



# **FMI**

## ***Market Overview Presentation***

NUCA  
March 22, 2024

[fmiconsulting.com](http://fmiconsulting.com)



# TODAY'S DISCUSSION

---



## Key Construction Market Indices

How will evolving market characteristics influence the built environment?



## Location, Location, Location

Does geography become the primary determinant of growth?

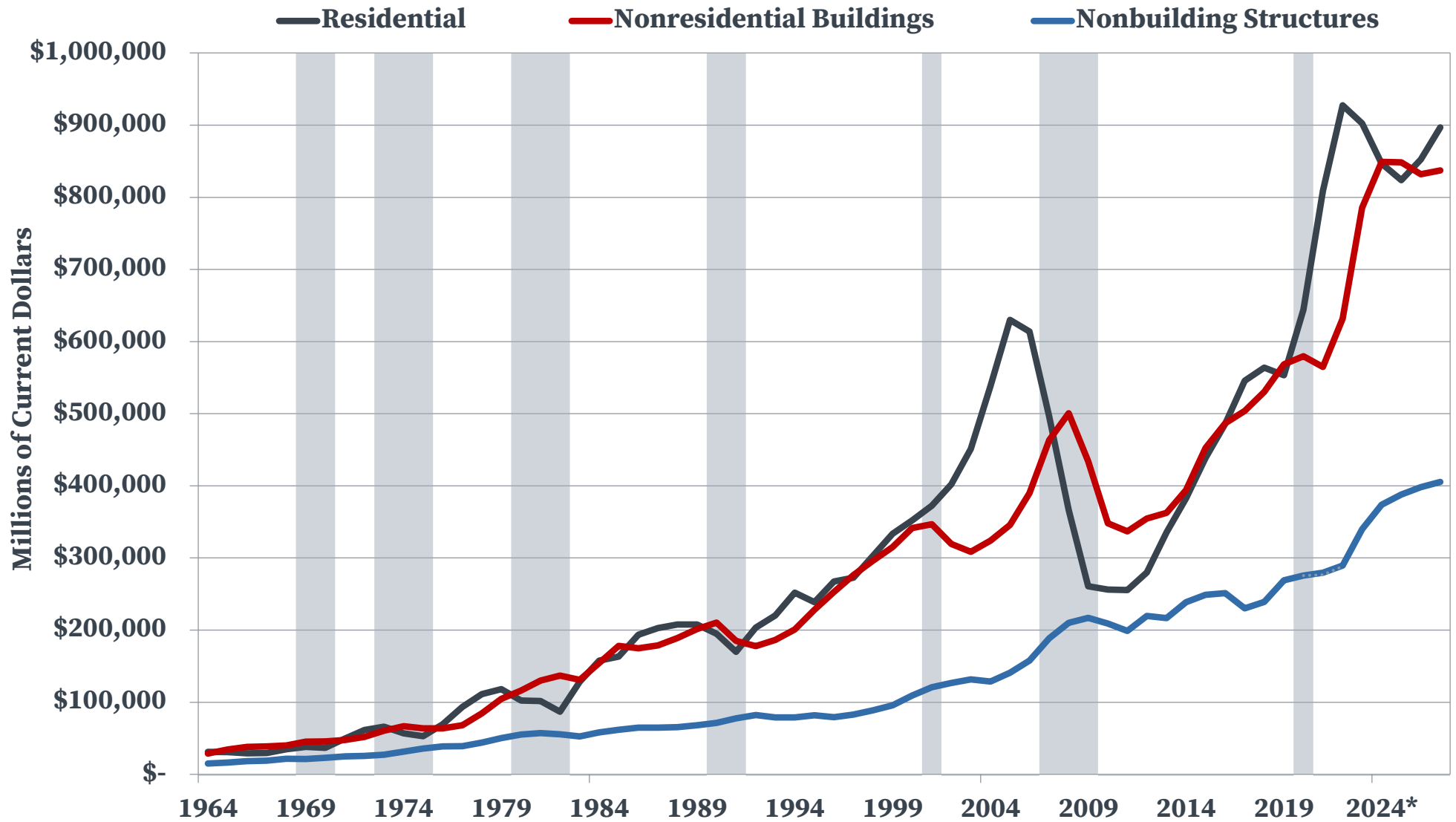


## Major Trends Impacting the Built Environment

What are the primary drivers of demand and how will they impact market performance?

