

Market Outlook Construction Forum Summary

as of February 9, 2024

Presenters

- Blair Tennant, Principal, Vermeulens
- Zachary Bergeron, Principal, Vermeulens
- Jonathan Desmond, CEO & President, Cox Engineering

Market Update, Vermeulens

- current unemployment rate is at its lowest point in two decades
- transition from quantitative easing to quantitative tightening has been observed, resulting in a rise in interest rates to the range of 5.3-5.5%. Despite these changes, the unemployment rate has remained constant
- despite experiencing two negative quarters in GDP during 2022, the unemployment rate remained stable, and additional job opportunities were created
- US exhibits a positive trend in job growth, with an increase exceeding 200,000 jobs per month; however, there is a consistent deceleration in the rate of growth
- construction employment in the US is currently demonstrating considerable diversity across the nation, with discernible alleviation of pricing impacts observed in specific regions
- AIA billings have experienced a notable decline over the past year. This index suggests an anticipated reduction in construction activity over the next eighteen months, attributable to a decrease in design-related activities
- non-residential expenditure has exhibited a plateau over the last three to four months of 2023 and has persisted in its stagnation throughout January 2024 across various sectors, including office, educational, healthcare, and commercial spending. However, there is a notable upturn in spending within the manufacturing sector during the same period
- the construction cost index exhibits a level of volatility significantly surpassing that of the Personal Consumption Expenditure (PCE)
- the recommendation for 2024 entails a suggested escalation rate of 4-6%, contingent upon a scenario of a soft landing
- bidding contingency ranging from 0-5% is advised for specific projects and regions

Round Table Discussion, Zachary, and Jonathan

- Cox Engineering, a distinguished mechanical contracting firm situated within the Boston Market, features an HVAC services division servicing Eastern Massachusetts. It is complemented by two affiliated entities: Cambridgeport Custom, specializing in the construction of custom air handler equipment primarily tailored for the life science and healthcare sectors, and Cambridgeport Air Systems, dedicated to the production of HVAC accessories designed for rooftop applications
- In the post-pandemic period to the present, the industry encountered the challenge of managing a finite labor pool to prevent overcommitment in staff and scheduling. Lengthened lead times, escalating prices emerging from the pandemic recovery, and heightened uncertainty further compounded operational complexities
- the healthcare and commercial markets exhibit signs of increased activity, with a slight contraction in the market and heightened competitiveness in pricing
- owners and design teams are encouraged to engage general contractors at an early stage, as initiating conversations in the early phases proves highly advantageous, facilitating the addition of value to the collaborative team
- emphasizing the benefits of the design-assist approach for clients and owners is essential



Construction Market Outlook Forum

Blair Tennant, Principal

Zach Bergeron, Principal

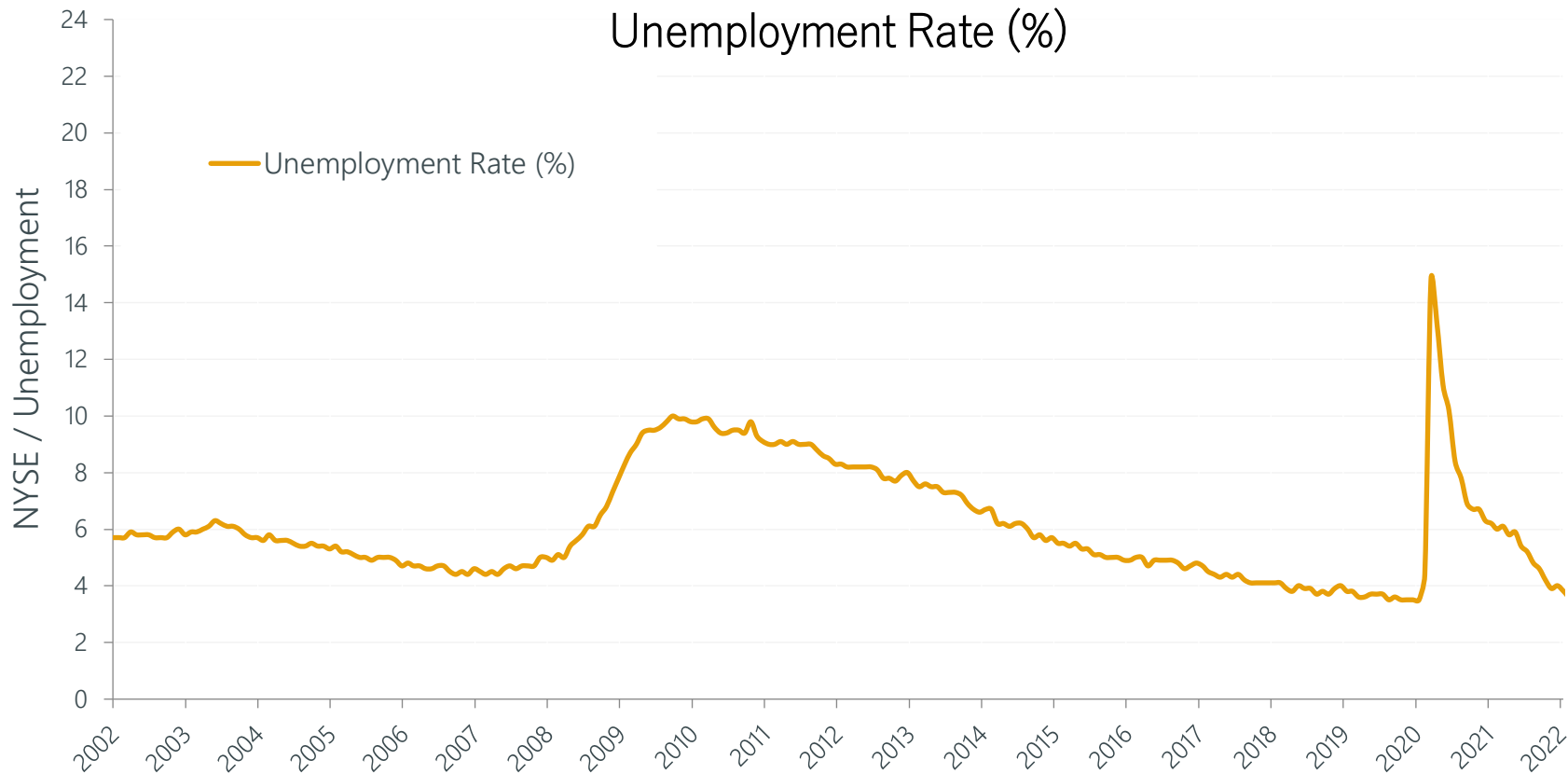
Jon Desmond, CEO and President, Cox Engineering

