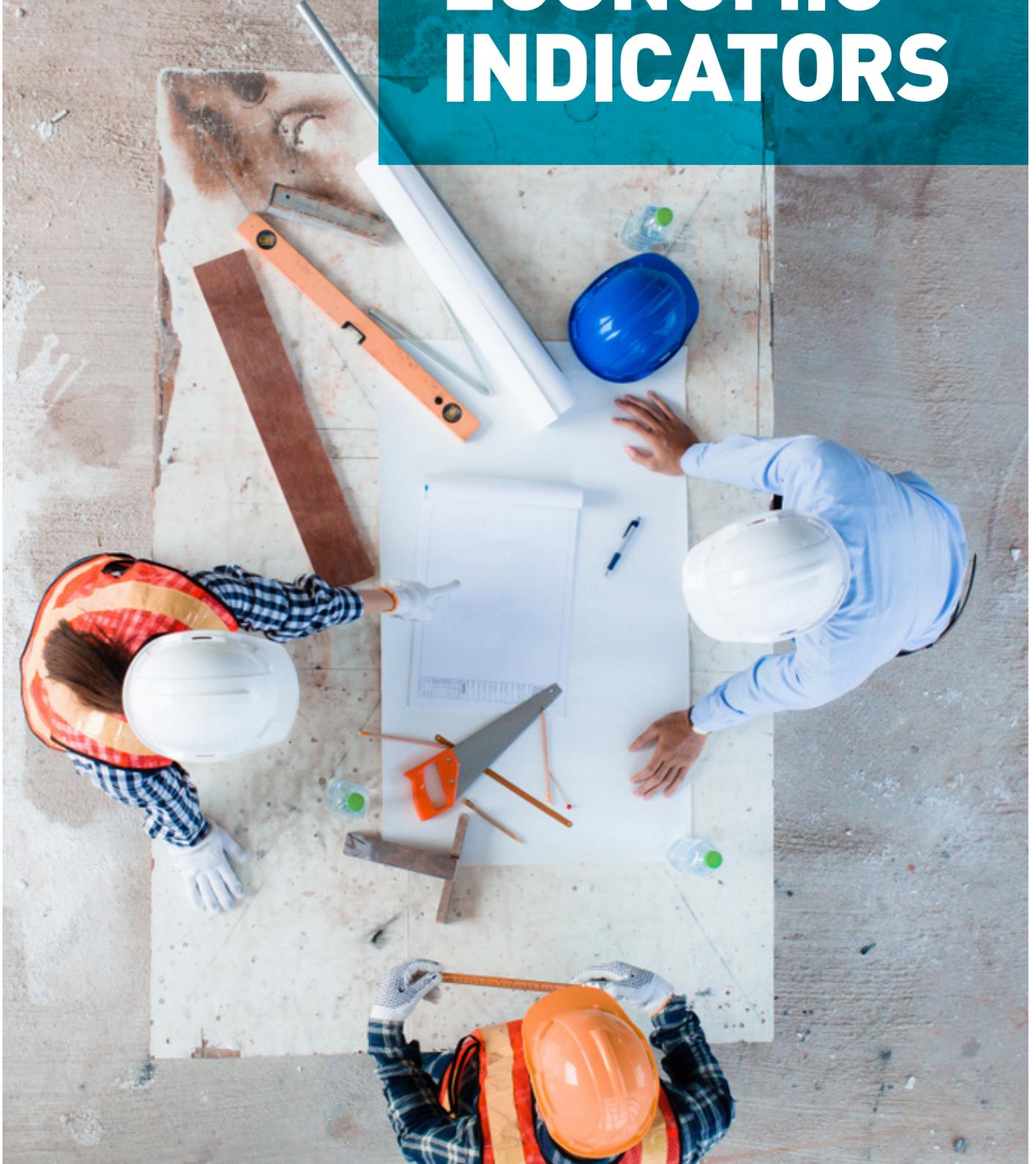


1ST QUARTER 2022

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ECONOMIC INDICATORS





12-MONTH PERFORMANCE SUMMARY

	ABC Backlog	AIA ABI	FMI NRCI	Dodge Momentum Index
April 2021	7.9	57.9	59.7 Q2 2021	163.2
May 2021	8	58.5		175.1
June 2021	8.5	57.1		165.8
July 2021	8.5	54.6	53.8 Q3 2021	154.0
August 2021	7.7	55.6		148.0
September 2021	7.6	56.6		164.9
October 2021	8.1	54.3	53.8 Q4 2021	178.1
November 2021	8.4	51.0		170.7
December 2021	8.2	51.0		166.4
January 2022	8.0	51.0	54.8 Q1 2022	152.9
February 2022	8.0	51.3		160.3
March 2022	8.3	58.0		166.9

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.



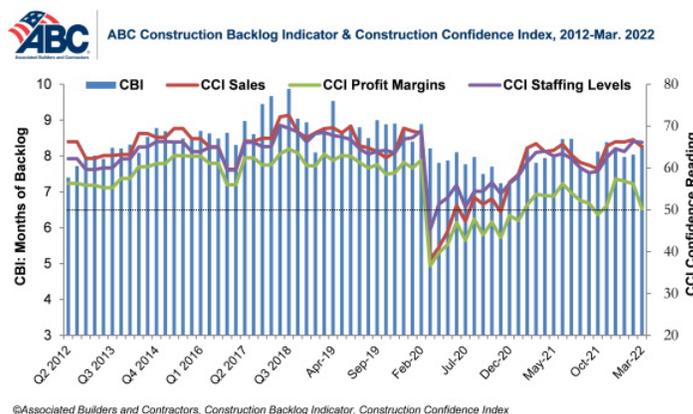
ABC: Construction Backlog Up, Contractor Confidence Down in March

“Associated Builders and Contractors reported that its Construction Backlog Indicator increased to 8.3 months in March.

“Demand for construction services remains strong despite sky-high materials prices, skills shortages and elevated bids,” said ABC Chief Economist Anirban Basu. “ABC contractors indicate that demand will remain strong, with 65% of contractors expecting sales to grow over the next six months. Backlog increased in March, indicating that bidding opportunities remain plentiful. The recent rise in interest rates could induce certain project owners to move forward with construction work to access affordable investment capital while it remains available. It is also conceivable that at some point private demand for construction services will decline as the cost of capital rises.