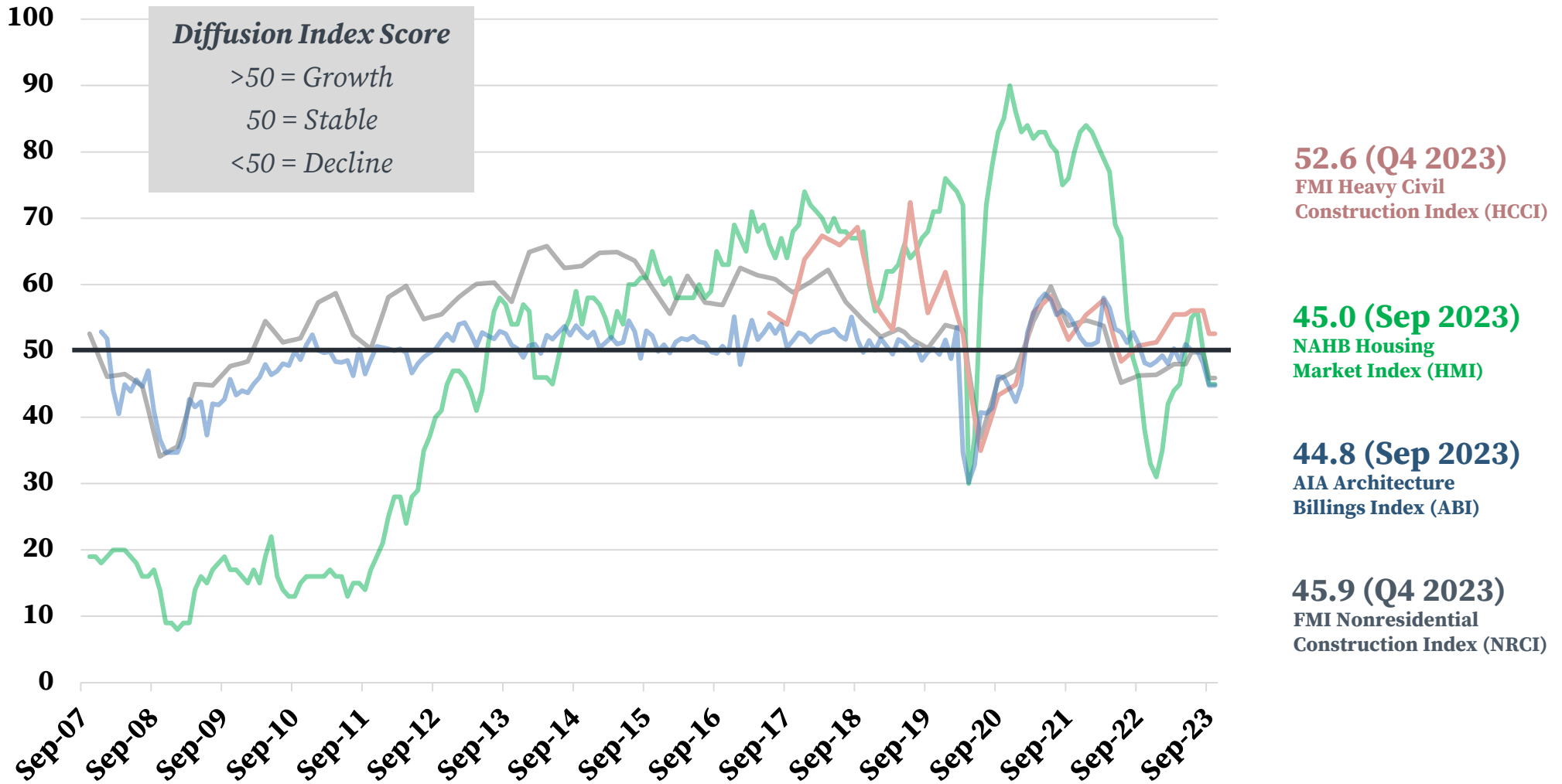
# CONSTRUCTION FORECAST

## Total Construction Spending Put in Place (US)



# INDUSTRY SENTIMENT

## Comparison of Construction Industry Diffusion Indices



# DISTRIBUTION OF SPENDING AND GROWTH

## Largest Spending

Manufacturing



Highway & Street



Power



Educational



## Highest Growth

Transportation



Communication



Highway & Street



Educational



		Segment	2023- 2027 Avg. Construction Spending (\$B)	2023- 2027 Forecast Growth (CAGR)
Nonresidential Buildings		Multifamily	\$116	-7%
		Manufacturing	\$219	0%
		<b>Educational</b>	<b>\$135</b>	<b>5%</b>
		Commercial	\$125	-1%
		Office	\$97	-1%
		Transportation	\$78	8%
		Health Care	\$69	3%
		Amusement and Recreation	\$34	0%
		Communication	\$29	7%
		Lodging	\$25	0%
		Public Safety	\$16	3%
	Religious	\$4	0%	
Heavy Civil		<b>Highway and Street</b>	<b>\$149</b>	<b>5%</b>
		Power	\$139	4%
		Sewage and Waste Disposal	\$48	4%
		Water Supply	\$31	4%
		Conservation and Development	\$13	2%

