

SLC3 Construction Update



December 2021

The National Construction Market

- **“Expected to rise 6%, following a 12% increase in 2021”**
 - “Residential will continue to grow ending the year 14% higher than in 2020, with a more modest 3% bump in 2022
 - Multifamily starts are up 16% in 2021 with another 2% in 2022
 - Commercial starts dropped 20% in 2020, increased 15% in 2021, followed by an additional 12% jump in 2022
 - Retail gains 10% in 2021 with another 14% in 2022
 - Warehouses lead the way with a 36% increase in 2021 and 13% in 2022
 - Hotels plummeted 51% in 2020, declined another 18% in 2021 and are expected to recover by 24% in 2022
 - Industrial is up 5%
 - Education is flat
 - Healthcare is up 8%”

*Reference *Dodge: Overall Growth Will Continue, But at a Slower Place in 2022* as published in ENR by Alisa Zevin, November 3, 2021

National Market Conditions

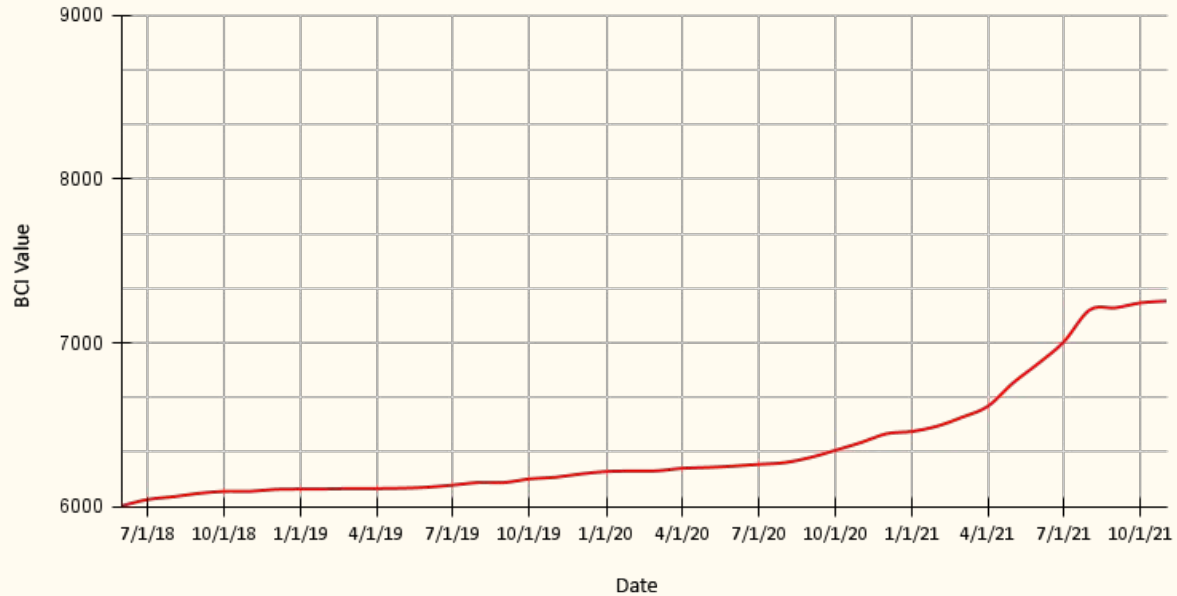
- All time highs on material costs
 - On average, materials are up 30% in last 12 Months
 - Certain materials are up as much as 400% (steel, sprinkler pipe)
- Supply chain volatility has created labor and schedule inefficiencies
- Transportation and freight costs are up 200%+
- Construction is in high demand after 2020 slowdown

*References AGC of America, Dodge Data & Analytics, Engineering News Record, St. Louis Business Journal, FMI, Construction Forum and S. M. Wilson National Peer Group

National Market Conditions

Engineering News - Record

Building Cost Index - 20 City Average



National Market Predictions

- The volatile market will remain through 2023
- Inflation escalation is expected to continue
- Prices are not expected to return to pre-2021 levels
- Construction demand is expected to increase

*References AGC of America, Dodge Data & Analytics, Engineering News Record, St. Louis Business Journal, FMI, Construction Forum and S. M. Wilson National Peer Group

Overcoming Current Challenges

- Continued Escalation
 - Speeding up submittal process to lock in material prices
 - Purchasing and storing materials in bonded warehouses
 - Sharing escalation risk with Owners via allowances until prices are locked in - funds not spent are moved to Owner's contingency
- Schedule Impact
 - Delaying starts to avoid schedule gaps
 - Resequencing to offset delays

Workforce

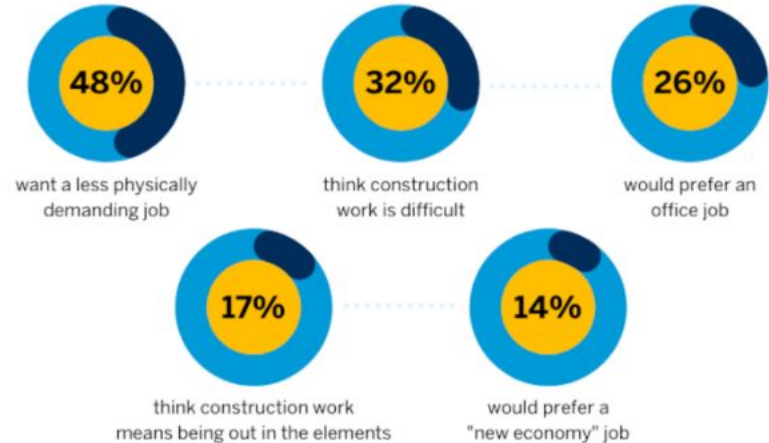
- “Construction’s November unemployment rate rose to 4.7%, though, from October’s 4.0%. But the industry’s jobless rate fell sharply compared to the year-earlier level of 7.3%.
- Despite November’s jobs increase, the industry’s total workforce still remained 1.5% below its pre-pandemic peak of 7,648,000, recorded in February 2020.”

**Referenced ENR With Solid November Jobs Gain, Construction Workforce Nears Pre-Pandemic Level*

Workforce

- Skilled Trades Shortage
“Four out of 10 U.S. construction workers are expected to retire by 2031,” *ENR, June, 4, 2021*

Why Young People Don't Consider Construction Careers



Source: National Association of Homebuilders, Young Adults & the Construction Trades

Workforce Retention

- Skyrocketing Wages
- Talent Poaching
- Employee Retention is Key
 - Engagement
 - Value
 - Recognition
 - Culture of Care
 - DEI

Messages to Owners and AECs

- The industry is on the rise
- Historical data prior to 2020 lacks accuracy
 - Bond referendum values, developer proformas, and fundraising goals
 - Using SF costs as a model
 - Schedules
- Owners, AECs and subcontractors need to partner and participate together in finding creative solutions
- Workforce recruitment is needed
- Employee value and retention is key

