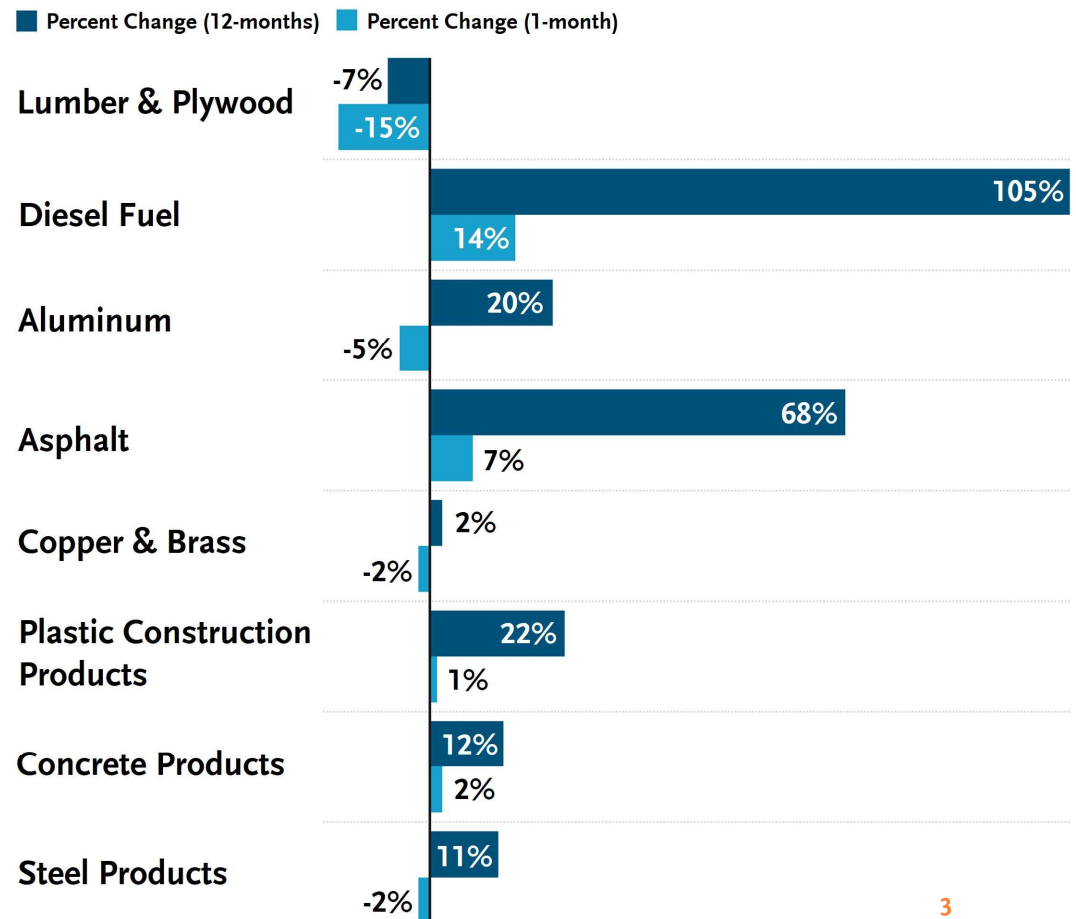
Sources: Bureau of Labor Statistics, Engineering News Record, California Department of General Services

# MATERIAL PRICES ARE COOLING EXCEPT FOR DIESEL

- Material prices stabilizing following extreme COVID volatility, with exception of diesel fuel
- Volatility and supply-chain issues are still expected through summer
- High interest rates and potential recession suggest potential drops in material prices
- Lumber and steel appear to be trending down according to ENR's 2022 Second Quarterly Cost Report



