

Market Outlook Construction Forum

Summary

as of December 3rd, 2021

Presenters

- Blair Tennant, Associate Principal, Vermeulens
- Shane Custer, Head of Preconstruction, Big State Electric
- Kevin Moses, Vice-President of Preconstruction, Big State Electric
- Dayle Pettus, Director of Capital Projects, University of Texas at Arlington (UTA)
- Braden Thomas, Assistant Director of Capital Projects, University of Texas at Arlington (UTA)

Market Outlook, Vermeulens

- most indicators (NYSE, GDP Growth, Reserve Assets, PCE) are showing a growth in the construction sector
- AIA billings index is showing 9-months of increasing design contracts and 12-months of increasing inquiries
- construction volume is at all-time highs, mainly driven by residential construction whereas non-residential volume is down 3% from peak
- unemployment is beginning to settle, which implies peak employment; pressure on wages and difficulty finding workers
- commodities: steel futures are projecting a decrease in material costs

Recommendations, Vermeulens

- anticipating 0.5% escalation per month for Q3, Q4 2021, and 2022
- recommending 3% – 5% in bidding contingency for price shocks and margins as backlogs rebuild
- consider alternative delivery methods (design build and design assist)
- design add alternates in the magnitude of 10%

Design Build Procurement, Big State Electric

- case study of a University of Texas at San Antonio project (12-month design and structural top out)
- discussion on the challenges to the owner (budget commitment, scope management, schedule, ROI)
- owner benefits – lower risk - trade partner buy in – less contingency planning – lower insurance
- get off the redesign treadmill – target value design
- benefits to the design team – less overhead, less changes
- third party data – use cost consultant check estimates to read between the lines

Design Build Procurement, UTA

- case study of a UTA Trinity Hall and School of Social Work project
- design build works very well with UTA's scheduling constraints (academic school year impact); design build allows for a rapid schedule by bring in the contractor early
- cost control early and often with integrated owner/architect/contractor/cost consultant team
- design build contractor takes on more risk – risk management integrates with design/budgeting/estimating
- design build allows for more teamwork between the contractor and the architect, which gives owners a level of comfort
- can hold contractors to a higher standard since they are involved so early on
- project cost comparison is close – improved ability to make target
- highly recommend using DB on applicable projects



