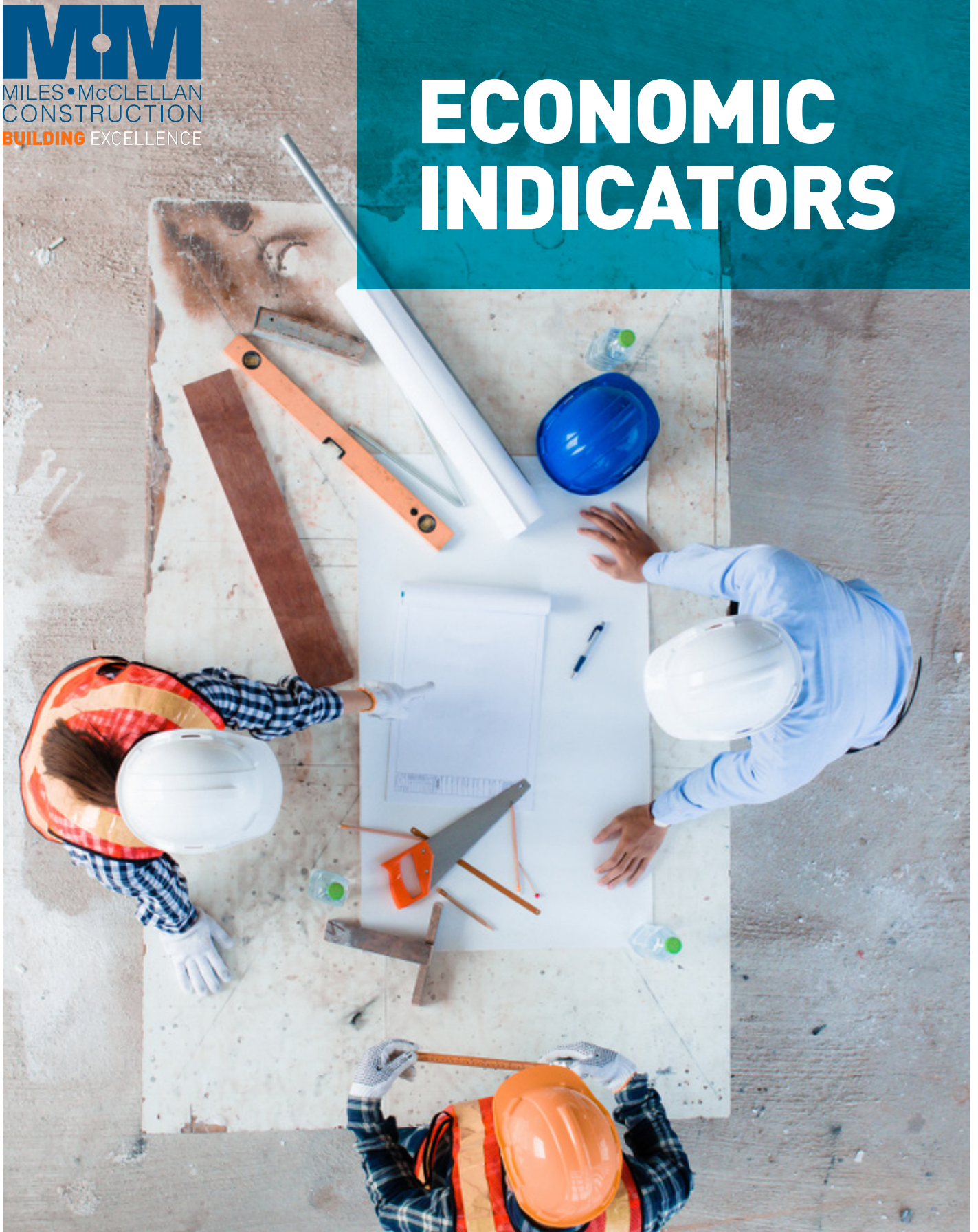


2ND QUARTER 2022

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ECONOMIC INDICATORS





12-MONTH PERFORMANCE SUMMARY

	ABC Backlog	AIA ABI	FMI NRCI	Dodge Momentum Index
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
April 2022	8.7	56.5	53.8 Q2 2022	165.2
May 2022	9.0	53.5		173.1
June 2022	8.9	53.2		173.6

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 Inches Lower in June; Contractor Confidence Falters

"Associated Builders and Contractors reports that its Construction Backlog Indicator fell 0.1 months in June and stands at 8.9 months.