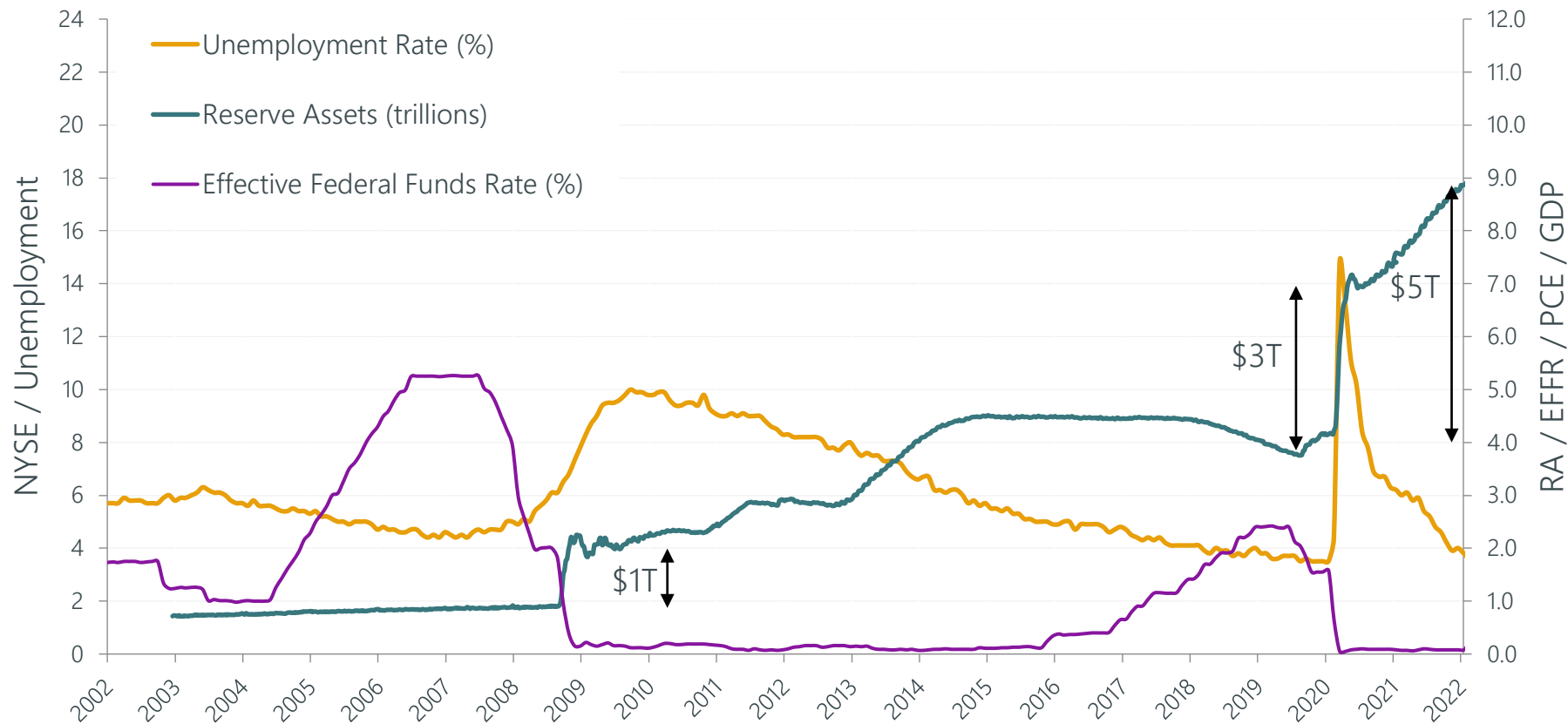
vermeulens.com

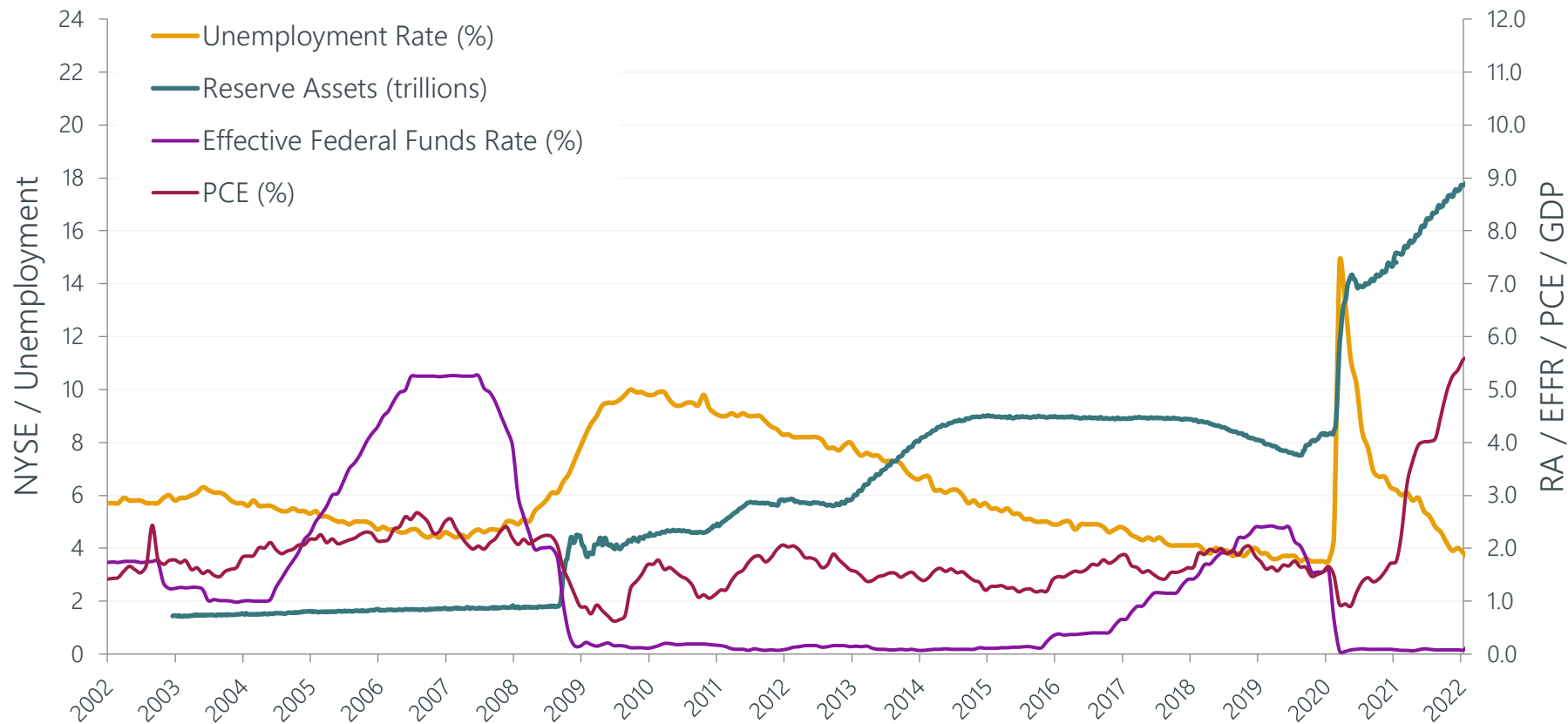
- interim questions and comments via chat
- slide deck, recording, summary: emailed and posted to vermeulens.com
- forums will follow quarter end
- 2024 Q1 will be May 17 2024

