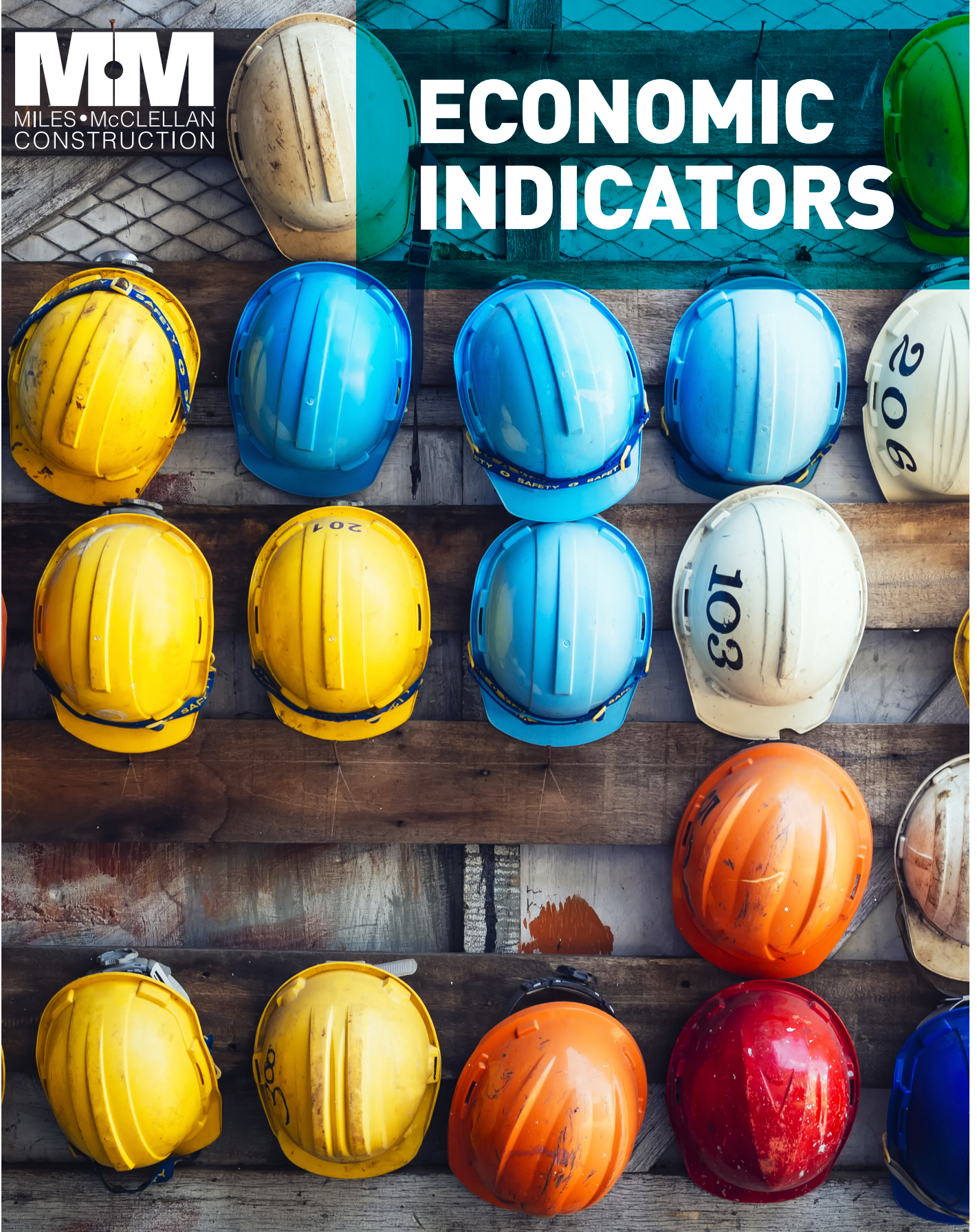


4TH QUARTER 2021

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# ECONOMIC INDICATORS





## 12-MONTH PERFORMANCE SUMMARY

	ABC Backlog	AIA ABI	FMI NRCI	Dodge Momentum Index
January 2021	7.5	44.9		139.1
February 2021	8.2	53.3		148.8
March 2021	7.8	56.9	54.4 Q2 2021	151.4
April 2021	7.9	57.9		163.2
May 2021	8	58.5		175.1
June 2021	8.5	57.1	59.7 Q3 2021	165.8
July 2021	8.5	54.6		154.0
August 2021	7.7	55.6		148.0
September 2021	7.6	56.6	53.8 Q4 2021	164.9
October 2021	8.1	54.3		178.1
November 2021	8.4	51.0		170.7
December 2021	8.2	51.0	54.8 Q4 2021	166.4

### DEFINITIONS AND BASE STANDARDS

**ABC Construction Backlog**

Amount of commercial construction to be performed in coming months

**AIA Architectural Billing Index** - 50 or above indicates growth

**FMI Non-Residential Construction Index** - 50 or above indicates growth

**Dodge Momentum Index** - a unique 12-month leading indicator of construction spending for nonresidential building. Base measurement = 100

**Performance Key:**

Good

Average

Poor

These projections are based on assumptions of fact which may not occur, and are speculative in nature. These projections have not been reviewed or approved by independent accountants or legal counsel or other advisors. Such assumptions are subject to variations that may arise in the future and which may be beyond the control of the corporation. Any change or variation in any of the assumptions would change the projected financial statements and analysis. No representation or warranty, express or implied, is intended as to the reasonableness or accuracy of these projections.



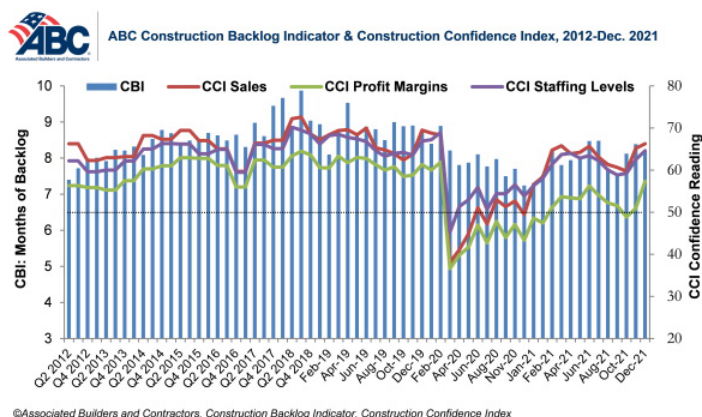
