

LOS ANGELES
CONSTRUCTION
MARKET ANALYSIS



Metro™

2021

OVERVIEW OF THE 2021 UPDATE

- Economic conditions
- State of the construction industry
- Metro in the marketplace
 - Be the owner of choice
 - Increase the labor pool
 - Control construction costs
- Forecast of construction expenditures and labor needs
- Recommendations



ROAD TO RECOVERY: ECONOMIC CONDITIONS

- National economy projected to recover faster than after the Great Recession
- California to have a “euphoric” recovery
- Los Angeles has the second most cranes in North America
- Recovery tied to vaccination, increasing material supply, and improved logistics

KEY ECONOMIC INDICATORS

	2020	2021(f)	2022(f)
Los Angeles			
 GDP GROWTH	-3%	3%	4%
UNEMPLOYMENT	14%	9%	8%
INFLATION	2%	4%	2%



STATE OF THE CONSTRUCTION INDUSTRY

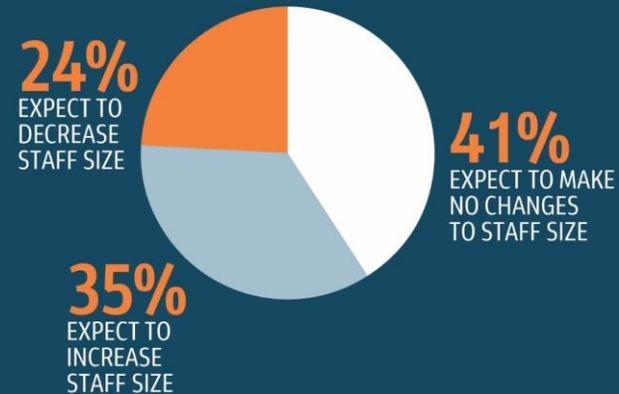
- Construction labor shortage persists
- Construction costs outpacing the market
- Fluctuating material costs
- Optimistic outlook for future activity and spending
- Contractors' market



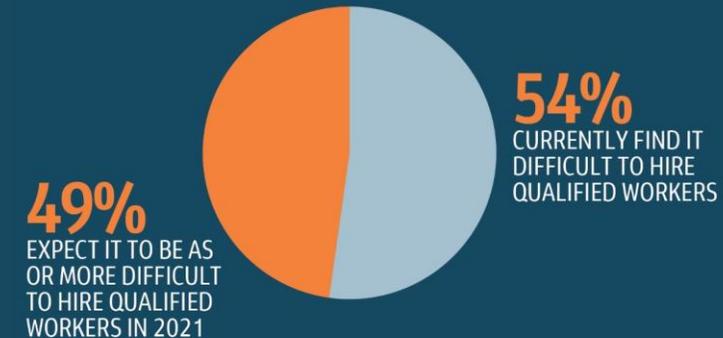
WHAT ARE CONTRACTORS SAYING?

- Contractors are concerned about hiring staff
- Consequences of the labor shortage include
 - Overworked staff
 - Schedule delays
 - Higher bids
 - Turning down work

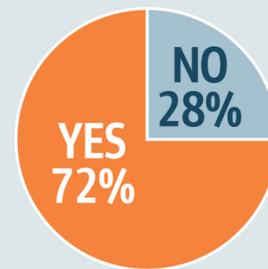
MOST CONTRACTORS EXPECT TO MAINTAIN STAFF LEVELS IN 2021



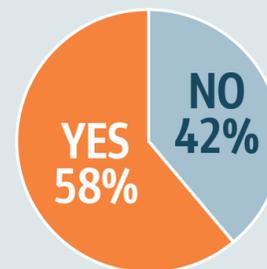
MOST CONTRACTORS CONCERNED ABOUT LABOR SHORTAGES



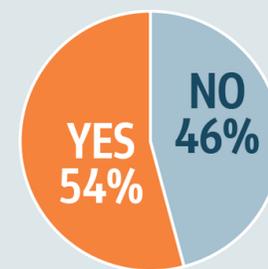
CONTRACTOR RESPONSE TO SKILLED LABOR SHORTAGE



ASKING SKILLED WORKERS TO DO MORE WORK



CHALLENGES TO MEET SCHEDULES



SUBMITTING HIGHER BIDS



TURNING DOWN WORK

Source: US Chamber of Commerce



SOARING MATERIAL COSTS WILL NORMALIZE

LUMBER: AUGUST 2021

ANNUAL
INFLATION
RATE **45%**

STEEL: AUGUST 2021

ANNUAL
INFLATION
RATE **89%**

COPPER: AUGUST 2021

ANNUAL
INFLATION
RATE **41%**

CONTRACTORS' MOST CONCERNING PRODUCTS EXPERIENCING COST FLUCTUATION



56%
say lumber



48%
say steel



19%
say copper

94% of contractors say material **cost fluctuations** have a moderate to high impact on business

84% of contractors face **material shortages**

SOURCE: U.S. CHAMBER OF COMMERCE



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METRO IN THE MARKETPLACE

- Be the owner of choice
 - Attract more bidders
 - Alternative delivery
- Increase the labor pool
 - WIN-LA
 - SEED School of LA County
- Control construction costs
 - Identified 21 cost drivers
 - Examining Metro capital projects and industry best practices to develop cost reduction strategies

CONTRACTOR BACKLOG

50% of the top 20 ENR transportation contractors have worked for or are currently working with Metro