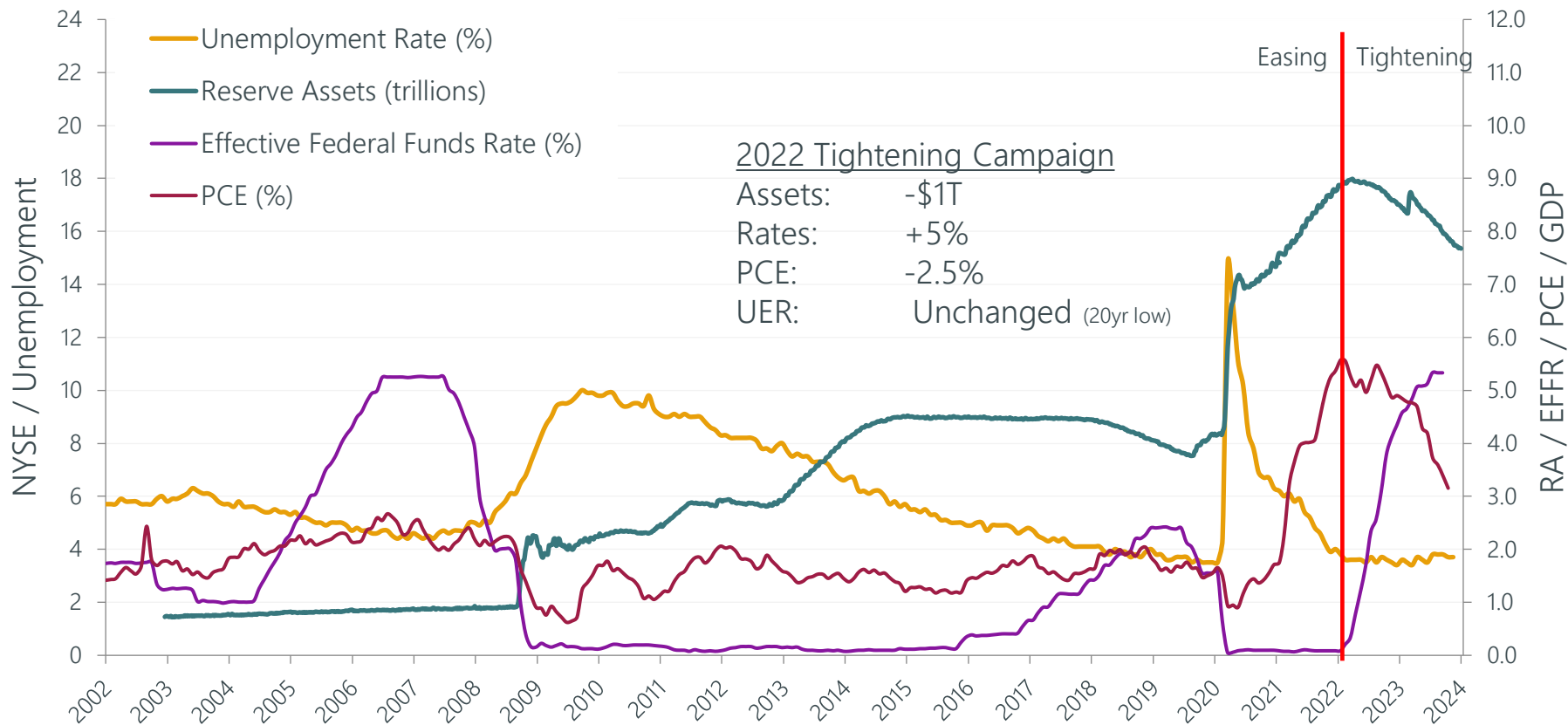
- ➔ Vermeulens' Market Outlook: Quarterly Report
- ➔ Conversation With Jon Desmond, CEO & President of Cox Engineering
 - Riding the economic wave
 - Business diversification
 - Prefabrication to support on-site efforts
 - Managing the (relative) peak of the market
 - Predictions for 2024 and 2025 market
 - Benefit of partnering/design assist