"Several months ago, there was conjecture that contractors were generally too upbeat regarding their collective future," said ABC Chief Economist Anirban Basu. "Increasingly, the data suggest that they were. At the time, many contractors reported surging backlog and an ability to pass along hefty cost increases to project owners. For months, contractors expected sales, employment and margins to expand. The most recent ABC survey indicates that, to secure work and to induce project starts, a growing fraction of contractors is having to trim margins.

"While circumstances are hardly catastrophic, the nonresidential construction marketplace is not as strong as it was expected to be," said Basu. "Many factors are involved, including materials prices that have remained stubbornly elevated and construction skills shortages that have refused to dissipate.

"In the context of rising fears of recession and rising borrowing costs, the stage has been set for softer nonresidential construction activity going forward," said Basu. "That said, public contractors can expect to remain busy in the context of a significant infrastructure spending package. Still, the market may not prove as robust as anticipated given delayed project start dates as public agencies determine the right moment to purchase construction services. Despite all of these considerations, contractors continue to expect industry sales and employment to expand over the next six months."

Basu, A. (2022, July 12). *ABC's Construction Backlog Inches Lower in June; Contractor Confidence Falters*. Retrieved from abc.org: <https://www.abc.org/News-Media/News-Releases/entryid/19495/abcs-construction-backlog-inches-lower-in-june-contractor-confidence-falters>

Construction Backlog Indicator

	June 2022	May 2022	June 2021	1-Month Net Change	12-Month Net Change
Total	8.9	9.0	8.5	-0.1	0.4
Industry					
Commercial & Institutional	9.4	9.1	8.5	0.3	0.9
Heavy Industrial	7.7	8.8	4.6	-1.1	3.1
Infrastructure	7.9	9.3	10.2	-1.4	-2.3
Region					
Middle States	8.3	8.1	8.0	0.2	0.3
Northeast	8.2	9.6	8.9	-1.4	-0.7
South	10.0	9.6	8.4	0.4	1.6
West	9.0	8.2	8.5	0.8	0.5
Company Size					
<\$30 Million	8.6	8.2	8.0	0.4	0.6
\$30-\$50 Million	8.0	11.0	8.5	-3.0	-0.5
\$50-\$100 Million	8.5	10.8	9.4	-2.3	-0.9
>\$100 Million	13.6	13.2	12.8	0.4	0.8

© Associated Builders and Contractors, Construction Backlog Indicator

Construction Confidence Index

Response	June 2022	May 2022	June 2021
CCI Reading			
Sales	58.3	60.9	65.7
Profit Margins	49.4	50.0	56.3
Staffing	59.6	62.8	63.5
Sales Expectations			
Up Big	10.4%	9.3%	11.2%
Up Small	43.0%	47.5%	55.8%
No Change	20.4%	21.9%	20.0%
Down Small	21.7%	20.2%	10.8%
Down Big	4.5%	1.1%	2.3%
Profit Margin Expectations			
Up Big	3.2%	3.3%	5.8%
Up Small	32.6%	33.3%	41.9%
No Change	29.0%	29.0%	26.9%
Down Small	29.4%	29.0%	22.3%
Down Big	5.9%	5.5%	3.1%
Staffing Level Expectations			
Up Big	6.8%	4.4%	7.7%
Up Small	40.7%	53.0%	50.0%
No Change	38.0%	32.8%	32.7%
Down Small	13.1%	9.3%	7.7%
Down Big	1.4%	0.5%	1.9%

© Associated Builders and Contractors, Construction Confidence Index



U.S. Key Takeaways

- Total engineering and construction spending for the U.S. is forecast to end 2022 up 9% compared to up 8% in 2021.
- Strong investment in residential, commercial and manufacturing will drive industry spending through 2022. Additionally, due to ongoing strength in residential development and manufacturing, several non-building segments, including sewage and waste water disposal as well as water supply, are anticipated to realize growth rates exceeding 5% in 2022.
- Year-end 2022 growth will be tempered by ongoing spending declines across various nonresidential building segments, including lodging, educational, religious, public safety and transportation.
- Office, healthcare, amusement and recreation, communication, power, highway and street, and conservation and development are all expected to end the year with low growth roughly in line with the historical rate of inflation, between 0% and 4% and are therefore considered stable.
- The latest Nonresidential Construction Index (NRCI) suggests difficulties heading into the third quarter of 2022, at 45.2, down from 53.8 in the quarter prior. Sentiment this quarter was particularly weakened considering a slowdown in the overall economy. The index has fallen below the growth threshold of 50 for the first time since the 2020 pandemic recession and reflects declining engineering and construction opportunities ahead.

