

NOVEMBER 2021

2022 FORECAST

HIGHLIGHTS FROM THE
DODGE DATA AND ANALYTICS
CONSTRUCTION OUTLOOK 2022



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OVERVIEW

On November 3, 2021, Dodge Data & Analytics hosted their annual Construction Industry Outlook for 2022, with keynote speakers Cris deRitis from Moody's Analytics and Richard Branch from Dodge Construction Network.

The following highlights major trends relevant to our clients across the US. For the full presentation, go to <https://dodgeoutlook2022.com/>.

IMPACT OF COVID-19

Every part of the A/E/C industry will continue to be affected by COVID into the foreseeable future. Four elements are key to building resiliency:

1. **Communication** - increase efficiency and effectiveness in building relationships and collaborations when we cannot be together
2. **Data and Technology** - improve data supply chains, quality, and reliability through better technology and tech practices
3. **Productivity** - invest in systems and processes that help do more with fewer people, due to labor shortages
4. **Pandemic design** - adapt, flex, and stay ahead as design needs evolve

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RECOVERY

Delta variant caused a lag in recovery, but we're still recovering. The signs of recovery:

- Once vaccinations became available, people ramped up use of services, retail, and workspaces; spending is up
- Public transportation usage is increasing in urban areas
- Recreational/personal travel is almost normal (business travel is still sluggish)
- Payrolls are increasing to attract workers and fill an increasing job pool

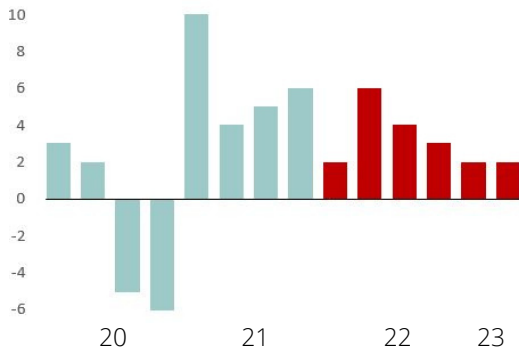
SLOW TO FILL JOBS

There are still more jobs than workers for three main reasons:

1. **COVID and Other Illnesses:** People are still getting sick, which takes them out of the labor force
2. **Childcare:** Parents are struggling with childcare because of a lack of providers; many more women with children are not returning to the workforce as fast as their male counterparts with children
3. **More/Earlier Retirees:** More people over 55 are taking early retirement and not intending to come back to work, leaving unfilled senior positions that require skilled, knowledgeable labor

04

MODEST ECONOMIC GROWTH



US Gross Domestic Product (Annualized Quarterly Percent Change) Forecasts Modest Growth in 2022

Positives:

- Robust consumer spending
- Low interest rates
- Fiscal spending; federal packages

Negatives:

- Rising materials prices, inflation
- Labor shortage
- Slowing demographics
- Risks (gov't shut down, another COVID variant)

CHALLENGES

Over the next 12 months, the biggest challenges for A/E/C firms will be:

1. **Prices** - staff salaries are rising at a rate that is unsustainable; inflation and supply chain issues are elevating construction costs and delaying construction timing
2. **People** - demographic growth is slowing at different rates across the country; the changing patterns will determine the kinds of projects (such as new vs. renovation/replacement; hospitals vs. clinics)
3. **Productivity** - making do with less; enhancing efficiencies and communication; and getting better data to base decisions upon will be key

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TOP MARKETS

These Markets Will Continue to Grow

Residential - single family growth in non-urban areas; multifamily growth in smaller towers (townhomes, condos) in urban areas

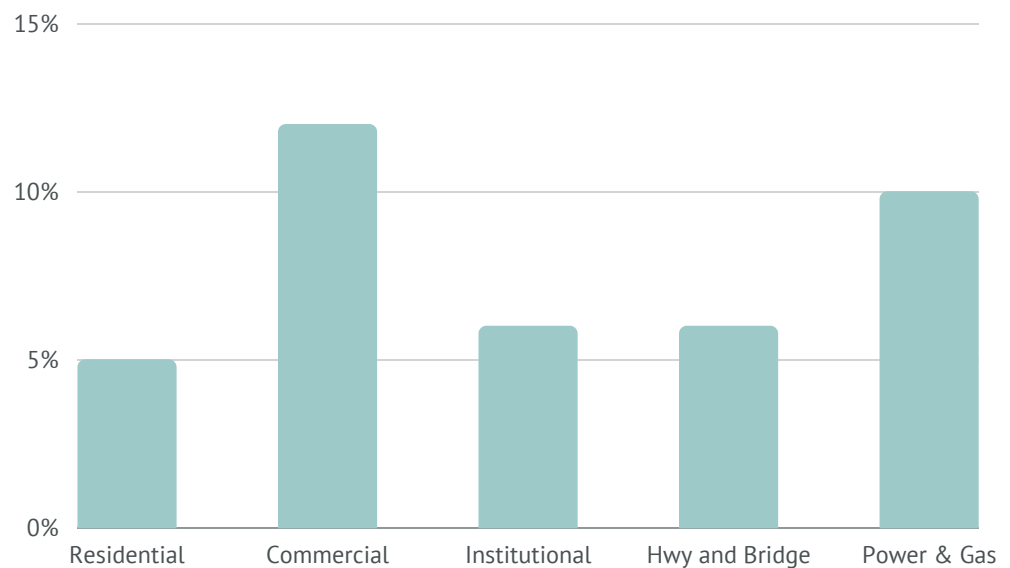
Commercial - led by warehouses; more broad-based building needs coming in 2022