## ABC's Construction Backlog Slips in December; Contractor Confidence Continues to Improve

"Associated Builders and Contractors reports today that its Construction Backlog Indicator fell to 8.2 months in December, according to an ABC member survey conducted from Dec. 16 to Jan. 4. The reading is down 0.2 months from November 2021, but up 0.9 months from December 2020.

ABC's Construction Confidence Index readings for sales, profit margins and staffing levels increased in December. All three indices stand above the threshold of 50, indicating expectations of growth over the next six months.

"Demand for construction services in America remains strong," said ABC Chief Economist Anirban Basu. "Contractors have been upbeat about sales and employment prospects for months. What changed in December is that a growing fraction of contractors now believe that profit margins will rise during the next six months despite rising costs due to labor shortages and volatile materials prices.

"Backlog fell in the infrastructure category, but activity in that category is set to heat up in 2022 as federal infrastructure funds tied to the Infrastructure Investment and Jobs Act of 2021 begin to flow," said Basu. "Backlog in the heavy industrial category also declined on a monthly basis, but over the past year backlog in this segment has climbed dramatically as manufacturers attempt to address goods shortages and more CEOs consider bringing some of their supply chains back to America. Industry backlog could be negatively impacted by elevated steel and other materials prices, with some projects cancelled and others redesigned to shift away from intense steel use."



