

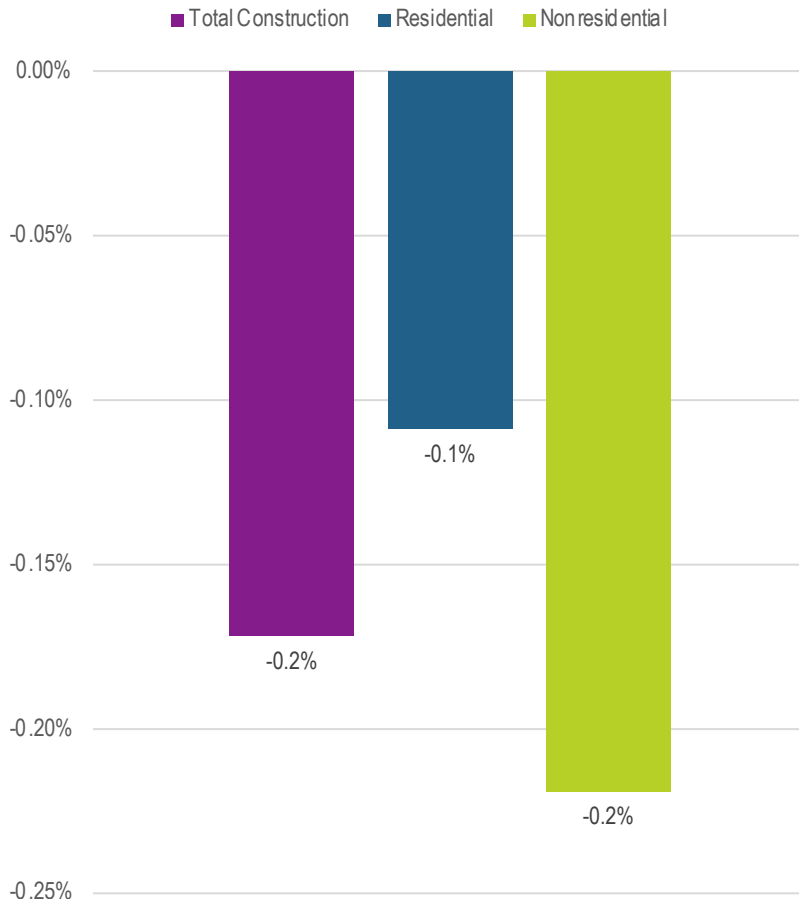
2024 Construction Spending Update

May 1 Data Release

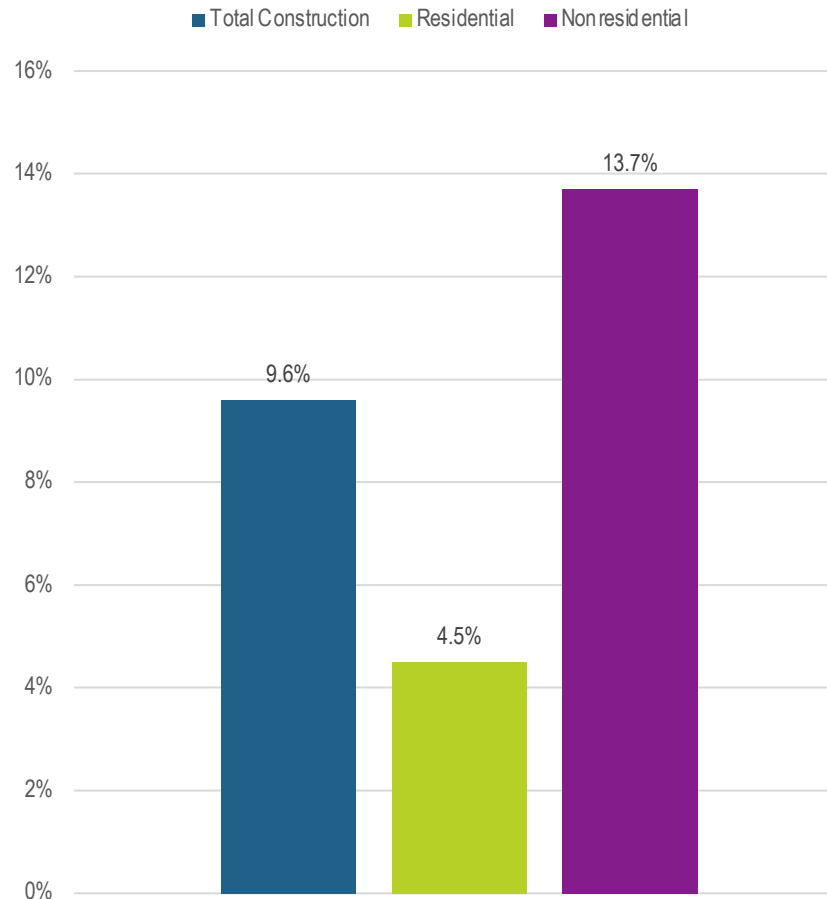
CONTINUUM 
Advisory Group

Overall Construction Spending