Market Update

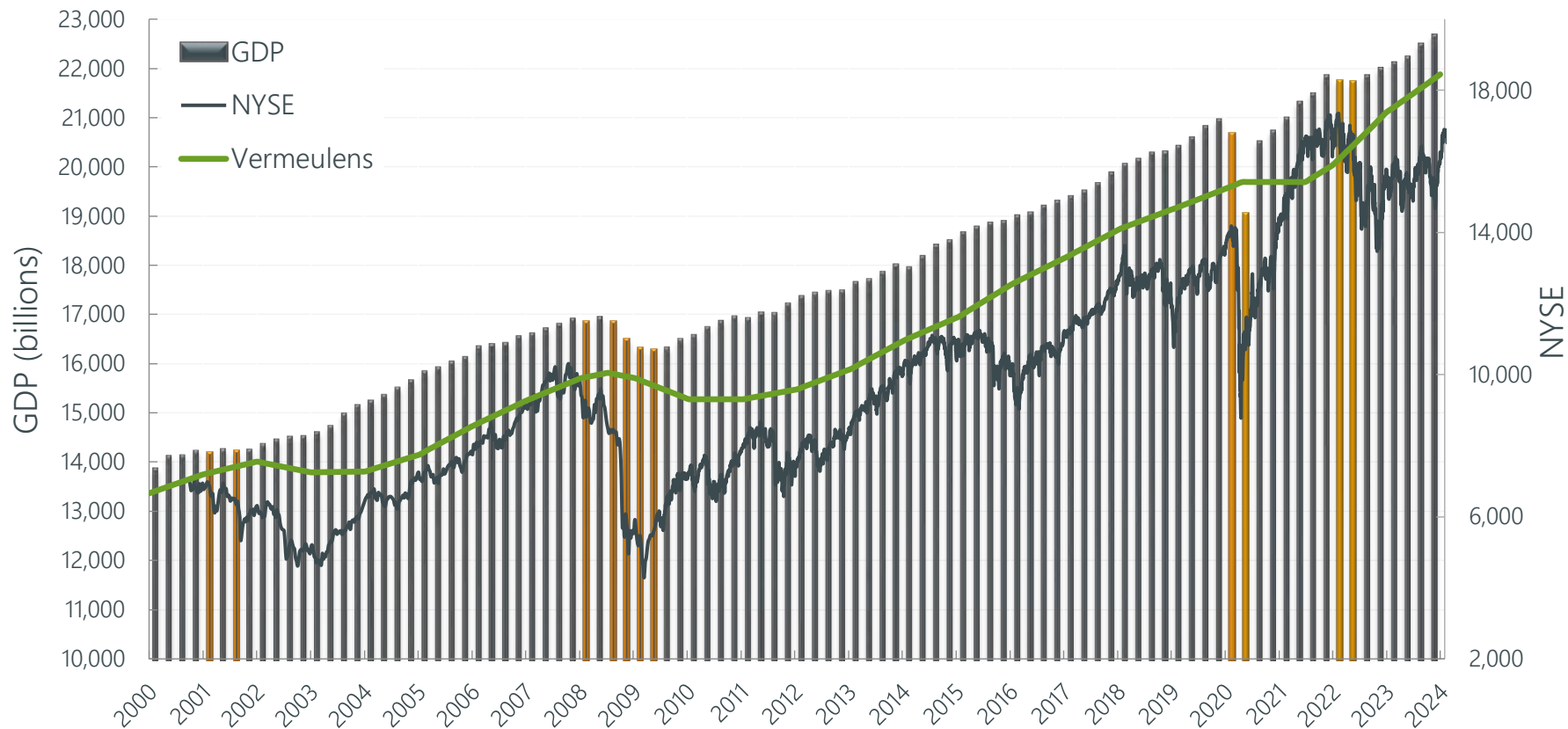


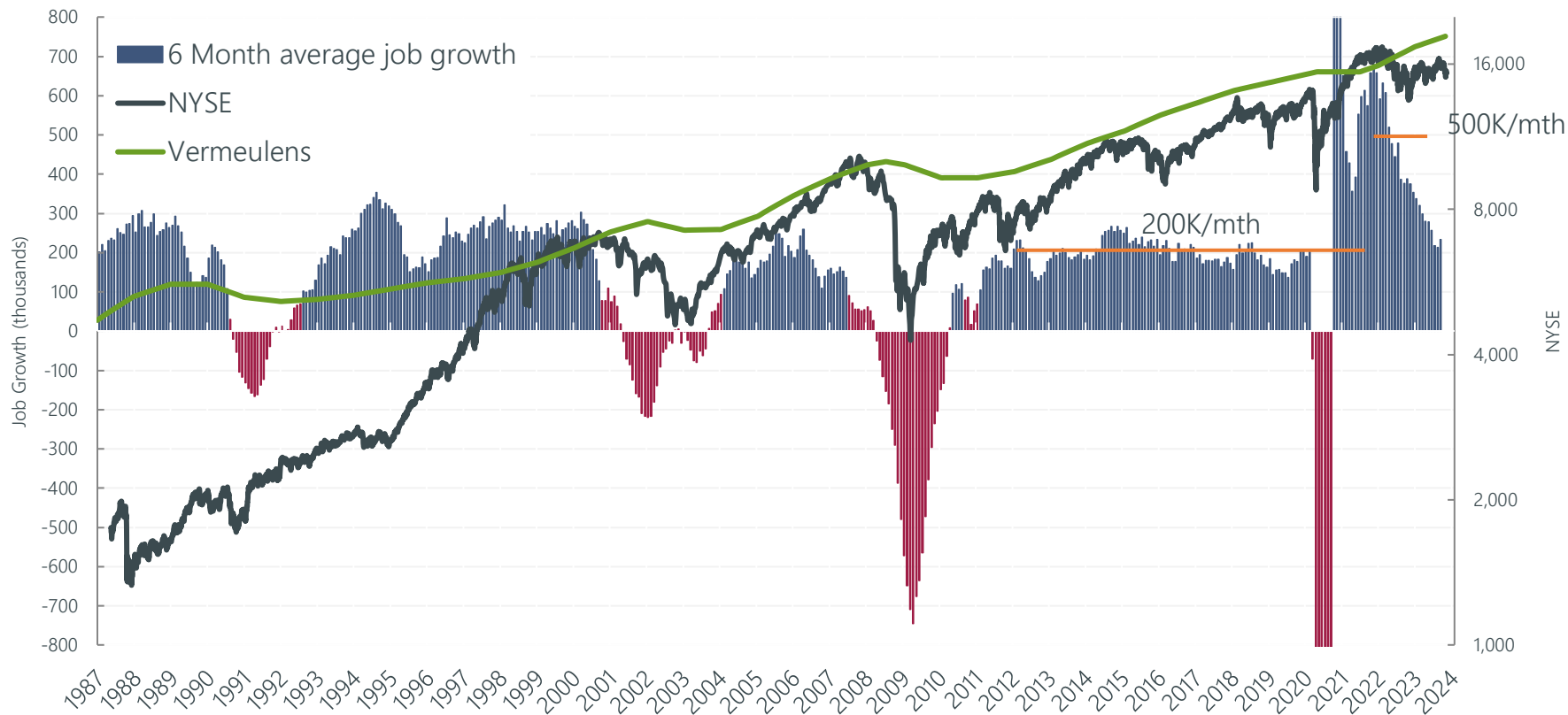


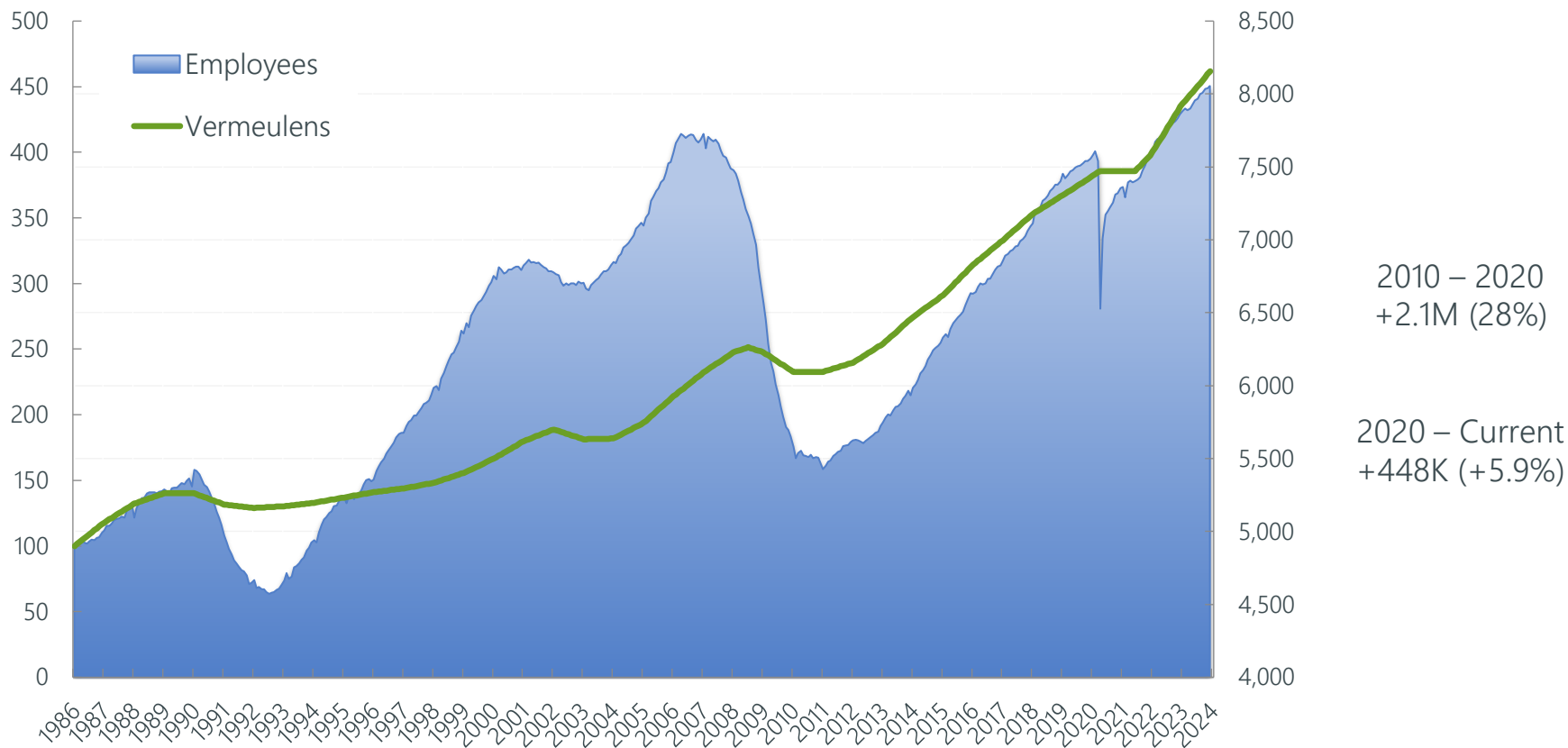


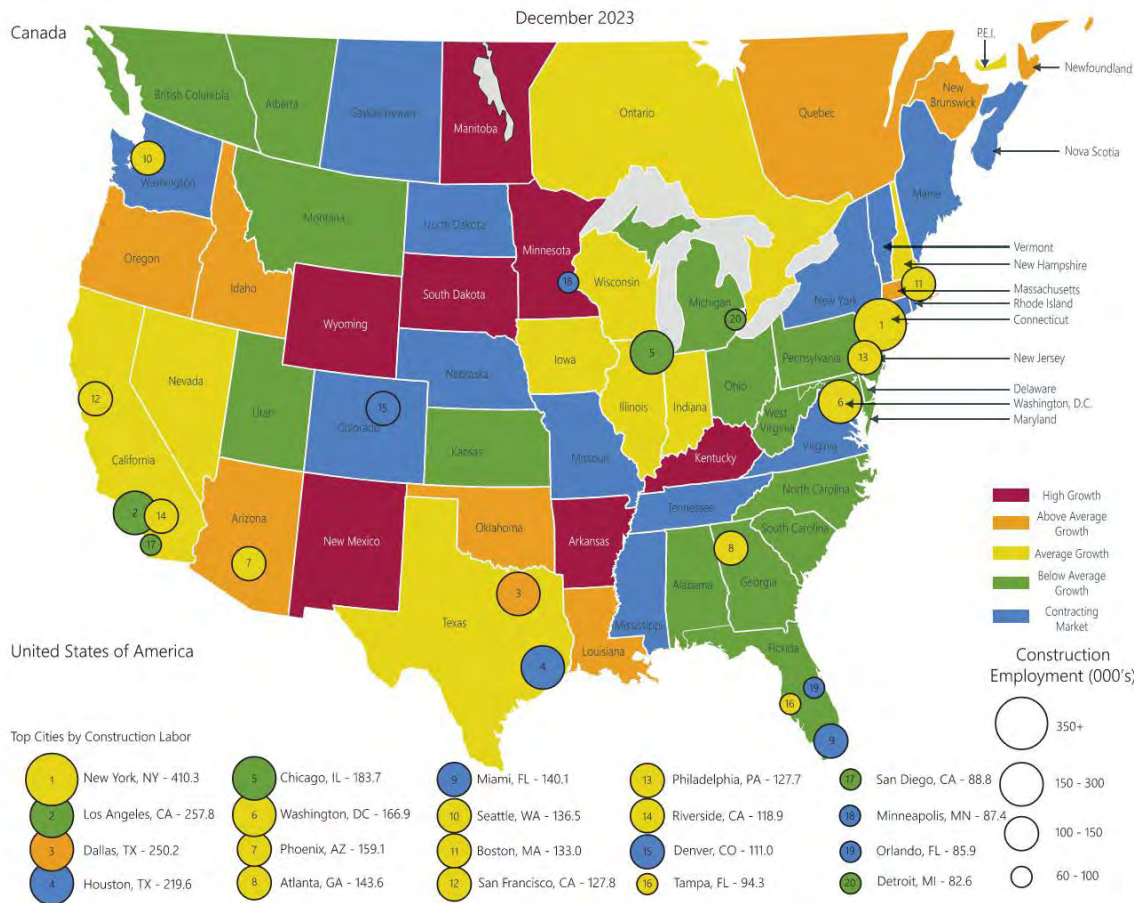