“If the story ended with demand, it would be as gratifying as a fairy tale ending with happiness across the kingdom,” said Basu. “Alas, one must address the issue of supply. More than three-quarters of contractors indicate that they had recently suffered some setback in delivering construction services.

“Among the primary factors are a lack of sufficiently skilled workers as well as materials and equipment shortages. These dynamics will continue to increase the cost of construction delivery during months to come. The Russia-Ukraine war has exacerbated inflationary pressures and will likely result in more aggressive monetary tightening by the Federal Reserve. For now, the average contractor expects to be able to pass along a significant fraction of the cost increases to project owners. It remains to be seen whether that will persist as interest rates rise.”



Construction Backlog Indicator

	Mar. 2022	Feb. 2022	Mar. 2021	1-Month Net Change	12-Month Net Change
Total	8.3	8.0	7.8	0.3	0.5
Industry					
Commercial & Institutional	8.6	8.6	7.7	0.0	0.9
Heavy Industrial	6.3	6.6	8.5	-0.3	-2.2
Infrastructure	8.2	6.3	8.3	1.9	-0.1
Region					
Middle States	7.5	7.7	7.3	-0.2	0.2
Northeast	8.6	6.9	8.1	1.7	0.5
South	9.7	9.5	8.3	0.2	1.4
West	6.3	7.8	7.4	-1.5	-1.1
Company Size					
<\$30 Million	7.7	7.1	7.5	0.6	0.2
\$30-\$50 Million	8.4	9.6	7.9	-1.2	0.5
\$50-\$100 Million	9.6	12.6	8.4	-3.0	1.2
>\$100 Million	13.8	11.5	10.4	2.3	3.4