Quarterly Change in Total Construction
January to March 2024



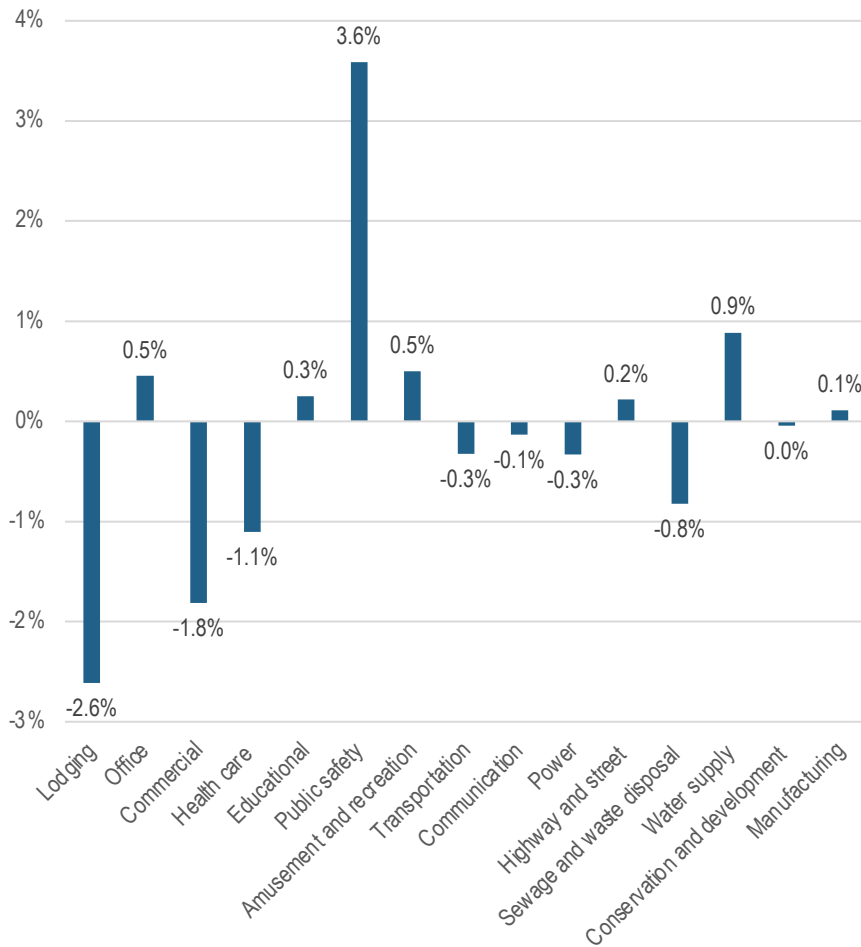
Annual Change in Total Construction
March 2023 to March 2024