### Construction Materials Cost: Percent Change

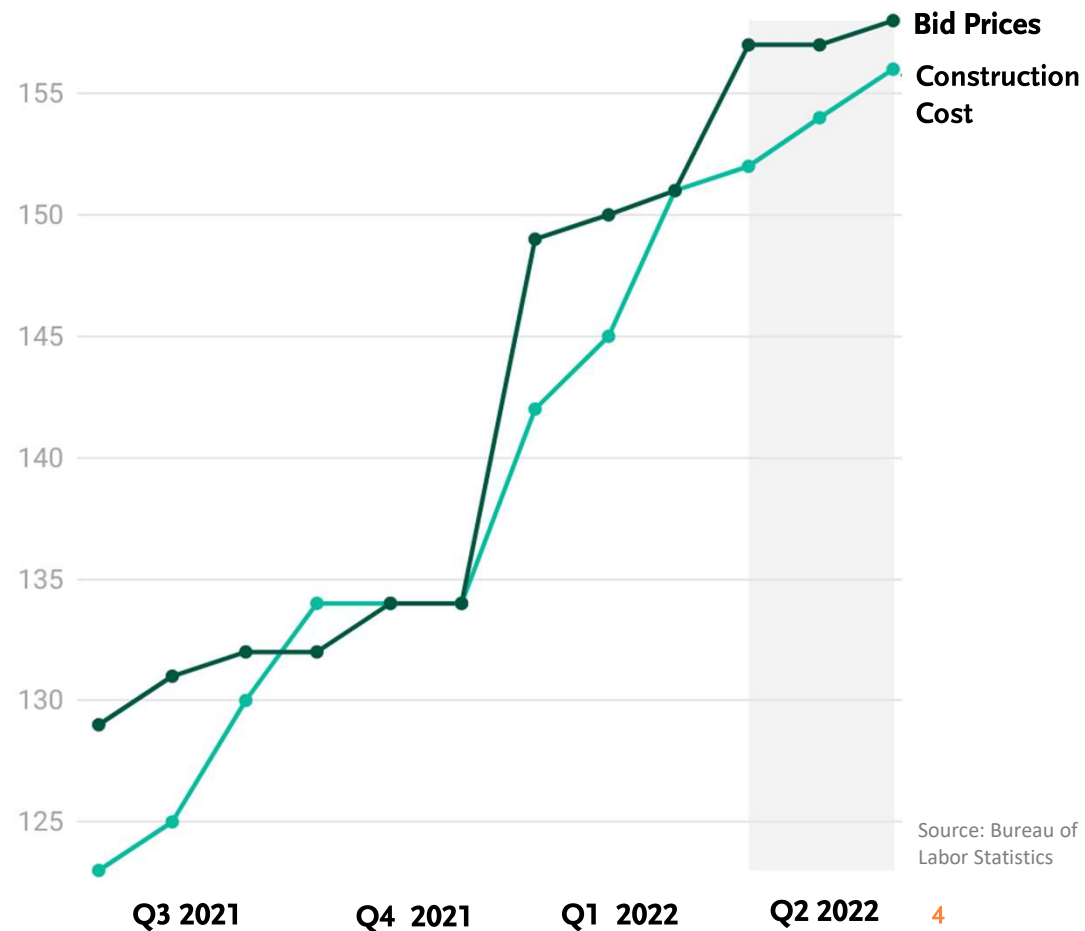


Source: Bureau of Labor Statistics

# CONSTRUCTION COSTS & BID PRICES CONTINUE TO RISE

- Increases over the past 6 months:
  - **10%** in construction costs
  - **6%** in bid prices
- Increases over the past 12 months:
  - **16%** in construction costs
  - **18%** in bid prices
- Bid prices have jumped to compensate for volatility in material prices over the past year
- Bid prices likely to remain high due to competitive worker compensation to attract and retain skilled labor

Construction Costs vs Bid Prices



Source: Bureau of Labor Statistics

# EMPLOYMENT DEMAND STILL GREATER THAN SUPPLY

- 2021: **7.5%** construction unemployment rate
- 2022: **3.7%** construction unemployment rate
- Demand for projects is outpacing the supply of workers
  - **466,000** construction-industry job openings at the end of May (largest May total since 2000)
  - Number of unemployed construction workers is down **47%** from last year, suggesting there are very few experienced jobseekers looking for work
- Average salary increases for construction workers are on pace to exceed **5%** this year



## BY THE NUMBERS

**50%** drop in construction unemployment over the past 12 months

**39%** increase in construction job openings in the past month

**64%** of contractors say the labor shortage is worse than a year ago

**23** year low in construction unemployment

# MID-YEAR CONSTRUCTION MARKET SUMMARY

- **Industry Market Outlook:** Construction market at a crossroads
  - Construction starts up by 6% compared to last year
  - Bellwether indicators forecast strong future construction demand
  - May be tempered by interest rates and potential recession
  - Contractors see declining market through the end of 2023
- **Material Price Trends:** Tightening financial markets, slower growth, and continued improvement of supply chain may cool material prices
- **Labor Trends:** Skilled labor shortages will continue to plague productivity causing project delays
- **Local Construction Indicator:** Los Angeles currently has 51 cranes, most in North America (Seattle is next with 37)