Institutional - dominated by hospitals, followed by higher education lab spaces, and then K-12 (new and renovation/replacement, depending on area demographics)

Highway and Bridge - only 10% of the federal bill will hit in 2022 and focus on projects ready to build in late 2021/early 2022; the strongest influence will be in 2023-2025

Power & Gas - growth due to LNG plants and utility-grade solar and wind power; some boost to renewables market; expect growth in transmission/distribution from infrastructure bill

Percentage growth anticipated from 2021 to 2022



06

(S)LOW MARKETS

Modest Growth, Flatline, or Decline

Retail - large chains charge into the suburbs, but at a slower pace than suburban residential (modest)

Hotel - some large projects are ready to break ground; hotels won't grow until business travel improves, perhaps in late 2022 (modest)

Office - office needs are uncertain; data centers meet information and communication demands (modest)

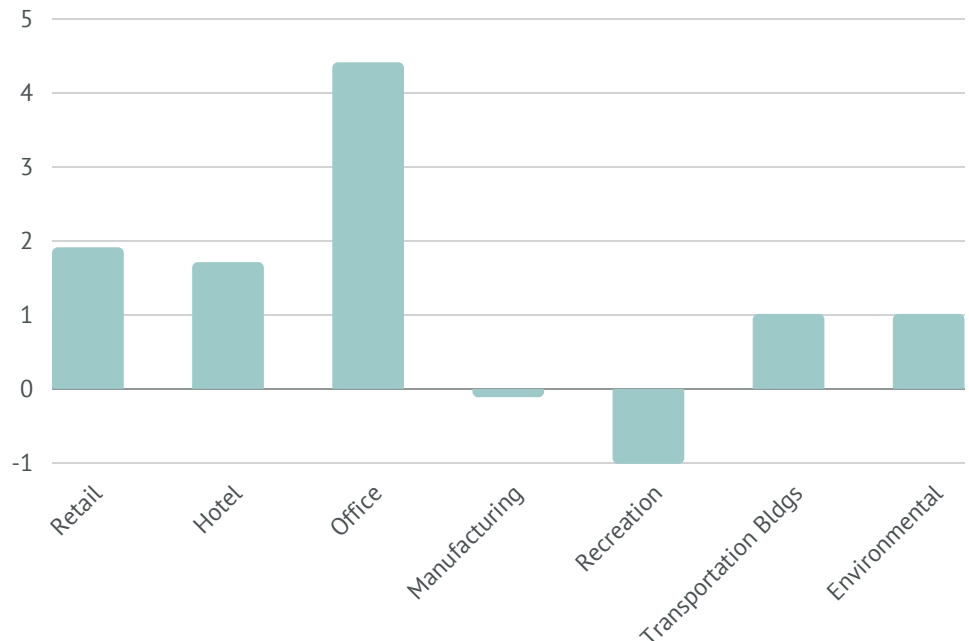
Manufacturing - would reduce reliance on foreign goods/shipping, but a shortage of skilled, high tech labor and costs of materials hinders growth (decline)

Recreation - unclear consumer demand stalls building projects (decline)

Transportation Buildings - stabilizes with federal infrastructure package funding (flatline)

Environmental - little new work, lots to finish (flatline)

Expected change in construction starts between 2021 and 2022 (billions of dollars)



07

PREPARE FOR 2022

84%

of companies believe that digital transformation has already impacted how they work

Pricing, Supply Shortages, Labor Shortages

This means plan for longer lead and completion times and material cost increases. Plan for lack of skilled labor and rising salaries.

Shifting Demographics

Changing demographics may play a part in what gets funded, with differing demands across the country. Keep informed of area-specific needs.

44%

of companies rely on manual methods to communicate updates to job sites

Productivity Gains = Profitability

Invest in processes that increase productivity, especially as the labor shortages continue. Invest in technology and systems that facilitate reliable data collection, management, communication, and collaboration to do more with less.

15%

of companies have fully implemented a digital transformation strategy

Market Shifts and Design Changes

The pandemic will continue to change how we interact with the built environment, as will the shifting market/demographic needs. Adopt a flexible and adaptive approach; seek to be as proactive as possible in staying ahead (or keeping pace) with the evolving design demands.