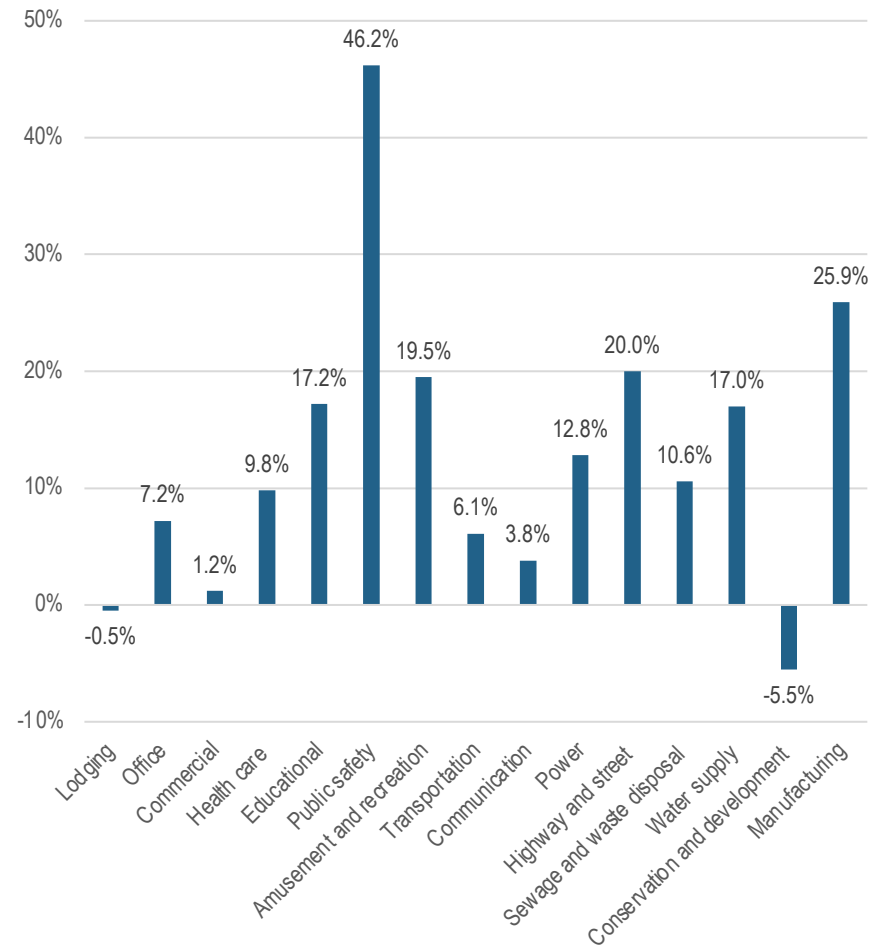
- Overall Construction Put in Place was down 0.2% from January to March and up 9.6% over the last year.
- After several years of growth, non-residential construction declined 0.2% over the last quarter. It is still up 13.7% on an annual basis.
- Residential construction was essentially flat in Q1 after growing steadily in the second half of 2023.