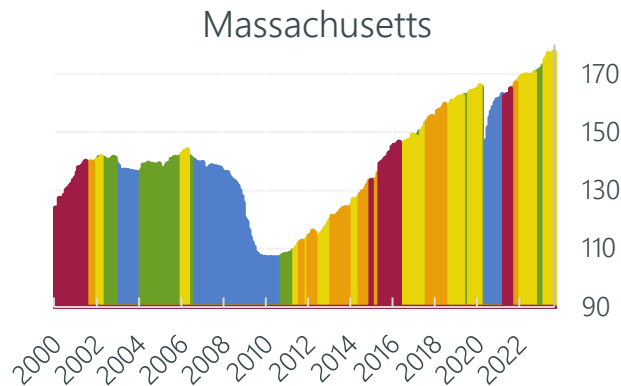
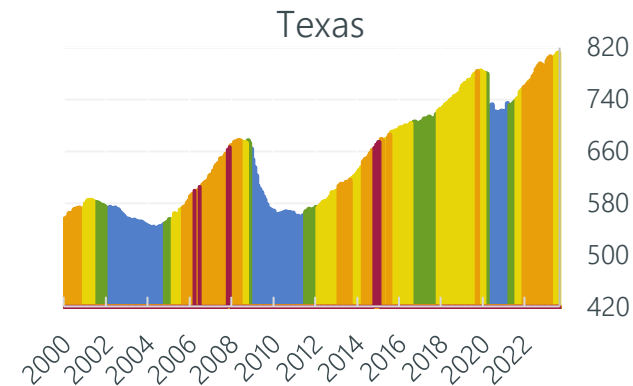
Indicators





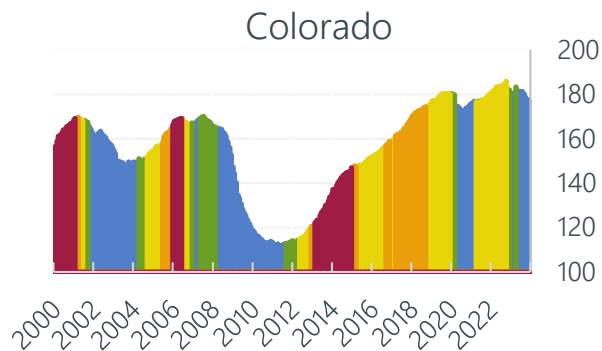
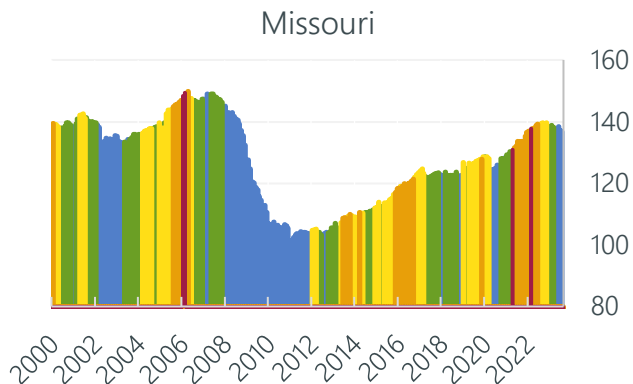