Design and Construction Market Outlook

Blair Tennant, Associate Principal | Vermeulens

Shane Custer | Big State Electric

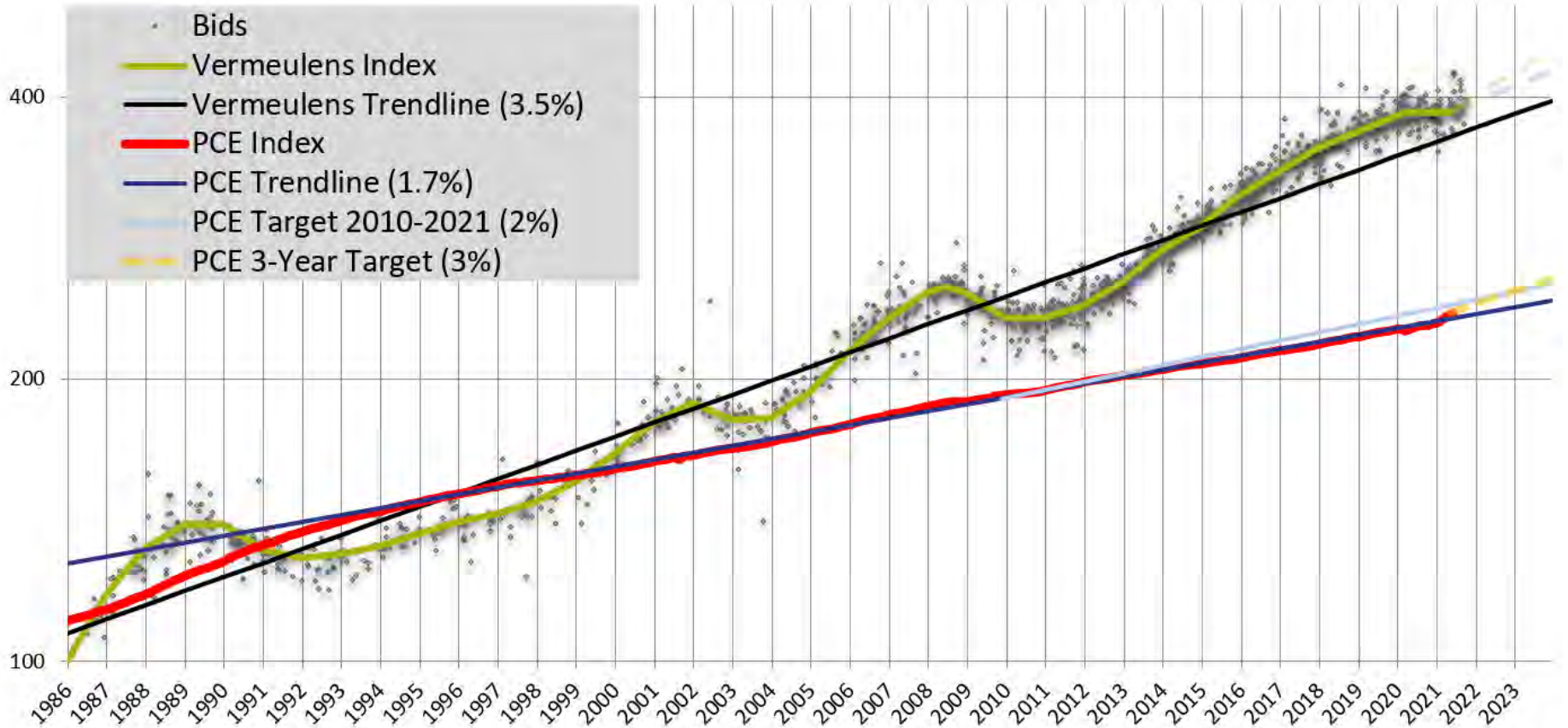
Kevin Moses | Big State Electric

Dayle Pettus | University of Texas Arlington

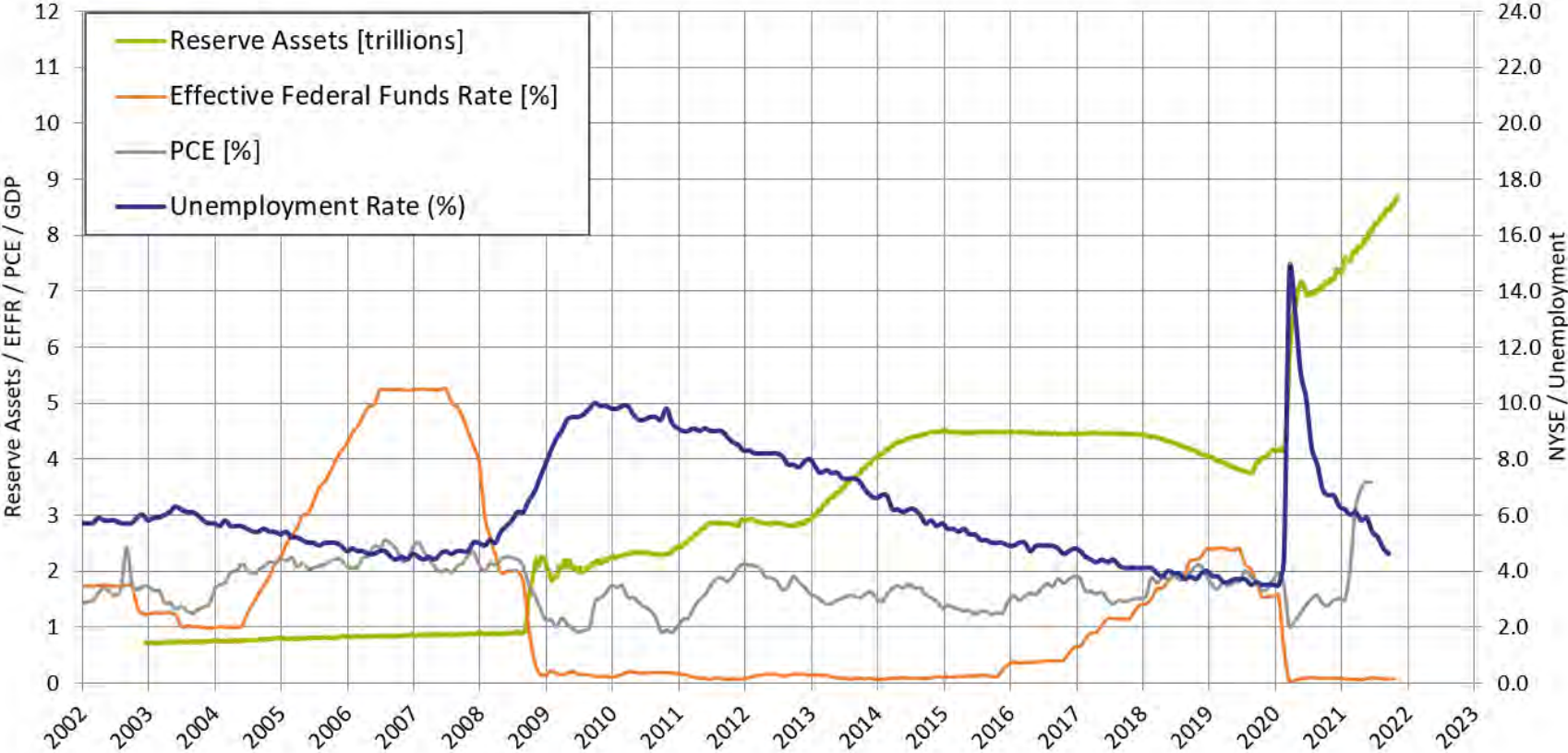
Braden Thomas | University of Texas Arlington