Nonresidential Construction

Quarterly Change in Construction Put in Place
January to March 2024

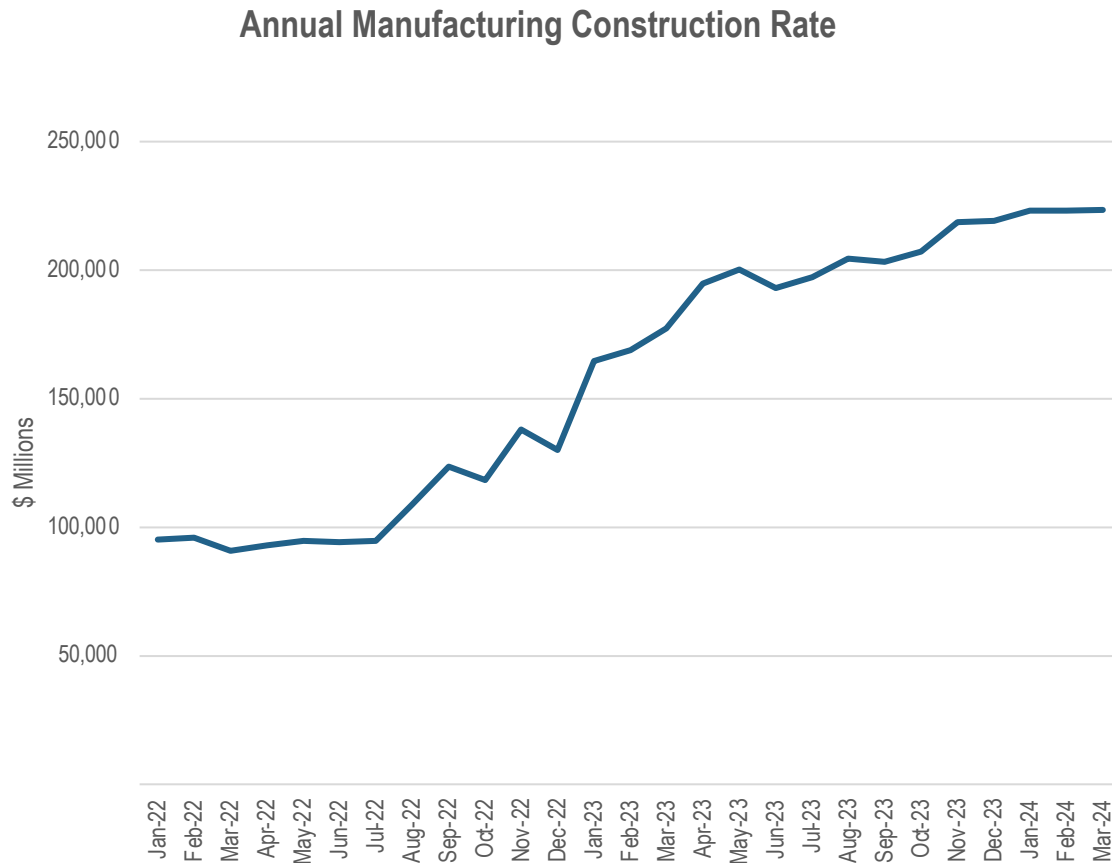


Annual Change in Construction Put in Place
March 2023 to March 2024



- Annual growth numbers across most segments remain strong. Commercial, Lodging, and Conservation and Development are the only flat/declining segments on an annual basis.
- Manufacturing has led growth in nonresidential construction, up 25.9% for the year. Other segments supported by government funding, Water/Wastewater, Education, Public Safety, and Highway/Street have done well on an annual basis.
- The quarterly numbers reflect the overall decline in nonresidential construction observed over the last quarter. Lodging and Commercial have led the declines.