# POPULATION MIGRATION IN THE U.S.

## Population Movement by State: Total Net Migration 2001- 2021

As of 2021

**5 of top 10 largest-gaining counties were in Texas**

- Near Austin, Dallas, Houston

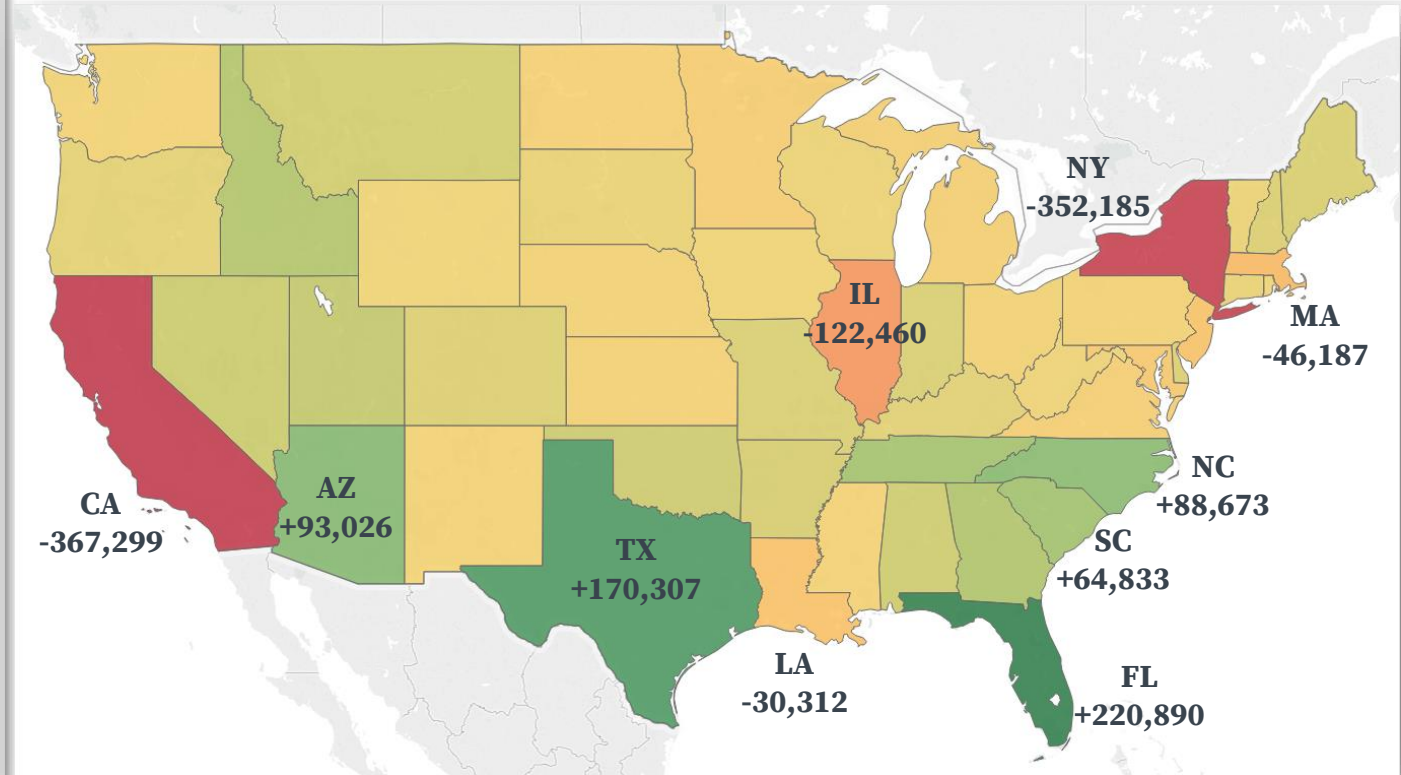
**Los Angeles County (CA) experienced the largest population loss**