- Interim questions and comments via chat
- Slide deck, videos, summary; available on website
- 2022 Forum dates will vary

- Macro Economics & Construction Cost Update
- Design Assist Procurement
- Design Build Procurement



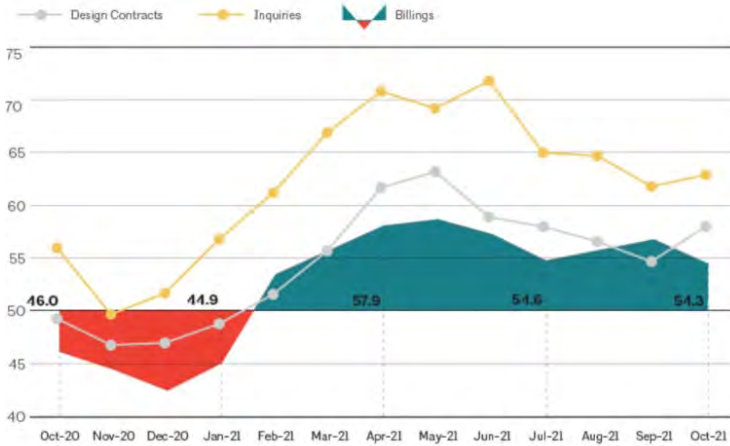
Indicator	Status
NYSE	+16.4% from peak - increasing
GDP Growth	+1.4% from peak – increasing
Fed Funds Rate	0.08% - stable
Reserve Assets	\$8.68 T – increasing
PCE: Personal Consumption Expenditures	4.12% - increasing 2% inflation target
Unemployment Rate	4.7% - decreasing
Total Employment	-3.9 M from peak – increasing
Construction Jobs	-115 K from peak - increasing



National

Architecture firm billings remain on a steady trajectory in October

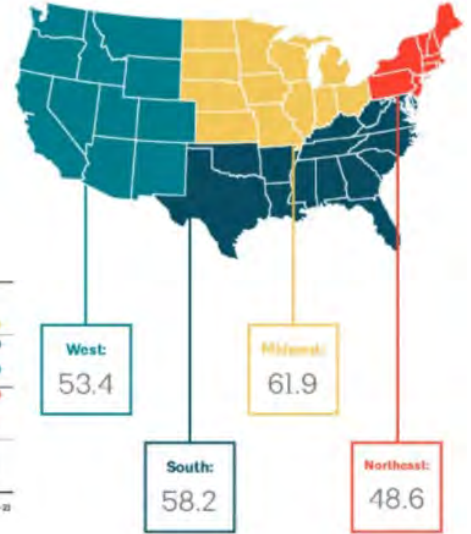
Graphs represent data from October 2020–October 2021.