© Associated Builders and Contractors, Construction Backlog Indicator

Basu, A. (2022, April 12). ABC: Construction Backlog Up, Contractor Confidence Down in March. Retrieved from abc.org: <https://www.abc.org/News-Media/News-Releases/entry/id/19357/abc-construction-backlog-up-contractor-confidence-down-in-march>



North American Engineering and Construction Outlook - Q1 2022

Construction Put-in-Place

- ↑ Multifamily Residential: UP 18%**
 "Rental rates have risen on a year-over-year basis through the second half of 2021, largely due to the expiration of the federal eviction moratorium. At the same time, rental vacancies have fallen alongside declining home ownership rates. Mixed-use development projects will return, driven by residential-led financing. The addition of low-income units across these developments will continue to help fulfill local housing initiatives."
- ↑ Commercial: UP 6%**
 "Commercial construction investment has largely been mixed through 2021 with high growth across warehouse and distribution, shopping centers, drug stores and building supply stores. Significant contraction has been realized across malls, food retailers and mini storage facilities."
- Healthcare: STABLE 4%**
 "A shift in spending into hospitals and away from medial office, outpatient surgery centers and specialty care facilities will continue over the next 18 to 24 months. However, expect challenges and disruptions on current and forthcoming projects, based on supply chain uncertainty and staffing constraints. The absence of proposed Build Back Better funding in 2022 will further stall construction investment growth."
- ↓ Education: DOWN 7%**
 "Elementary and Secondary School Emergency Relief (ESSER) funds from the year prior have addressed many mechanical and building maintenance needs, but larger-scale renovations and reconstruction efforts have been commonly deferred. The absence of proposed Build Back Better funding in 2022 will further stall investment growth in the coming years."
- ↑ Manufacturing: Up 7%**
 "Demand for goods has far outpaced demand for services through 2021, resulting in increased construction investment across food and beverage, semiconductors and electronics, nonmetallic minerals and fabricated metals. FMI's outlook on many components of manufacturing construction remains positive over the next five years. We anticipate an increased focus on building infrastructure to produce products and goods in the U.S. as well as tech-driven structural shifts across several industries (e.g., electrification of transportation equipment, energy storage, communications, etc.)."
- ↓ Office: DOWN 4%**
 "Remodeled and/or new office space is expected to include design elements maximizing flexibility and safety. Modular workstations, traffic flow studies and improved air filtration will be utilized across open workspaces and/or meeting rooms. However, offices will also become generally smaller due to higher construction costs and a shift to hybrid and remote working. Subscription aggregator business models offering shared luxury workspaces will win clients by offering flexibility."

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



Dodge Momentum Index Increases in March

“The Dodge Momentum Index moved 4% higher in March to 166.9 (2000=100), up from the revised February reading of 160.3. 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 March, the commercial component of the Momentum Index rose 7%, while the institutional component fell by less than one percent.

“The Dodge Momentum Index continued to trend higher in March, largely due to gains in planning for commercial projects. Commercial planning in March was just slightly lower than the all-time high set in October 2021. However, commercial planning has been much more volatile than institutional planning due to the presence, or absence, of large projects month-to-month. The institutional component has also been trending upward but remains 25% below the record set in December 2007. When compared to March 2021, the overall Momentum Index was 17% higher in March 2022. The institutional component was up 23% over the year, while the commercial component was 14% higher.

“A total of 21 projects with a value of \$100 million or more entered planning in March. The leading commercial projects were the \$923 million third phase of the Atlas Power data center in Williston, ND, and the \$325 million Seaport San Diego Block F in San Diego, CA. The leading institutional projects were the \$500 million Kaiser Yesler Terrace medical building in Seattle, WA, and the \$500 million Strong Memorial Hospital inpatient tower in Rochester, NY.

“Nonresidential projects entering planning continue to be robust despite rising energy prices, higher material costs, and significant shortages of labor. While projects should continue to enter the pipeline, the lag from planning to groundbreaking has been growing and will likely result in a delayed impact on construction starts.”

