

US CONSTRUCTION MARKET OVERVIEW



Welcome to the Q4 market overview report that forecasts the impact of current market trends and looks at the opportunities and challenges aligned with the US.

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COMPARATIVE CONSTRUCTION COST INDEX

CBI tracks labor rates, material pricing, and market activity for each location to produce a comparative construction cost index with Washington DC as the base 100. The following outlines a deeper look into certain cities ongoing or upcoming projects.

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Phoenix, AZ

The first of the two fabrication plants from TSMC are expected to begin production in 2025, followed by the second plant in 2026. The \$40-billion project is projected to create around 10,000 well-paying tech positions. This move aligns with the U.S. goal of bolstering the domestic semiconductor supply chain.

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Minneapolis, MN

At \$243 million, North Loop Green is the Twin Cities' largest private construction project. It features a 36-story primary residential tower with 350 rental apartments, 100 furnished short-term rentals, and an 18-story secondary office tower. Completion is expected for early 2024.

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Portland, OR

The 9-acre, mostly cross-laminated-timber roof installation for Portland International Airport (PDX)'s main terminal is wrapping up this year. Following the roof installation, the \$1.95 billion redevelopment project resumes inside and is expected to complete in 2025.

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Santa Clara, CA

Related Companies has collaborated with Santa Clara City to commence vertical construction on Related Santa Clara, the \$8 billion, 240-acre mixed-used center to transform a former golf course into a dynamic center for residential, commercial, and retail activities with enhanced transportation options and communal spaces.



INVESTMENT IN AVIATION STIMULATES GROWTH IN NORTH AMERICA

Investment in aviation infrastructure in North America is playing a pivotal role in driving economic growth. As part of the infrastructure law passed in late 2021, the U.S. Transportation Department is investing \$1 billion per year from 2023 to 2028 to update airports throughout the country. The funds will be used to improve all facets of an airport including aging terminals, air traffic control towers, landside and airside infrastructure. These investments not only facilitate efficient air travel but also stimulate economic activity through job creation, tourism, and increased trade opportunities.

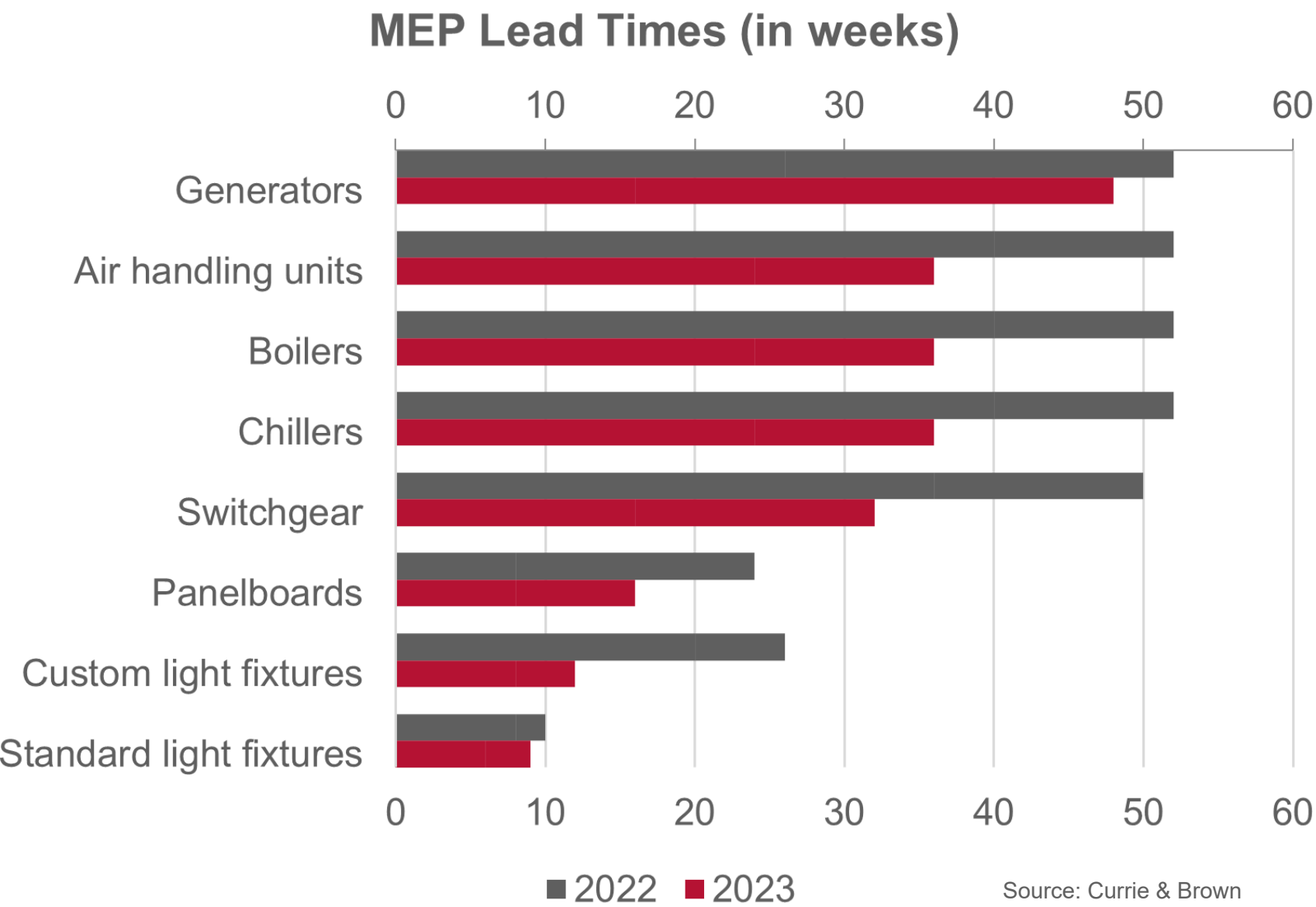
With billions of dollars at stake accurate capital planning, detailed cost estimating, and experienced project management is crucial for project success. Planning, estimating, and project management in construction is always challenging but especially so for aviation projects with their specialty systems, unique security challenges, and complex phasing. All this on top of building in a live operation. Delivering a project on time, on budget, and on quality requires early agreement on a realistic budget and schedule with an experienced team seeing the project through construction and into operational readiness.