Construction Backlog Indicator					
	Dec. 2021	Nov. 2021	Dec. 2020	1-Month Net Change	12-Month Net Change
<b>Total</b>	<b>8.2</b>	<b>8.4</b>	<b>7.3</b>	<b>-0.2</b>	<b>0.9</b>
<b>Industry</b>					
Commercial & Institutional	8.5	8.7	7.3	-0.2	1.2
Heavy Industrial	7.7	9.9	4.2	-2.2	3.5
Infrastructure	7.3	8.6	8.9	-1.3	-1.6
<b>Region</b>					
Middle States	8.2	8.1	6.2	0.1	2.0
Northeast	7.5	7.7	7.9	-0.2	-0.4
South	9.0	10.2	8.3	-1.2	0.7
West	8.4	8.0	6.7	0.4	1.7
<b>Company Size</b>					
<\$30 Million	7.6	7.7	7.0	-0.1	0.6
\$30-\$50 Million	8.7	8.9	7.2	-0.2	1.5
\$50-\$100 Million	11.3	10.2	8.5	1.1	2.8
>\$100 Million	10.7	15.0	10.0	-4.3	0.7

Associated Builders & Contractors. (2022, January 11). *ABC's Construction Backlog Slips in December, Contractor Confidence Continues to Improve*. Retrieved from abc.org: <https://www.abc.org/News-Media/News-Releases/entryid/19179/abc-s-construction-backlog-slips-in-december-contractor-confidence-continues-to-improve>



## Engineering & Construction Industry Overview = Q1 2022 Outlook

### U.S. Key Takeaways

- Total engineering and construction spending for the U.S. is forecast to end 2021 up 8% compared to up 6% in 2020, led primarily by residential. Year end actuals for 2021 will be reported spring of 2022.
- Looking at 2022, FMI forecasts 5% growth in engineering and construction spending levels compared to 2021.
- Growth segments in 2021 are expected to include all residential segments (single-family, multi-family and improvements) as well as commercial, manufacturing, and sewage and water disposal construction, each with annual growth rates of 5% or higher.
- A limited number of segments are expected to end 2021 with low growth rates between 0% and 4%, or roughly in line with historical inflation. These stable segments include water supply, health care, and highway and street.
- The majority, or 10 of the 16, nonresidential segments will end the year down. Declines through 2021 will be realized across the lodging, office, educational, public safety, religious, amusement and recreation, transportation, communication, power, and conservation and development segments.
- The lastly Nonresidential Construction Index (NRCI) feedback suggests continued optimism heading into the first quarter of 2022, at 54.8, up slightly from 53.8 in the prior quarter. The index has dropped from highs nearing 60 in the third quarter of 2021, but remains expansionary and suggests increased opportunities for engineering and construction ahead.

### U.S. 2021 Segment Performance

#### 2021/2020 Comparison

 <b>UP</b> 5% or more	 <b>STABLE</b> 0% to 4%	 <b>DOWN</b> Under 0%
Single-family Multifamily Improvements Commercial Manufacturing Sewage and Waste Disposal	Health Care Highway and Street Water Supply	Lodging Office Educational Religious Public Safety Amusement and Recreation Transportation Communication Power Conservation and Development

Daum, C., Bowman, J., Strawberry, B., & Beardall, E. (2022). *2022 Engineering and Construction Industry Overview*.



### Dodge Momentum Index Declines In December

“The Dodge Momentum Index fell 3% in December to 166.4 (2000=100), down from the revised November reading of 170.7. The Momentum Index, issued by Dodge Construction Network, is a monthly measure of the initial report for nonresidential building projects in planning, which have been shown to lead construction spending for nonresidential buildings by a full year. In December, commercial planning fell 4%, and institutional planning slipped 1%.

“Despite these declines, 2021 was a banner year for the Dodge Momentum Index – despite the lingering risks of COVID-19 and low demand for some types of nonresidential buildings. Throughout the year, the overall Momentum Index increased 23%, the strongest annual gain since 2005. Both the commercial and institutional components of the Momentum Index saw similar gains – with their levels of activity reaching 13- and 14-year highs, respectively.