**71% of counties (2,218) experienced positive net international migration**

**Four counties crossed the threshold of 100,000 residents**

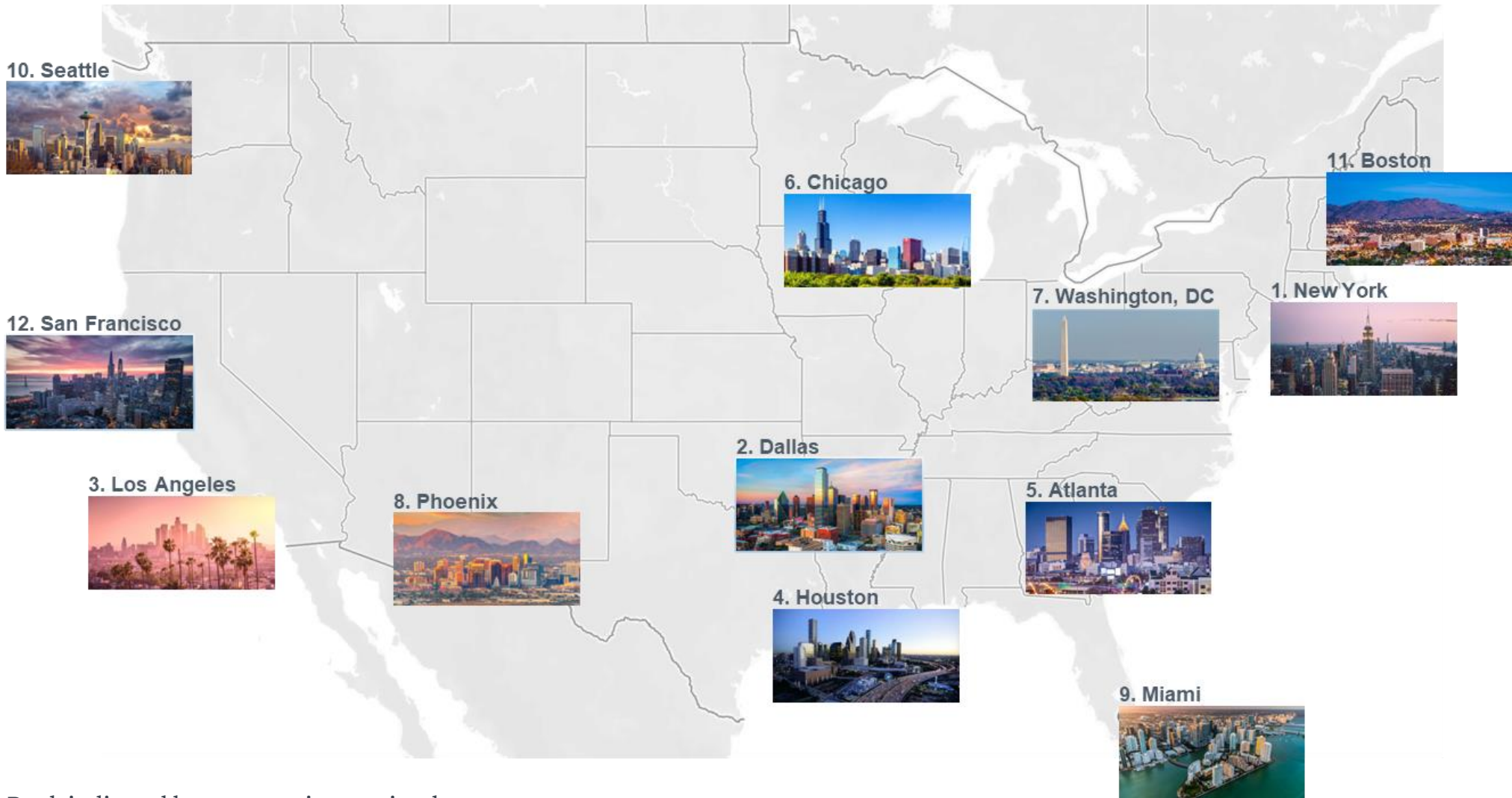
**Two most populous counties in the nation:**

- Los Angeles County, CA
- Cook County, IL



# PRIMARY CONSTRUCTION MARKETS

35% OF CONSTRUCTION DOLLARS ARE SPENT IN 12 MARKETS



Rank indicated by construction put-in-place

# MAJOR TRENDS IMPACTING THE BUILT ENVIRONMENT



## URBANIZATION

The progressive collection and concentration of people in urban areas



## RISE OF MEGA-PROJECTS

Total percent of construction put-in-place consolidates among fewer projects



## AGING INFRASTRUCTURE

Infrastructure is aging at a rapid rate, facilitating the need for renovation, repair and replacement