Paul Fitch, North American Aviation Sector Lead, USA



CURRENT MEP LEAD TIMES

The chart below shows current MEP lead times compared to those from 2022.

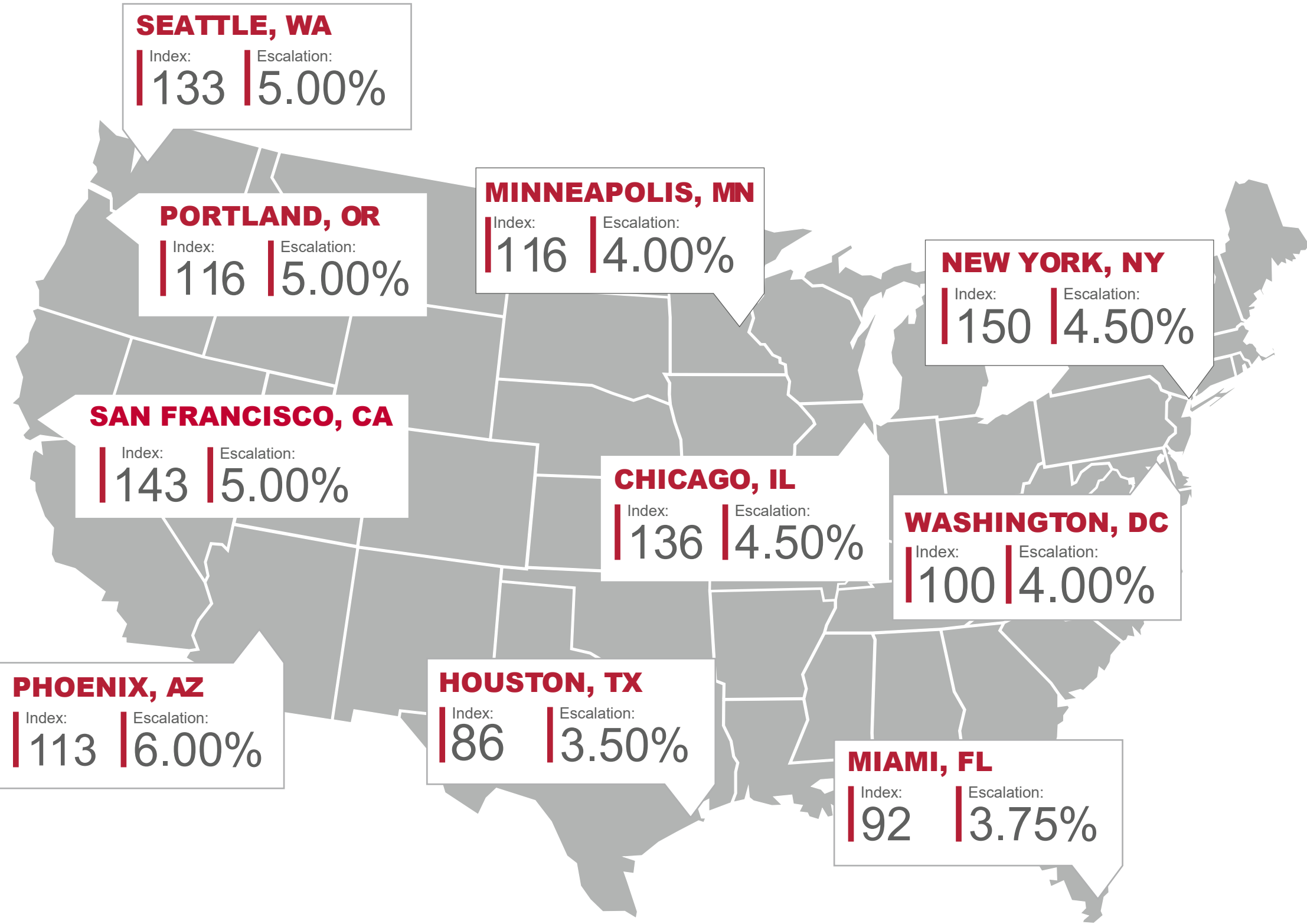


Data shows decreases in lead times for key MEP equipment compared to Q4 2022. All items currently have shorter lead times than we saw 12 months ago as the global supply chain normalizes after nearly two years of disruptions. On average, lead times for MEP equipment have decreased almost 25% since peaking in Q4 2022. We anticipate these lead times to remain steady or improve slightly barring any unforeseen supply chain disruptions.



2023 LOCATION INDICES AND CONSTRUCTION ESCALATION

A look at comparative differences in construction costs across the country. Escalation values indicate projected annual construction cost change in output costs from January 2023 to the end of December 2023. CBI tracks labor rates, material pricing, and market activity for each location to produce a comparative construction cost index with Washington DC as the base 100. The following outlines a deeper look into ongoing or upcoming projects certain cities.



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TRENDING UP:



Within the construction industry, 3D printing is gaining momentum as a revolutionary technology with the remarkable potential to significantly reduce labor and material costs, minimize material waste, and practically eliminate human errors. This transformative capability not only promises enhanced efficiency and cost-effectiveness but also opens doors to unprecedented possibilities in designing and constructing new buildings.



TRENDING DOWN:



The Dodge Momentum Index (DMI) continues to fall going into Q4 2023. With the DMI falling 2.5% in June (Dodge Construction Network), and another 1% in July. Sarah Martin, associate director of forecasting for Dodge Construction Network, reported that compared to January 2023 commercial planning activity is down 10% through July, while institutional planning is up 16%. This index is an approximate 12-month leading indicator for nonresidential construction activity, indicating a potential slowdown in the second and third quarters of 2024.

SOURCE: CONSTRUCTION.COM

NOTES ON CURRIE & BROWN

Currie & Brown is a world-leading provider of cost management, project management and advisory services, covering the full range of public and private sectors. Our purpose is to add value that makes building a better future possible. We help clients navigate volatility and unpredictability, providing the certainty that enables better, more sustainable built environments for all. Our services reflect the complexity of physical assets' uses and integrated lifecycles, addressing every aspect, from concept, design and construction, to the assessment of best-value options for ongoing use, maintenance, operation and eventually deconstruction.

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NOTES

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NOTES ON METHODOLOGY

This report is prepared by Currie & Brown to inform readers generally on construction matters. Our forecast provides guidance on the general level of construction cost escalation, using Currie & Brown's Americas escalation and location indices as current at end of Q3 2023.

The indices are baselined against Washington DC = 100. Our analysis draws on data collected internally from a range of major and medium-sized projects across all sectors of the market, together with direct engagement with contractors and practitioners across the industry, and other professional bodies and research organizations. Macro-economic data is drawn from official data sources such as FRED as referenced.