Regional

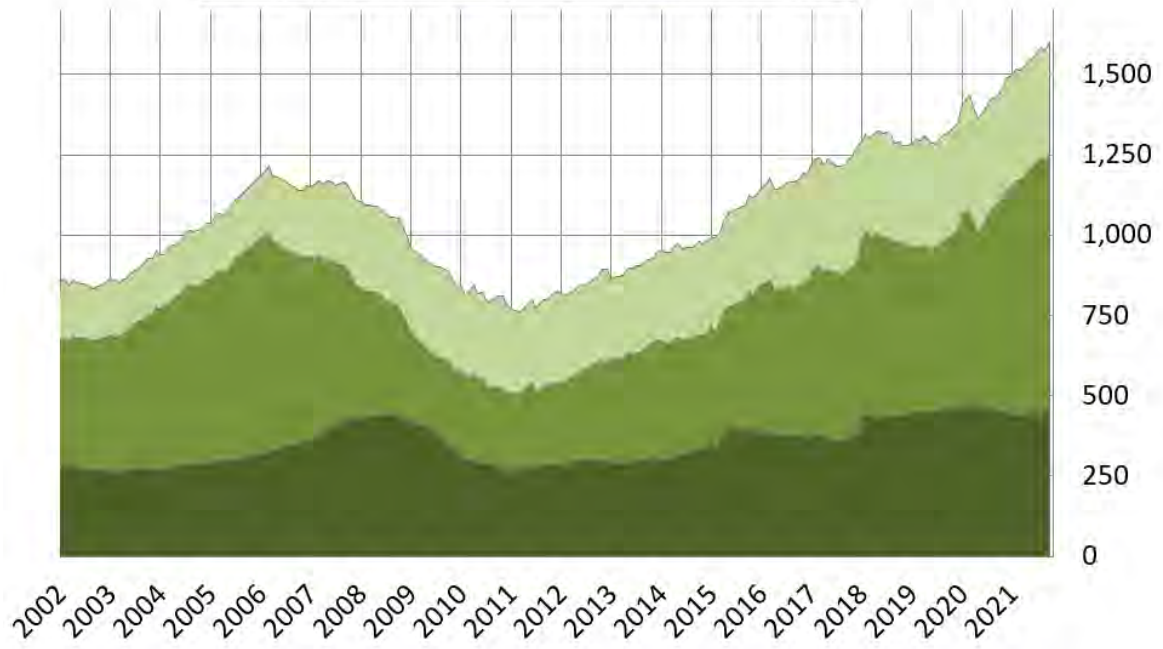
Business conditions soften at firms located in the Northeast, but remain strong elsewhere

Graphs represent data from October 2020–October 2021 across the four regions. 50 represents the diffusion center. A score of 50 equals no change from the previous month. Above 50 shows increase; Below 50 shows decrease. 3-month moving average.



Put in Place Construction (Annualized Billions)