## SKILLED LABOR SHORTAGE

Labor challenges persist and intensify



## OLD ECONOMY VS. NEW ECONOMY / DIGITALIZATION

The rise and spread of digital electronics, and the network effects of productivity



## SUCCESSION PLANNING / AGING INDUSTRY LEADERSHIP

Losing resident knowledge at a fast pace



## DECARBONIZATION / INCREASED ENVIRONMENTAL REGULATIONS

Renewable power, energy efficiency, environmental regulations, etc.



## INCREASED INTEREST FROM PRIVATE EQUITY

Smart capital is flooding the market creating new competitive challenges and opportunities



# MAJOR TRENDS IMPACTING THE BUILT ENVIRONMENT



## URBANIZATION

The progressive collection and concentration of people in urban areas



## RISE OF MEGA-PROJECTS

Total percent of construction put-in-place consolidates among fewer projects



## AGING INFRASTRUCTURE

Infrastructure is aging at a rapid rate, facilitating the need for renovation, repair and replacement



## SKILLED LABOR SHORTAGE

Labor challenges persist and intensify



## OLD ECONOMY VS. NEW ECONOMY / DIGITALIZATION

The rise and spread of digital electronics, and the network effects of productivity



## SUCCESSION PLANNING / AGING INDUSTRY LEADERSHIP

Losing resident knowledge at a fast pace



## DECARBONIZATION / INCREASED ENVIRONMENTAL REGULATIONS

Renewable power, energy efficiency, environmental regulations, etc.



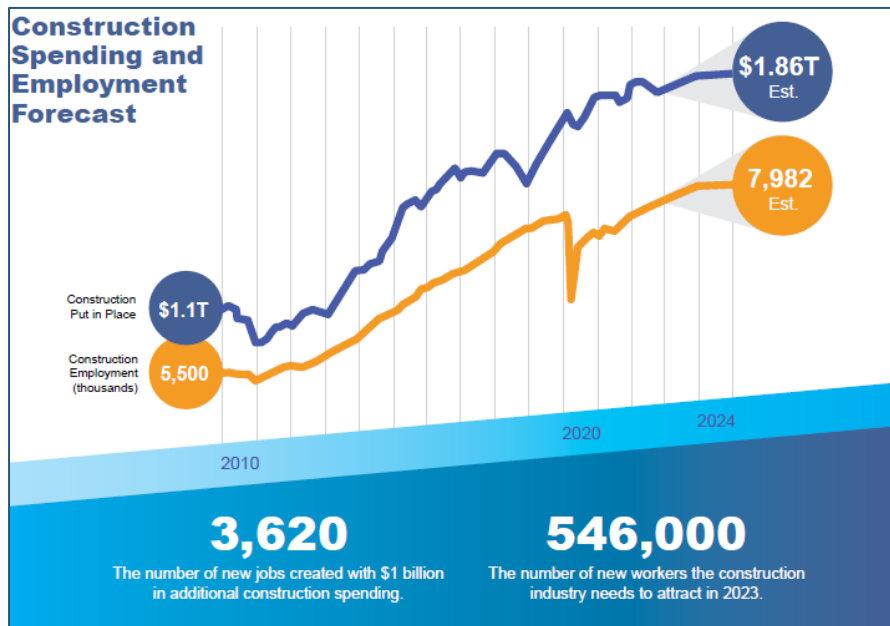
## INCREASED INTEREST FROM PRIVATE EQUITY

Smart capital is flooding the market creating new competitive challenges and opportunities

# SKILLED LABOR SHORTAGE

The built environment has long faced a shortage of talent, and the problem is getting worse. As construction spending grows, employment shortfalls will become more pronounced.