DODGE MOMENTUM INDEX

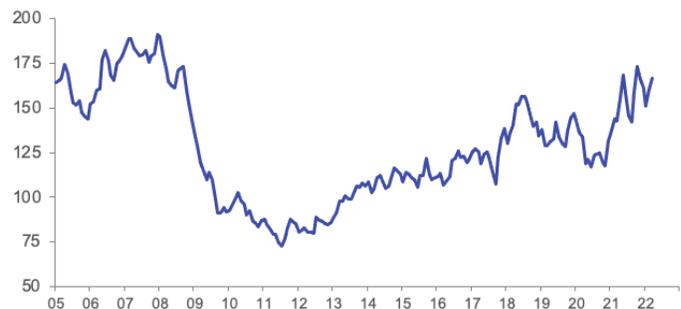
(2000=100, Seasonally Adjusted)

	Mar-22	Feb-22	% Change
Dodge Momentum Index	166.9	160.3	4.1%
Commercial Building	193.3	181.2	6.6%
Institutional Building	134.2	134.4	-0.1%

Source: Dodge Construction Network

DODGE MOMENTUM INDEX

(2000=100, Seasonally Adjusted)



Dodge Data & Analytics. (2022, April 7). *Dodge Momentum Index Increases in March*. Retrieved from construction.com: <https://www.construction.com/news/DMI-Increases-March-2022>



ABI March 2022: Business Conditions at Architecture Firms Strengthen Further

More than half of firm billings over the past year are from renovations, retrofits, rehabilitations, alterations, additions, and historic preservation work.

“This month’s special practice questions asked firm leaders about recent work at their firm on reconstruction projects, defined here as renovations, retrofits, rehabilitations, alterations, additions, and historic preservation. On average, responding firms estimated that just over half of their total design billings over the past year (52%) were from reconstruction projects.

“At firms that have derived at least some billings from reconstruction projects over the past year, the most commonly cited building elements/systems that were replaced and/or upgraded in any of these projects were interior replacements or upgrades (flooring/walls/ceilings) at 91% of firms, HVAC/mechanical (86%), lighting (84%), and exterior replacements or upgrades (roofing/windows/glazing/facades/cladding) at 80%. Responding firms also reported that the principal goals of reconstruction projects that their firm has undertaken over the past year were largely basic updating and modernization of the building interior (68% of firms), adaptive reuse or building conversion (62%), upgrades to basic building systems (HVAC, lighting,) (62%), tenant fit outs (60%), and upgrades to building shell (roof, facade, windows/doors, entrances) at 58%.

“When asked to select the single most important goal of recent reconstruction projects, 26% selected adaptive reuse or building conversion, and 25% selected basic updating and modernization of the building interior. However, at firms with a commercial/industrial specialization, tenant fit outs were the most important goal (32%), while adaptive reuse or building conversion was a less important goal to firms with an institutional specialization, selected by just 17% of those firms.

“Firms were also asked what share of reconstruction work at their firm over the past year has been directly motivated by concerns or impacts from the COVID-19 pandemic. Responding firms reported that the pandemic has generally not been a key factor, with an average of just 10% of firms’ recent reconstruction projects directly motivated by the pandemic. That share is slightly higher at firms located in the Midwest (12% of projects), as well as those with a commercial/industrial specialization (13% of projects). But overall, more than three quarters of responding firms (77%) indicated that concerns or impacts from the COVID-19 pandemic affected 10% or less of their recent reconstruction projects.”

Key March ABI highlights:

- **Billings:** 58.0
- **Design Contracts:** 60.5
- **Regional Averages:**
 - South - 57.2
 - Northeast - 46.3
 - West - 54.0
 - Midwest - 56.2
- **Sector Index Breakdown:**
 - Multi-Family Residential - 57.2
 - Commercial/Industrial - 55.3
 - Institutional - 50.5

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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American Institute of Architecture. (2022, April). *ABI March 2022: Business conditions at architecture firms strengthen further*. Retrieved from aia.org: <https://www.aia.org/pages/6497197-abi-march-2022-business-conditions-at-arch>