



2023 Construction Market Analysis

Construction Committee



Metro

March 2024

Agenda

- > Purpose and Goals
- > State of the Construction Market
- > Contractor Surveys
- > Construction Workforce Forecast
- > Metro's Efforts to Date
- > Recommendations



Purpose & Goals of the Construction Market Analysis

> **Why:** Metro delivering massive capital program within the context of:

- Historic federal investment
- High inflation
- Uncertainty in economic/political landscape
- Construction workforce shortage
- Highly volatile commodity prices

> **Purpose:**

- Assess and understand the conditions Metro faces while continuing to improve and expand the transportation infrastructure in the LA region.

GOALS



GROW THE RESOURCE POOL

- > Grow local SBE/DBE capacity
- > Increase the number of bidders
- > Catalytic influence on skilled labor growth



BE AN OWNER OF CHOICE

- > Partnership through collaboration
- > Balancing risk objectives
- > Contract terms that fit marketplace/delivery method



MORE PREDICTABLE COST & SCHEDULE ESTIMATES

Align with the marketplace regarding:

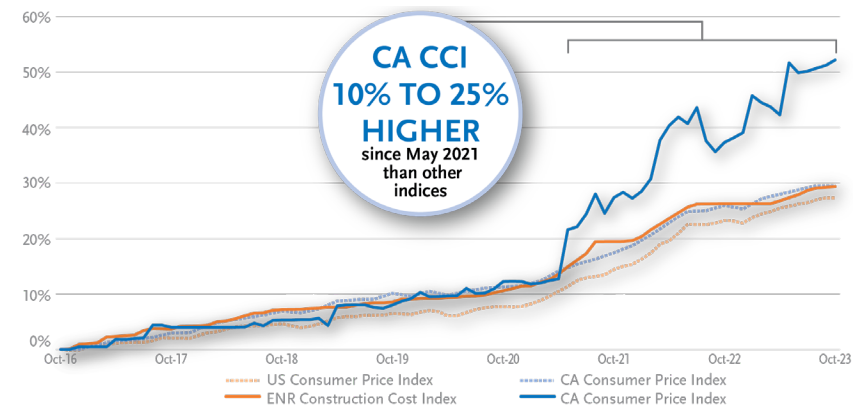
- > Risk allocation and process/procedure
- > Best practices to more accurately forecast cost and schedule estimates
- > Contain costs during construction.



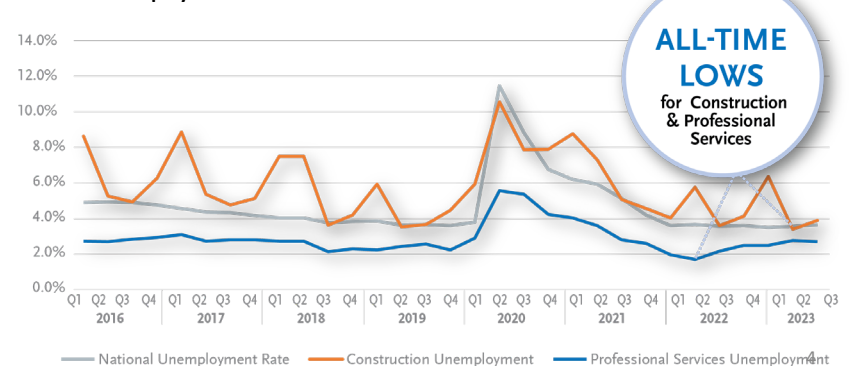
State of the Construction Market

- > Unemployment rates for construction & professional services reached all-time lows in 2022 and 2023
- > Nonresidential/infrastructure construction spending was up 18% in 2023
- > Construction inflation, especially in California, has negatively affected owners & contractors
 - More expensive to build projects
 - More difficult to make a profit
- > After years of supply chain issues and increasing costs, material prices have started to stabilize
- > Demand for federally funded megaprojects will drive annual wage increases above 5% in the future

National & California Cumulative Increase in Consumer versus Construction Market Inflation