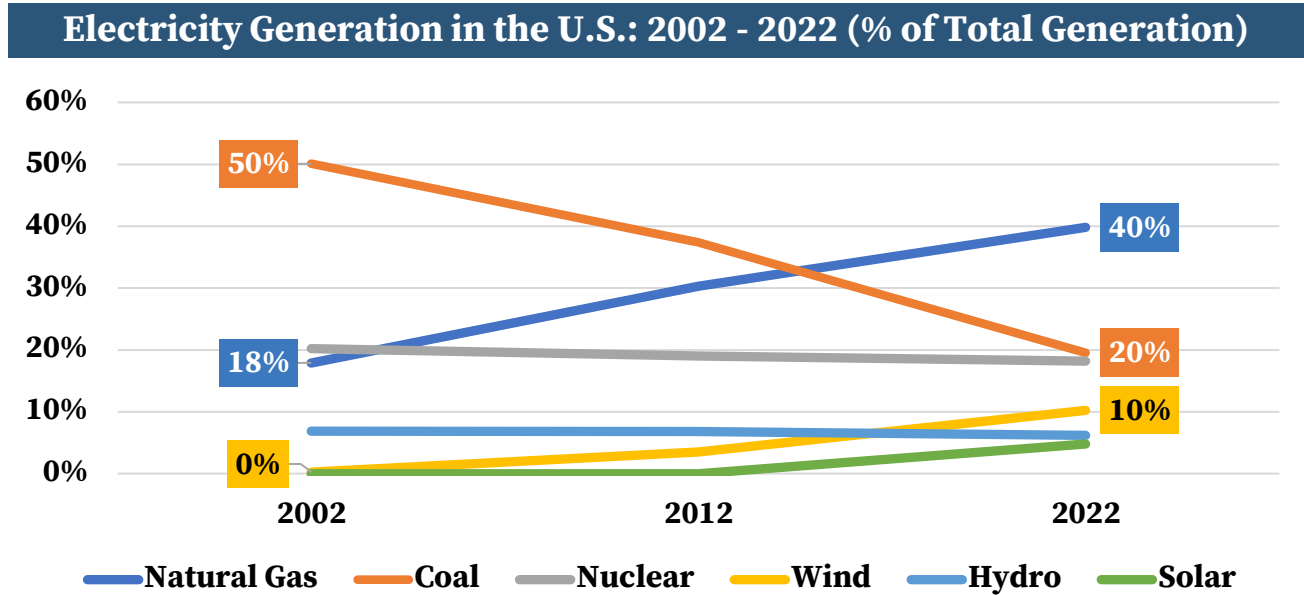
According to FMI's 2023 Labor Study of the Built Environment	
<b>93%</b>	Have difficulties hiring qualified talent
<b>50%+</b>	Have talent shortages that severely impact their companies
<b>20%</b>	Of construction workers are older than 55
<b>19%</b>	Have succession plans for key strategic roles



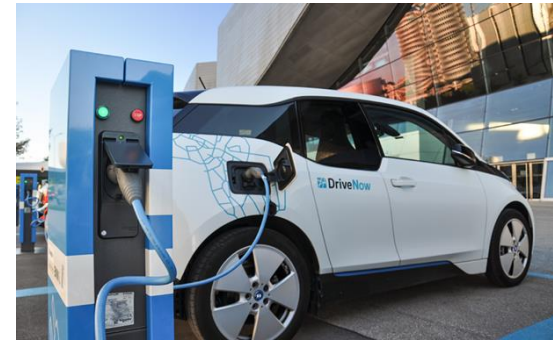
Shortages will intensify in the next five years:	
<b>22%</b>	Turnover for executives
<b>30%</b>	Turnover for field managers

# DECARBONIZATION AND ENVIRONMENTAL REGULATIONS

Coal ↓	Natural Gas ↑
Hydro ↔	Nuclear ↔
Wind ↑	Solar ↑



Electricity generation is trending toward renewables and away from carbon fuels	➔	Implications on reliability and utility rates
Transition from gas to electric, e.g., heat pumps, electric vehicles	➔	Stress on electric grid and transmission capacity