All 10 of these contractors have a backlog of over **\$1 billion**

4 of 10 of these contractors have a backlog exceeding **\$2.5 billion**

METRO'S CONSTRUCTION PROCUREMENTS AND AWARDS IN THE NEXT 24 MONTHS



\$4.5 billion in total construction value



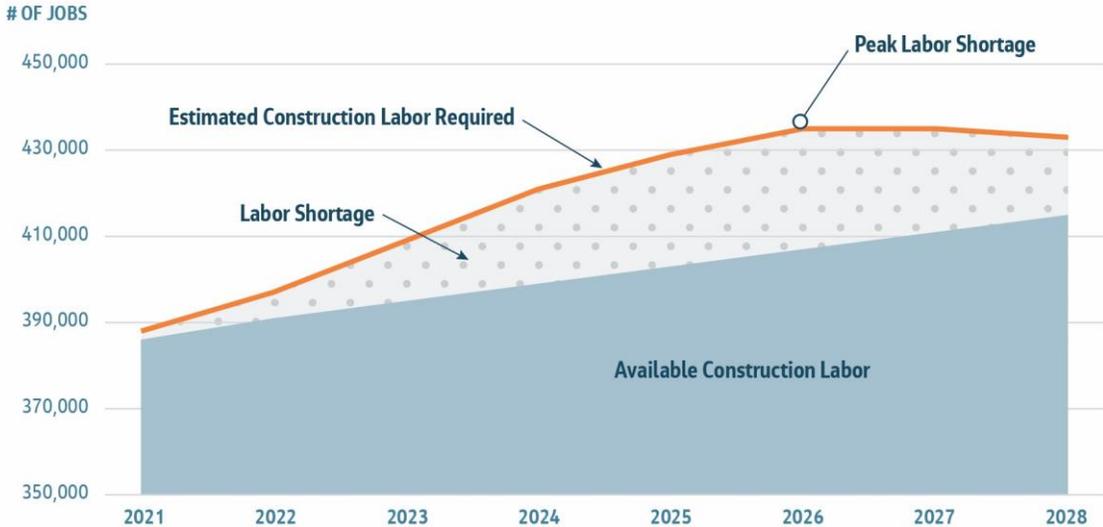
9 projects are above **\$100 million** in value



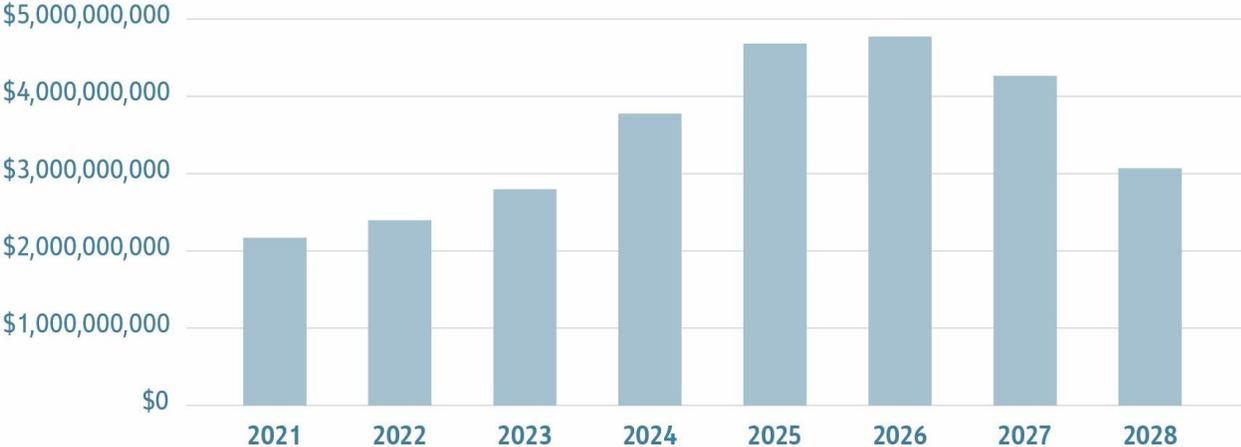
FORECAST OF EXPENDITURE AND LABOR NEEDS

- Metro’s peak construction expenditure at nearly \$5 billion occurring in 2026
- Peak labor shortage in the region to occur in 2026

ESTIMATED CONSTRUCTION LABOR PROJECTIONS



METRO CONSTRUCTION EXPENDITURE PER YEAR



RECOMMENDATIONS

Recommendations	Be the Owner of Choice	Increase the Labor Pool	Control Construction Costs
Embrace partnering on all levels of engagement with contractors to build a reputation as an owner of choice	✓		
Review and revise standard contract terms and conditions to be more attractive to bidders	✓		
Conduct outreach to top-tier contractors who have not previously worked with Metro	✓		✓
Fill the talent gap resulting from the Voluntary Separation Incentive Program and develop training programs		✓	
Expand the scope and reach of the Workforce Initiative Now-Los Angeles program to support contractors in hiring local talent	✓	✓	

RECOMMENDATIONS

Recommendations	Be the Owner of Choice	Increase the Labor Pool	Control Construction Costs
Allocate a small percentage of units in Metro joint development projects for craft labor working on Metro projects		✓	
Build temporary dormitory housing on laydown/staging sites for Metro projects		✓	
Develop specifications that can be flexible to allow for price swings in different materials			✓
Develop a list of approved material substitutes that can be used in the event of fluctuations in the cost of materials			✓
Shorten bid review times to limit the chance of fluctuations in material prices between the time of bid submittal and notice to proceed	✓		✓