National Unemployment Rates

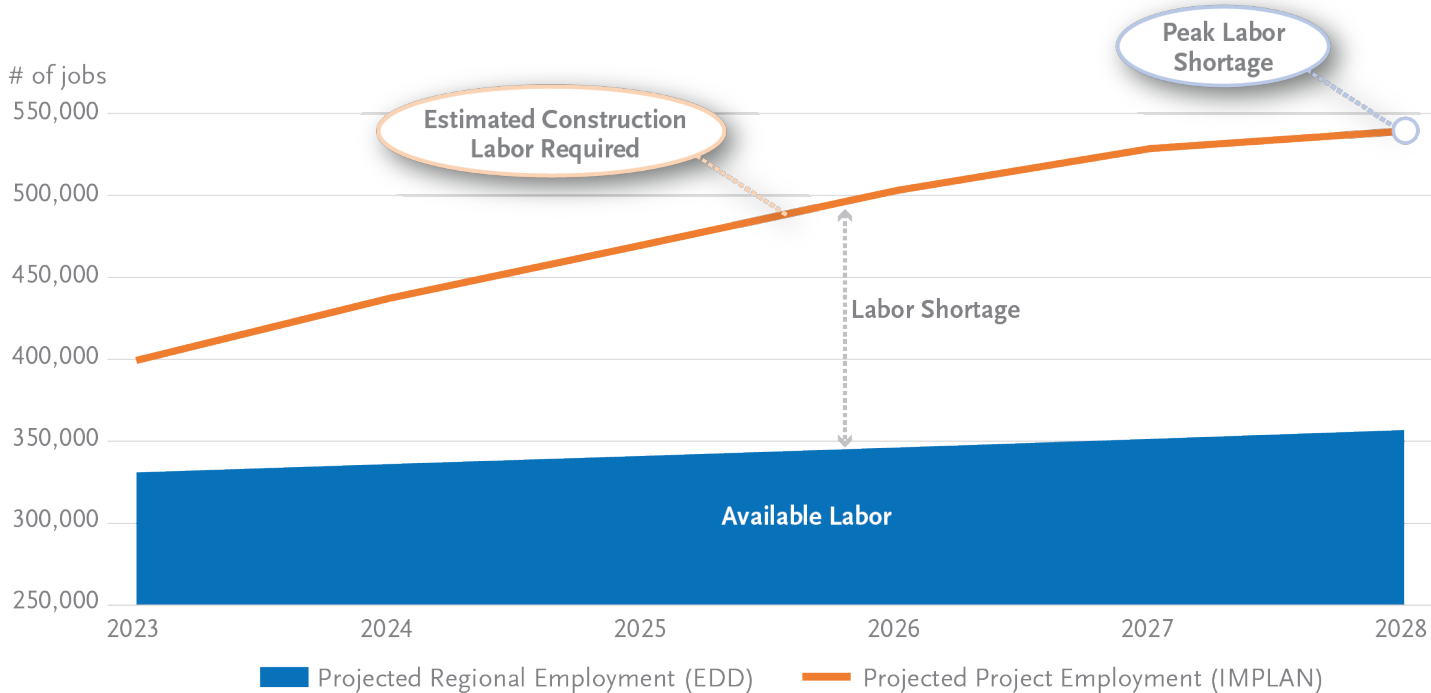


Source: Bureau of Labor Statistics, LNU04032231/LNS14000000/LNU04034219 (2023)



Construction Activity and Labor Forecast

> Comparison of EDD's Construction Employment Projections in Southern California (in job-years)



Contractor Survey Feedback to Metro

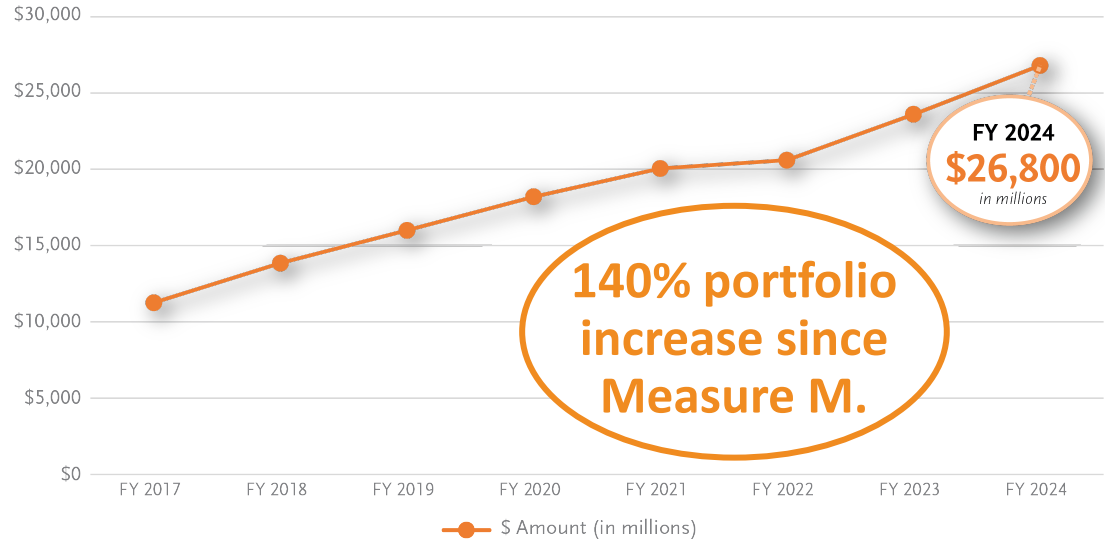
- > One-on-one contractor interviews
 - Range of contractor size and role (prime vs sub)
 - Range of experience working with Metro
- > AGC of California online survey
- > Themes identified from feedback
 - Preference for collaborative delivery
 - Metro excels at engaging the industry
 - Challenges with contract terms and conditions
 - Challenges with Metro's long procurement times
 - SBE/DBE goals are difficult to attain
 - Resolving change orders is complex



Metro's Efforts to Date

- > Provided quarterly Construction Market Analysis updates
- > Continue Annual Program Evaluation
- > Continue to implement alternative delivery strategies
- > Continue to leverage Early Intervention Team
- > Implement new Master Cooperative Agreement
- > Hired recognized industry talent with strong delivery experience




















Size of Metro's Program Management Portfolio



Source: Metro (2017-2023)



Recommendations / Next Steps

#	Recommendation	Primary Goal Recommendation Helps to Achieve	Secondary Goal Recommendation Helps to Achieve
1	Continue to embrace collaborative delivery methods while engaging with and communicating to the construction industry, and incorporating lessons learned.		 + 
2	Continue to evaluate potential updates to terms and conditions based on changing market conditions, delivery methods, and innovation for continuous improvements.		 + 
3	Continue focused alignment of SBE/DBE requirements with a project's scope and the recently updated Disparity Study when setting goals.		 + 
4	Continue to build a standard format for the transition from planning to program management and construction		
5	Explore an expansion of the current informal liaison practice between Metro and contractors to resolve issues.		 + 
6	Continue to work with the industry with a focus on apprenticeship programs to grow capacity for current and future projects.		 + 
7	Simplify procurements to reduce the administrative burden on bidders/proposers.		 + 