

Market Outlook Construction Forum

Summary

as of June 26, 2020

Presenters

- Blair Tennant – Associate Principal, Vermeulens
- Kevin Moses - Vice President, Big State Electric

Macro to Micro Analysis, Vermeulens

- Current Economics & Labor Market Data
 - Commodities are **decreasing in price** with the increase of the USD
 - 1.5M people filed for unemployment the week of June 13th (**declining weekly claims**)
 - Half of the people that have claimed unemployment have gone back to work
 - **400,000 more construction jobs since April 2020**, still 600,000 lower than February 2020 levels
 - Labor statistics verify that the North-East has been hit the hardest
- AIA Billings Update
 - **3rd consecutive month with a declining index**; substantially below average
 - Only **32% of architecture firms are reporting an increase** in billings, 68% are reporting decreased billings
 - Regionally the increases are lower in the north-east (25.1%) and higher in the west (36%)
 - Only **24.8% of commercial and industrial firms** are reporting increased billings (hardest hit), **residential is 34.8%** and **institutional (strongest sector) is 35.7%**
- Market feedback
 - Major construction inputs are showing **consistent pricing apart from imported goods**
 - North-East: **Projects are holding price levels, some are carrying separate prices for COVID cleaning, some are experiencing high volatility and coverage on sub bids**
 - Texas: **Experiencing some changes**, Texas A&M carrying 4% cost reduction (-10% concrete, -30% steel)
 - Recommend budgeting **3%-4% escalation**, recommend using add alternates in the 10% range
 - **Unit rates held at March 2020 values**
- Texas A&M update
 - Still identifying positive COVID cases on construction sites
 - Texas A&M college station **currently 50% staffed**, planning to fully open fall semester including dorms
 - **Short term construction pricing is holding consistently** overall with areas of increasing labor availability offsetting anticipated material and prefab equipment costs

Plans, Future Work and Effects on Cost, Big State Electric

- Current Work Plans in Place
 - Everyone has returned to offices, 10% of employees remain on furlough
 - Shift work has gone away for the most part
 - **Experiencing 7-10% lost time on projects due to daily screenings and strict policies**
 - **Crews seem to be more comfortable working on site**
- Effect on Current/ Future work
 - With current figures, **BSE is expecting a lull in the private market this fall**
 - Government help with unemployment may temporarily hurt the workforce
 - **Sharp increase in sales in May and June after a bad month in April**

Future Agenda

- Jobs and Unemployment Update
- BOKA Powell: Strategies for next-generation office buildings