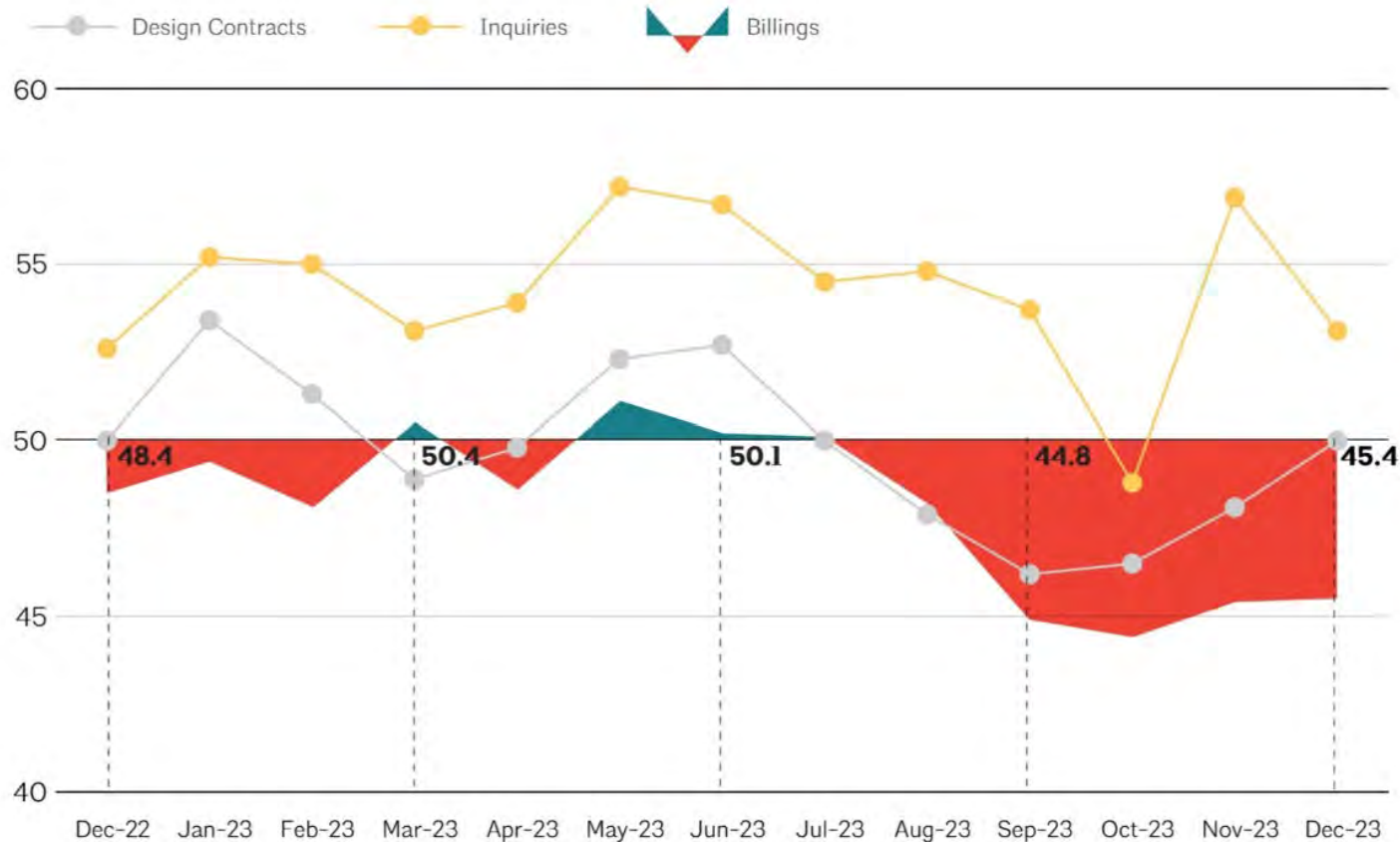




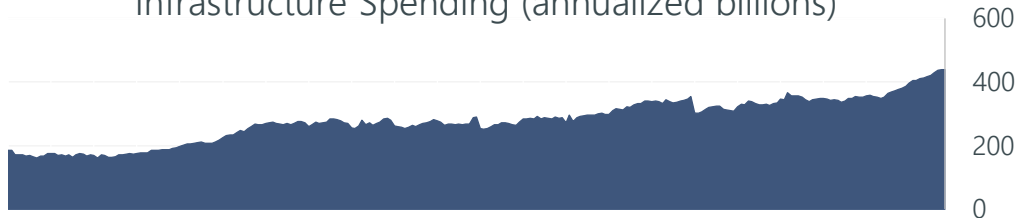
Year-Over-Year Growth

- High Growth
- Above Average Growth
- Average Growth
- Below Average Growth
- Contracting Market

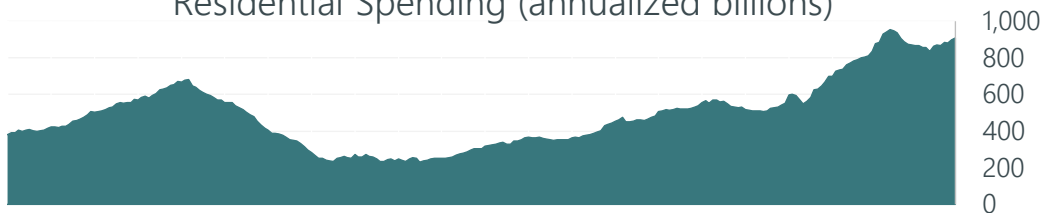




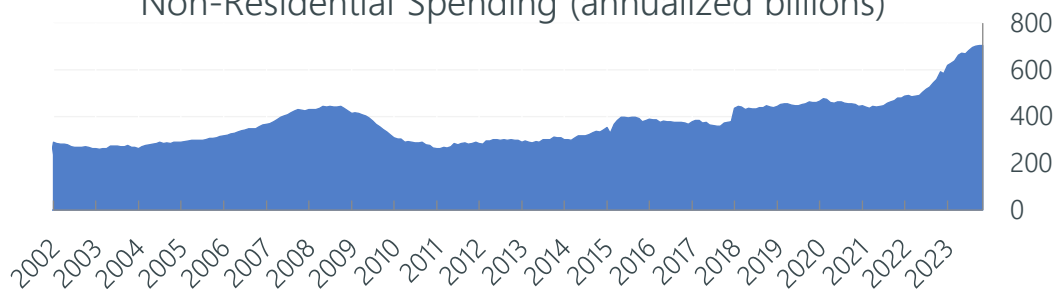
Infrastructure Spending (annualized billions)



Residential Spending (annualized billions)



Non-Residential Spending (annualized billions)