# CONSTRUCTION ACTIVITY REFLECTS THE DIRECTION OF THE ECONOMY

## New Economy

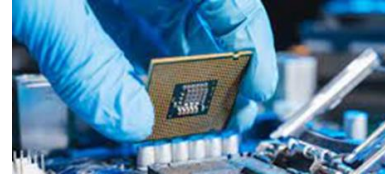
Life Sciences



Data Centers



High-Tech Manufacturing



Food / Beverage Manufacturing



Logistics



Intelligent Transportation



Urban Mass Transit



Distributed Power



## Old Economy

Lodging



Shopping Centers / Malls



Consumer Goods Manufacturing



Movie Theaters



Office



Sports / Recreation



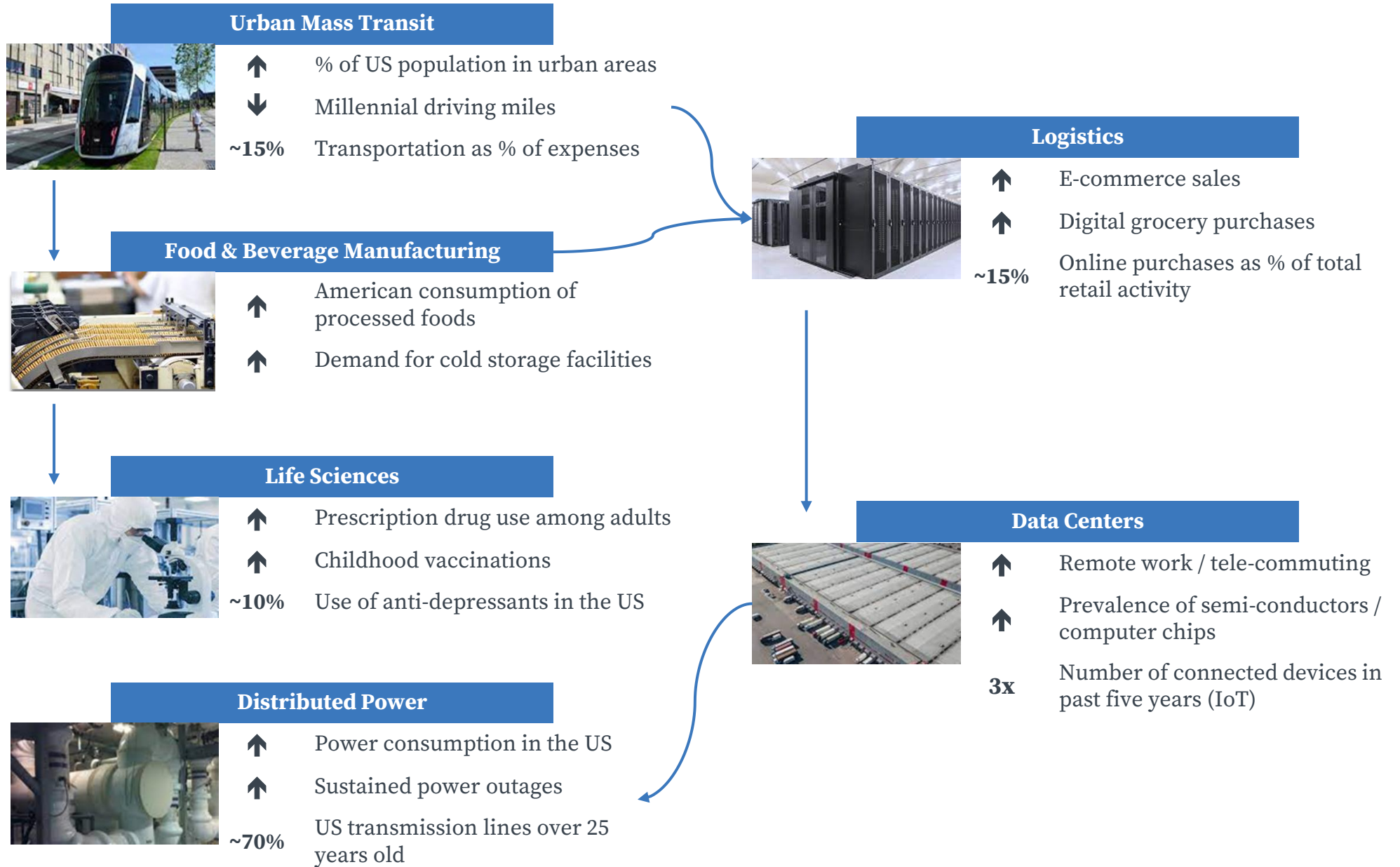
Amusement Parks



Textile Mills



# NEW ECONOMY TREND LINE

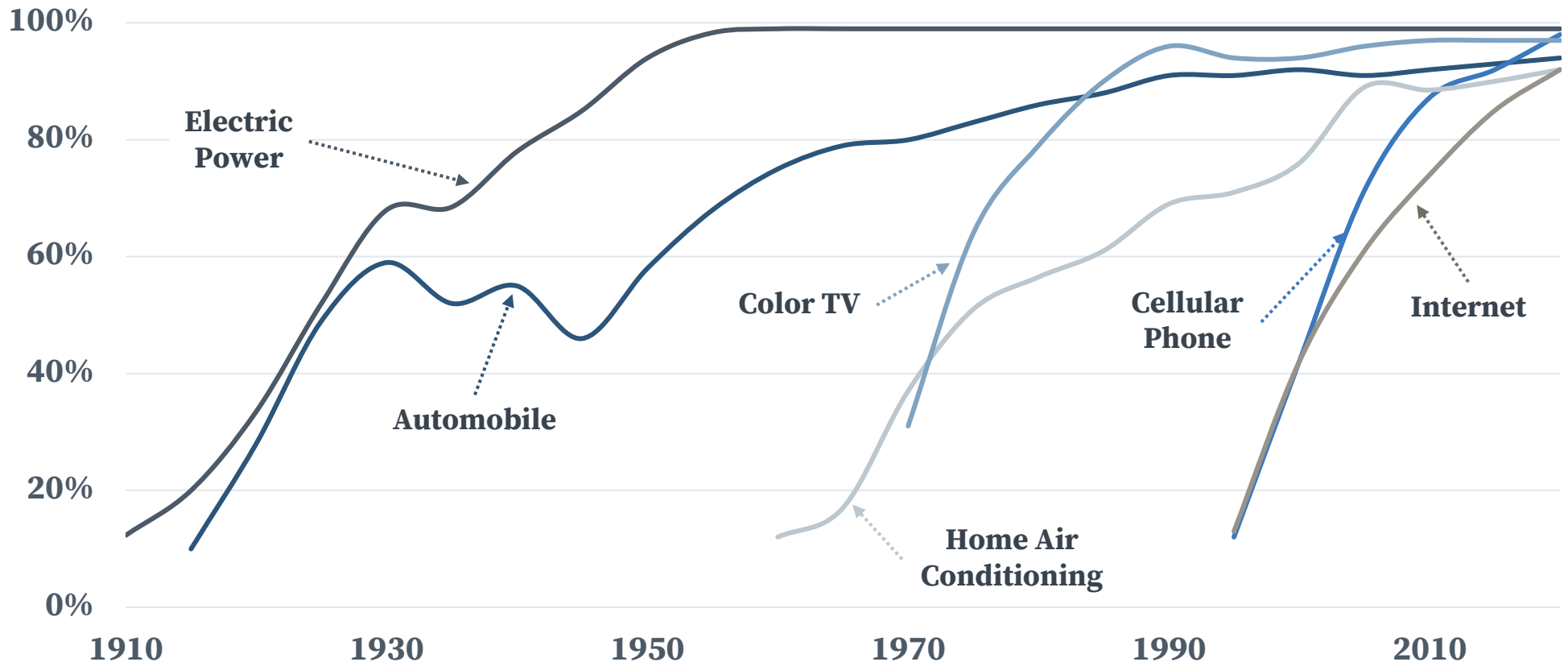


# THE TREND LINE OF PROGRESS

---



# RATE OF ADOPTION OF VARIOUS TECHNOLOGIES



- Recent technologies are adopted more rapidly than older.
- How could this apply to utility contractors?

<https://www.visualcapitalist.com/rising-speed-technological-adoption/>  
<https://www.rewiringamerica.org/pace>

## WHERE DOES THIS LEAVE US?

---



***A variety of complex and connected dynamics are relevant in today's construction market***

---



***Geography and population migration frames construction activity***

---



***The “new” economy is now dominant and will affect how firms invest, staff projects, and compete for work***

---



***As newer technologies are introduced, expect them to be adopted rapidly***





**Feel free to connect with me on LinkedIn or reach out to me directly.**

**Expertise:**

- Strategy Development
- Market Research & Segmentation
- Data and Economic Analysis
- Benchmarking

**Industry Focus:**

- Building Products Manufacturers
- Engineering and Construction
- Energy and Utilities
- Renewable Energy
- Electric Transportation

Sign up to receive updates: <https://fmicorp.com/subscribe>



**Jim House**

jim.house@fmicorp.com

919.980.1916



FMI is a leading consulting and investment banking firm dedicated exclusively to the built environment. We serve as the industry's trusted advisor, providing current market insights, deep industry research and key relationships that deliver tangible results for our clients.

---

**Denver**

44 Cook Street  
Suite 900  
Denver, Colorado 80206  
303.377.4740

**Houston**

1301 McKinney Street  
Suite 2000  
Houston, TX 77010  
713.936.5400

**Raleigh**

223 S. West Street  
Suite 1200  
Raleigh, NC 27603  
919.787.8400

**Tampa**

4300 W. Cypress Street  
Suite 950  
Tampa, FL 33607  
813.636.1364