■ Non Residential ■ Residential ■ Infrastructure

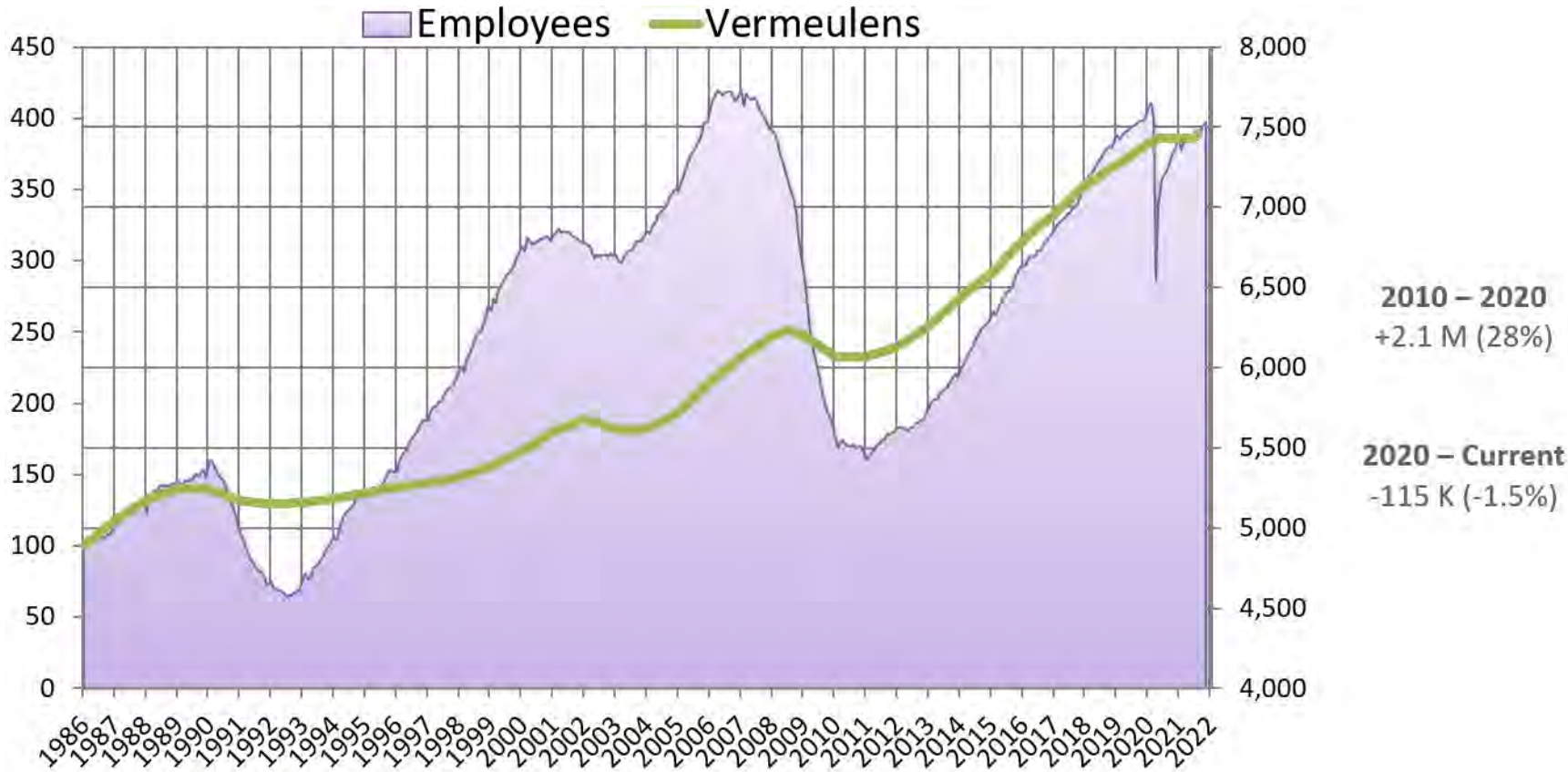


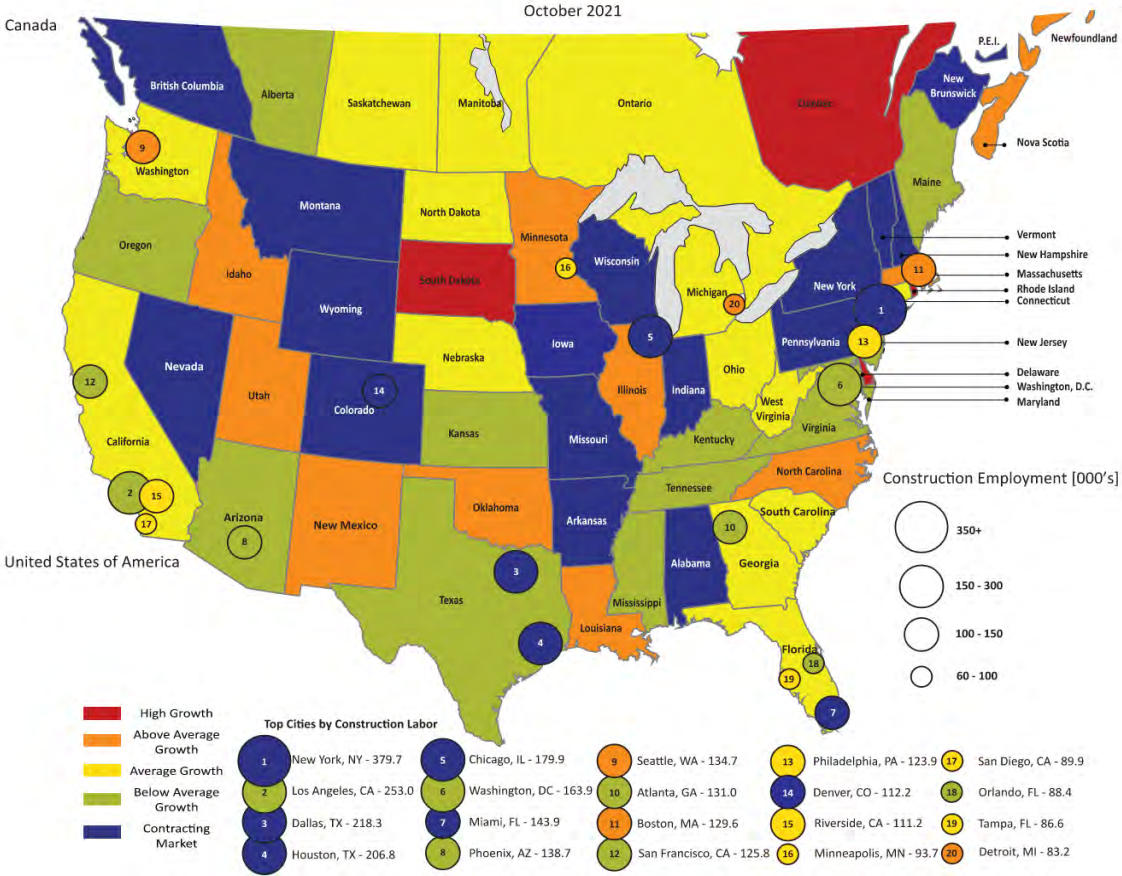
2011 to 2020

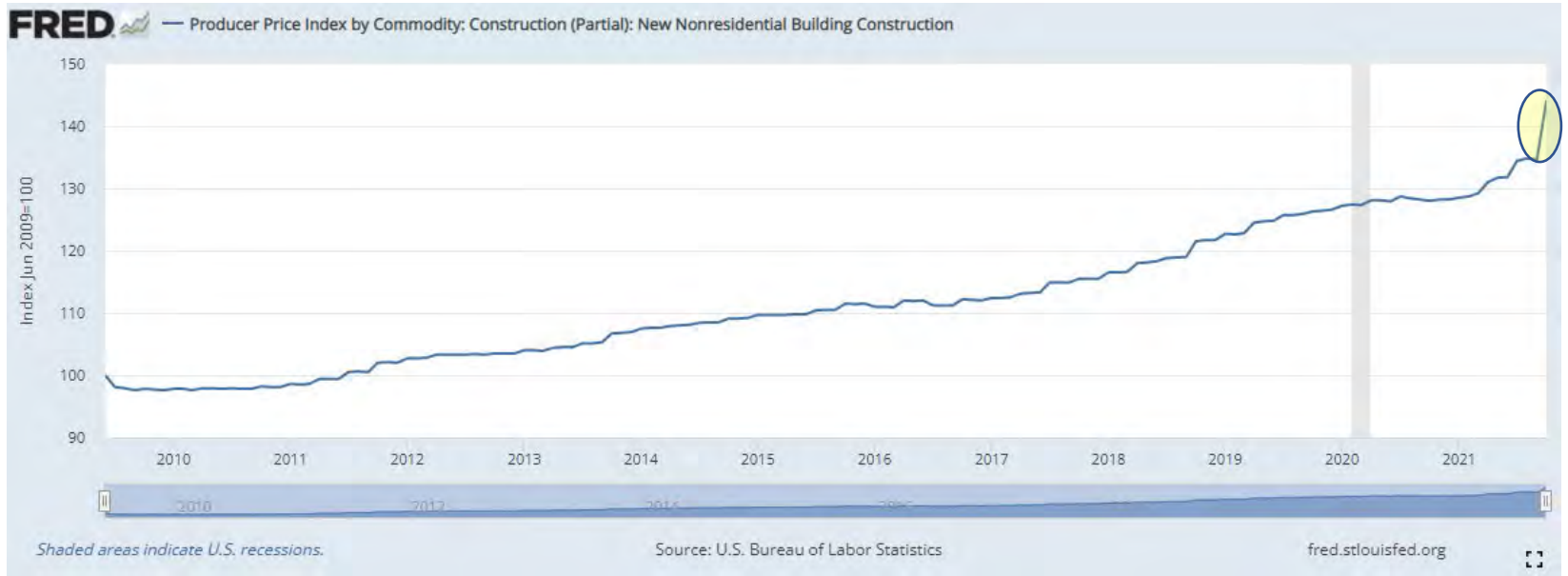
Total	+71%
Infra	+43%
Res	+119%
Non Res	+54%

2020 to Current

Total	+11%
Infra	-5%
Res	+31%
Non Res	-3%







7.5%

- Recommend a 3% - 5% bidding contingency for price shocks
- In addition to bidding contingency; 0.5% per month for Q3 & Q4 and 2022
- Design Add Alternates in the magnitude of 10%
- Consider alternative delivery methods – Design Assist & Design Build

Design Assist Contracting

Big State Electric

Shane Custer | Big State Electric
Kevin Moses | Big State Electric

Design Build Contracting

University of Texas Arlington

Dayle Pettus | University of Texas Arlington
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Thank You