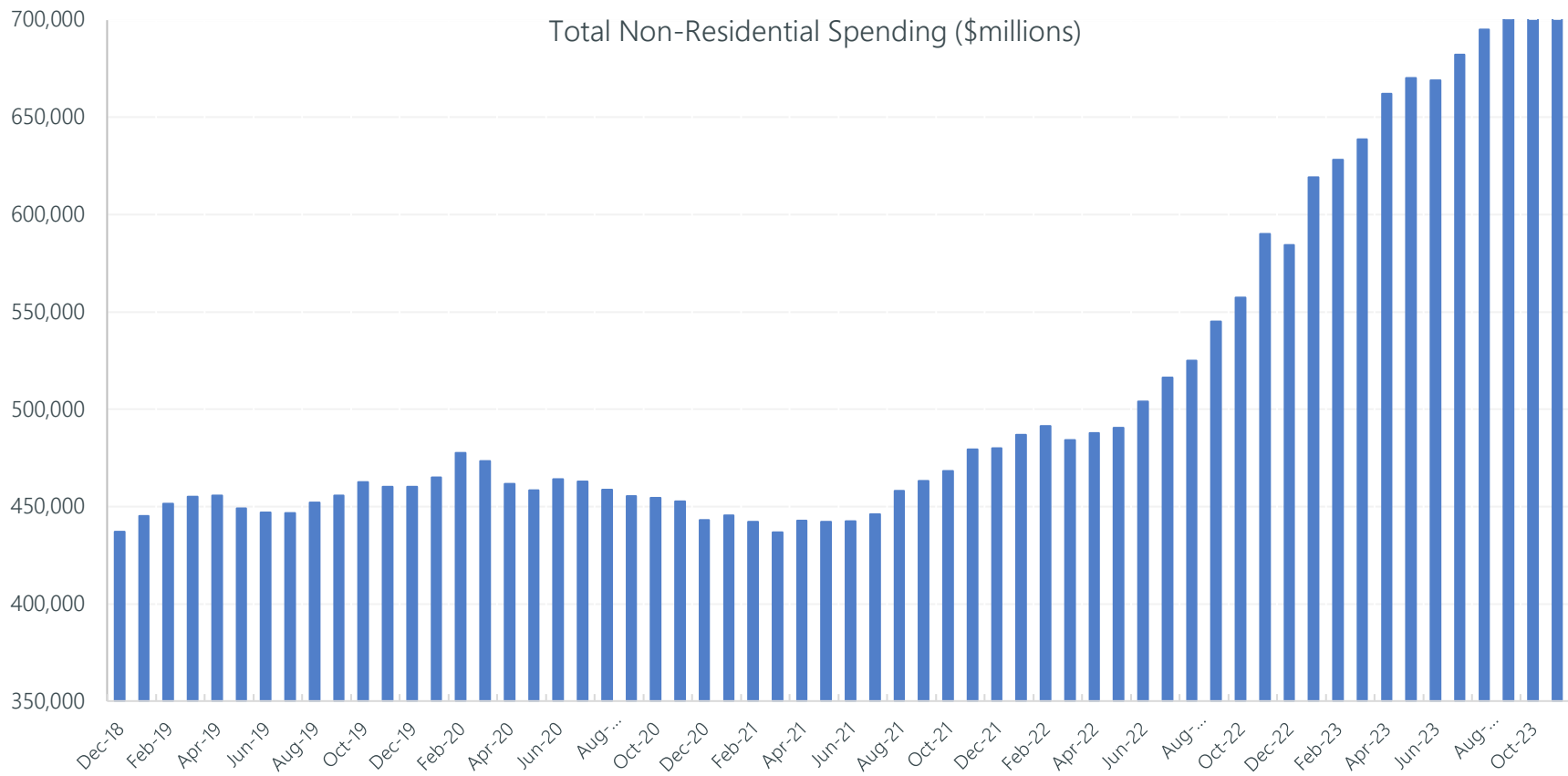


2011 to 2020

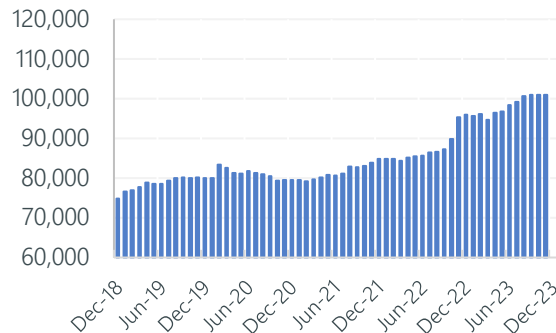
Total	+71%
Infra	+43%
Res	+119%
Non Res	+54%

2020 to Current

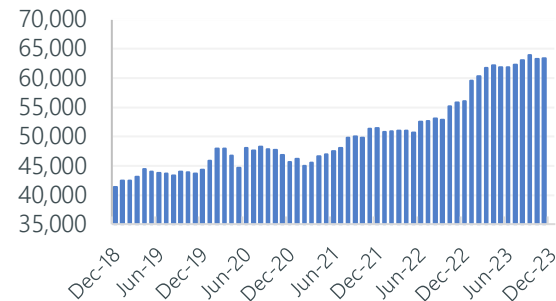
Total	+42%
Infra	+20%
Res	+51%
Non Res	+47%



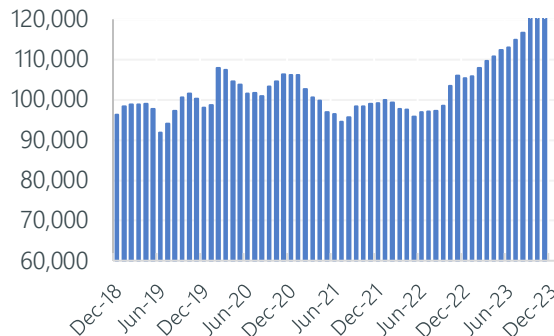
Office Spending (\$millions)



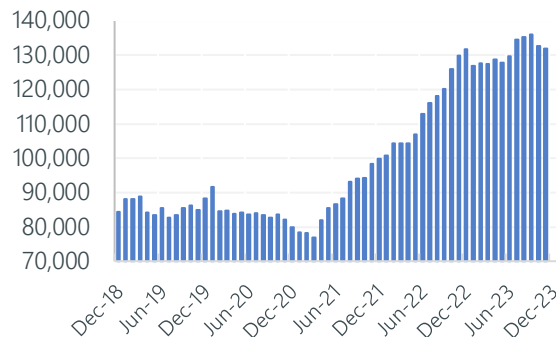
Health Care Spending (\$millions)



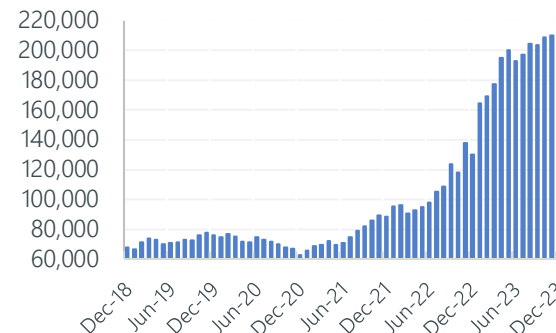
Educational Spending (\$millions)