“A total of 21 projects with a value of \$100 million or more entered planning in December. The leading commercial projects were the \$300 million OKANA Resort in Oklahoma City, OK, and the \$200 million Project Tarpon Amazon distribution center in Daytona Beach, FL. The leading institutional projects were the \$250 million University of Michigan Detroit Center for Innovation in Detroit, MI, and a \$150 million laboratory in Lexington, MA.

“The signals provided by the Dodge Momentum Index continue to suggest that construction activity will improve in 2022 – and, more importantly, that this growth will be more balanced than what was seen in 2021. However, the ever-present risks of the pandemic and tight labor force will work to counter these trends, leading to moderate growth over the new year.

### DODGE MOMENTUM INDEX

(2000=100, Seasonally Adjusted)

	Dec-21	Nov-21	% Change
Dodge Momentum Index	166.4	170.7	-2.5%
Commercial Building	196.7	203.9	-3.5%
Institutional Building	128.9	129.7	-0.6%

Source: Dodge Construction Network

### DODGE MOMENTUM INDEX

(2000=100, Seasonally Adjusted)



Dodge Data & Analytics. (2022, January 7). *Dodge Momentum Index Declines in December*. Retrieved from construction.com: <https://www.construction.com/news/Dodge-Momentum-Index-Declines-In-December-2021>



**ABI January 2022: Entering 2022, Architecture Firms Continue to See Steady Growth.**

Ongoing staffing concerns expected to produce another year of above average compensation increases

“Business conditions at architecture firms entering 2022 were essentially the same as when they ended 2021, with an Architecture Billings Index (ABI) score of 51.0 in January, the same as the revised December score. This makes 12 straight months of positive readings for the ABI. However, over this period the pace of growth of the ABI has clearly moderated. For the first 9 months of this design recovery, the average ABI score was almost 56, an unusually high level for such an extended period. Over the past 3 months, the average score was barely over 51. This more modest growth in the ABI no doubt reflects challenges in the construction sector – supply challenges for both labor and materials – as well as ongoing staffing constraints at architecture firms.

Despite of this moderation in ABI scores, workloads at architecture firms should continue to be robust. New project inquiries remain very strong, and new design projects continue to come into architecture firms at a healthy pace. The monthly new design contracts score has exceeded the billings score at firms in ten of the 12 months since the design upturn got underway, suggesting that project backlogs at firms continue to grow. This expanding backlog will serve as a cushion to ensure healthy future workloads over the coming quarters.

Despite these healthy workloads, there remains considerable variation in business conditions geographically and by firm specialization. Firms in the Northeast continue to see the weakest conditions, reporting five straight monthly declines in billings. Firms in the West are also reporting billings declines in recent months. Firms in the South, however, are reporting accelerating growth in billings activity, and in January saw their strongest monthly increase in billings since well before the Great Recession. Likewise with firm specialization, firms focusing on the commercial/industrial market are seeing billings accelerate, institutional firms are reporting billing declines, while multifamily residential firms are reporting stable business conditions.”

**Key September ABI highlights:**

- **Billings:** 51.0
- **Design Contracts:** 56.1
- **Regional Averages:**  
 South - 61.2  
 Northeast - 46.8  
 West - 47.6  
 Midwest - 51.5
- **Sector Index Breakdown:**  
 Multi-Family Residential - 50.1  
 Commercial/Industrial - 54.2  
 Institutional - 47.3

The regional and sector categories are calculated as a 3-month moving average, whereas the national index, design contracts and inquiries are monthly numbers.



To learn more or discuss an upcoming project, contact us today

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**Email:** matt.mcclellan@mmbuildings.com

American Institute of Architecture . (2022, January) . *ABI January 2022: Entering 2022, architecture firms continue to see steady growth.* Retrieved from aia.org: <https://www.aia.org/pages/6478946-abi-january-2022-entering-2022-architectur>