U.S. 2020 Segment Performance 2020/2019 Comparison

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

Daum, C., Bowman, J., Strawberry, B., & Beardall, E. (2022). *North American Engineering and Construction Outlook Third Quarter Edition*



Dodge Momentum Index Hits 14-Year High With Slight Gain In June

“The Dodge Momentum Index (DMI) increased less than 1% point in June to 173.6 (2000=100) from the revised May reading of 173.1, pushing the measure to a 14-year high.

“The Momentum Index, issued by Dodge Construction Network, is a monthly measure of the initial report for nonresidential building projects in planning. The index is shown to lead construction spending for nonresidential buildings by a full year. In June, the commercial component of the Momentum Index rose 4.1%, while the institutional component fell 6.2%.

“Commercial planning in June was led by an increase in warehouse projects, while most other commercial buildings were flat. For institutional planning, a decrease in education projects in June dragged the sector lower, although healthcare increased. On a year-over-year basis, the Momentum Index was 9% higher than in June 2021. The commercial component was 11% higher, and the institutional component was 5% higher than one year ago.

“A total of 27 projects with a value of \$100 million or more entered planning in June. The leading commercial projects were the \$400 million Somerset Nevele Resort in Ellenville, NY, and the \$300 million first phase of the Ten85 warehouse building in Buckeye, AZ. The leading institutional projects were the \$390 million 10 Twin Dolphin life science campus in Redwood City, CA, and the \$280 million expansion of the Connecticut Childrens Patient Tower in Hartford, CT.

“A new cyclical high in the Momentum Index is a sign that developers feel that projects still have hope of moving forward, despite concerns of an impending economic slowdown. However, this sentiment will be tested in the months to come as higher interest rates eat away at business and consumer confidence,” said Richard Branch, chief economist for Dodge Construction Network.”

DODGE MOMENTUM INDEX

(2000=100, Seasonally Adjusted)

	Jun-22	May-22	% Change
Dodge Momentum Index	173.6	173.1	0.3%
Commercial Building	206.2	198.1	4.1%
Institutional Building	133.3	142.1	-6.2%

Source: Dodge Construction Network

DODGE MOMENTUM INDEX

(2000=100, Seasonally Adjusted)



Branch, R. (2022, July 11). *Dodge Momentum Index Hits 14-Year High With Slight Gain In June*. Retrieved from Construction.com: <https://www.construction.com/news/June-2022-DMI>



ABI June 2022: Architecture firms continue to report modest billings growth

More than two thirds of firms report employing staff that engage in sustainability objectives for design projects.

“Architecture firm billings continued to grow at a modest pace in June. After a burst of stronger growth in the spring, the pace has returned to more modest territory over the last two months, with a score of 53.2 for June (any score over 50 indicates billings growth). However, still-rising inflation, as well as higher interest rates and a continued shortage of certain building and construction materials, means that the future is looking increasingly cloudy. While inquiries into new projects continued to grow at a steady pace this month, it was the slowest rate of growth since the recovery began in early 2021. In addition, the value of new signed design contracts also fell to the slowest pace of growth since January 2021. And backlogs at firms, which had been growing at a torrid pace recently, declined slightly, from an average of 7.2 months at the end of the first quarter of 2022, to an average of 7.0 months at the end of the second quarter. However, these are still extremely strong backlogs, meaning that most firms still have a robust supply of work in the pipeline.

“Business conditions remained mixed in different areas of the country this month, as they have for much of the year so far. Following two months of modest growth, firm billings declined slightly at firms located in the Northeast in June. And the pace of growth at firms in the South slowed further, after seeing the strongest growth earlier this year. Business conditions were strongest at firms located in the West for the third month in a row, and were also strong at firms located in the Midwest. By firm specialization, firms with an institutional specialization reported the strongest growth for the first time since before the pandemic. The majority of firms with multifamily residential and commercial/industrial specializations also saw an increase in their billings, but the pace of that growth continued to slow at both.”

Key June ABI highlights:

- **Billings:** 53.2
- **Design Contracts:** 52.2
- **Regional Averages:**
 - South - 51.5
 - Northeast - 48.7
 - West - 57.8
 - Midwest - 54.8
- **Sector Index Breakdown:**
 - Multi-Family Residential - 52.6
 - Commercial/Industrial - 52.5
 - Institutional - 503.5

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

American Institute of Architecture. (2022, July). *ABI June 2022: Architecture firms continue to report modest billings growth*. Retrieved from aia.org: <https://www.aia.org/pages/6526839-abi-june-2022-architecture-firms-continue>



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