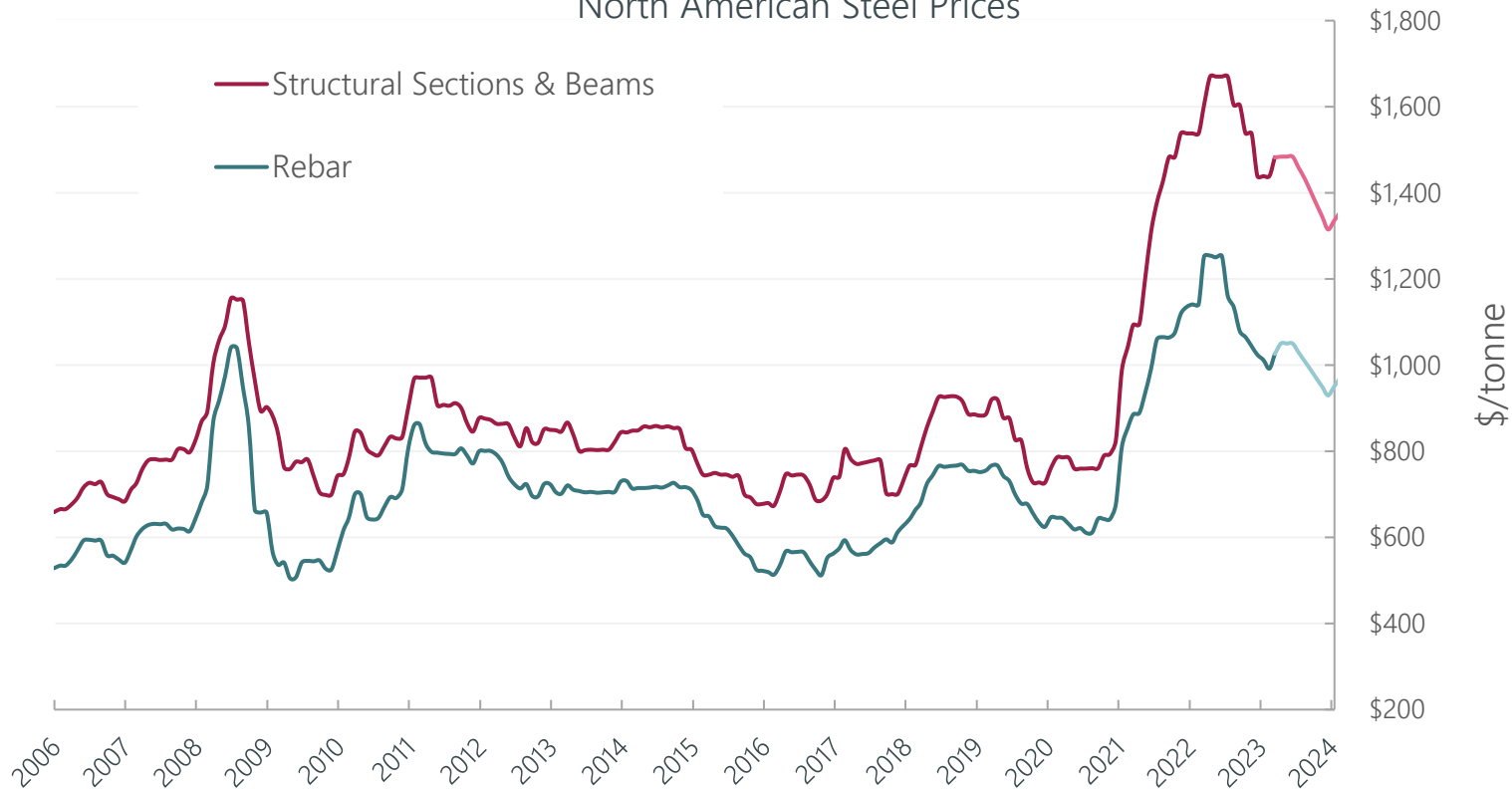
Commercial Spending (\$millions)

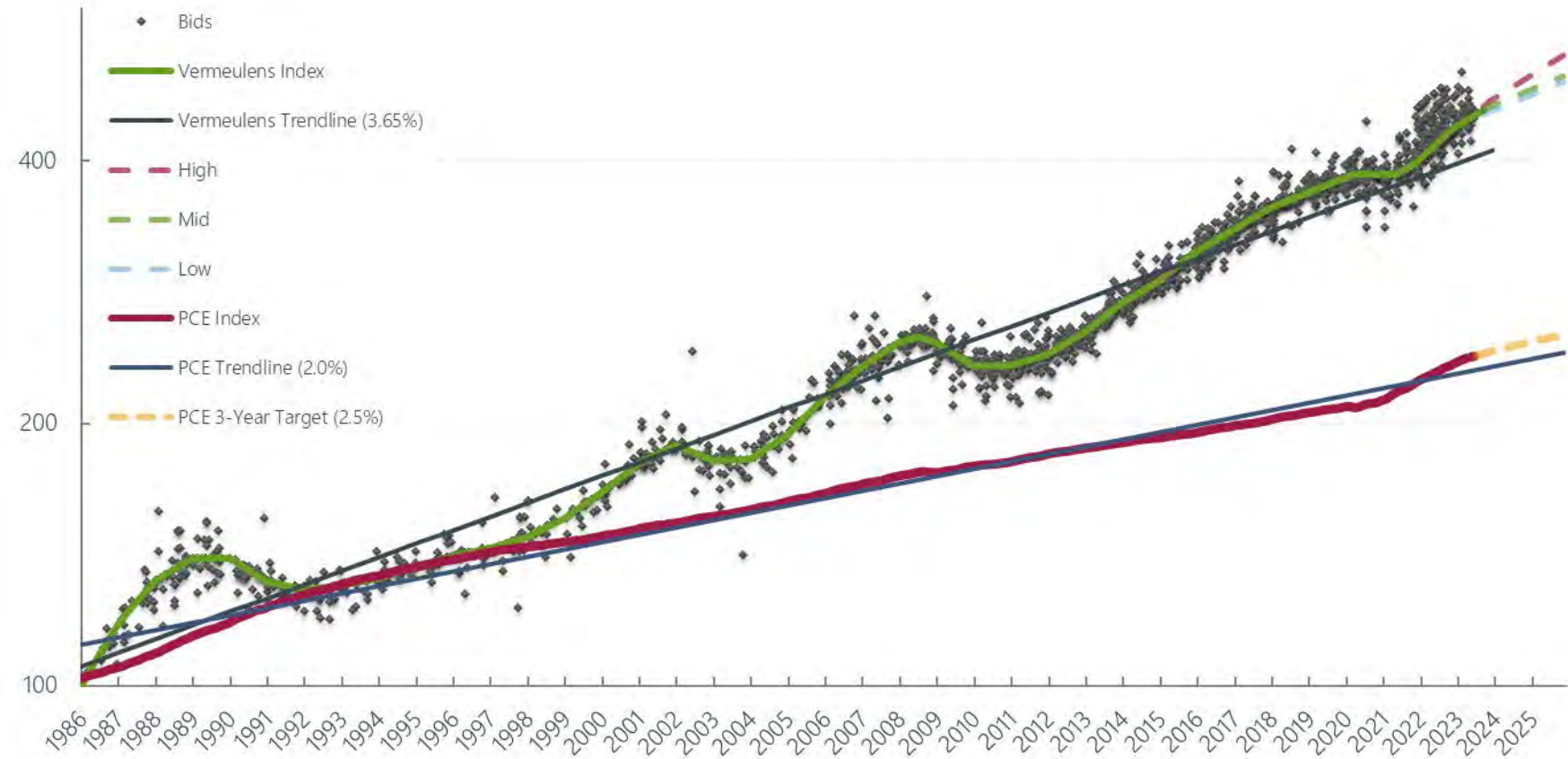


Manufacturing Spending (\$millions)



North American Steel Prices







since 2020	25%-30%
12 months	6.0%
Q4 2023	1.5%



since 2020	36%
12 months	-1.5%
Q4 2023	-0.5%



since 2020	32%
12 months	2.9%
Q3 2023	1.3%



since 2020	19%
12 months	4.7%
Q4 2023	1%

- escalation flattening
- seeing unit cost reductions and aggressive bidding in some markets
- selective use of negotiated pricing and early procurement
- recommend 4% – 6% for 2024 (soft landing)
- recommend a bidding contingency of 0% – 5% for select projects and regions

Conversation With Jon Desmond, CEO & President of Cox Engineering

- Riding the economic wave
- Business diversification
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Jon Desmond, Cox Engineering



Zach Bergeron, Vermeulens

Construction Market Outlook

Thank you!

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