Manufacturing Construction

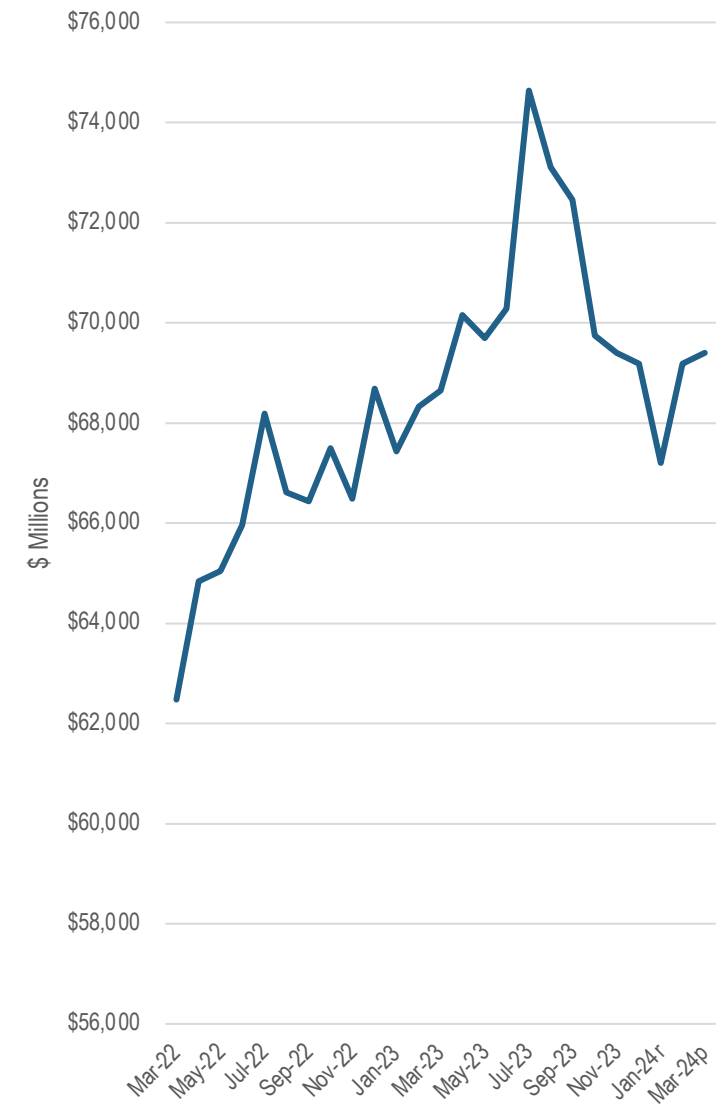


- Manufacturing Construction experienced rapid growth from July 2022 to May 2023, essentially doubling from \$100 billion per year to \$200 billion per year.
- While growth in this area has slowed since May 2023, we've still observed growth from \$200 billion to \$220 billion over the last 10 months.
- The mega-projects driving this growth (chip plants and battery plants) are multi-year projects that should sustain this high level of spending for at least another 2-3 years.

Warehouse Construction Appears to Have Peaked

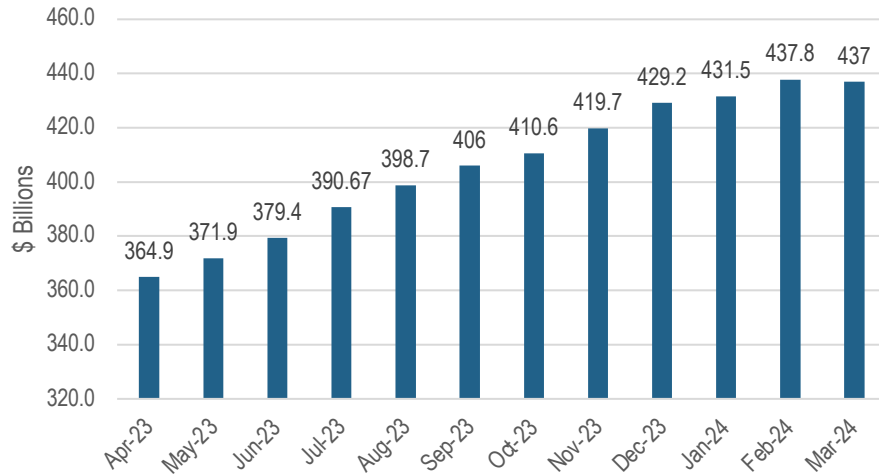
- Warehouse construction has been the major driver of commercial construction for the last decade and has also been a primary driver of overall growth in nonresidential construction until about two years ago when manufacturing construction became the biggest driver.
- Some notes on the historical growth of warehouse construction (currently at \$69 billion annually put in place):
 - As recently as 2014, warehouse construction accounted for 17% of commercial construction spending. Today it accounts for 55%.
 - Total spending did not pass \$10 billion annually until February 2014.
 - Before the late 2000s downturn, the previous all-time spending peak for warehouse construction was \$17 billion in February 2008.
- It appears warehouse construction peaked in July 2023 at \$74 billion annually. It is currently at \$69 billion annually. This decline in warehouse is a major component in the overall decline in commercial construction (down 2%) seen over the last quarter.

Warehouse Construction Annual Put in Place Spending Rate

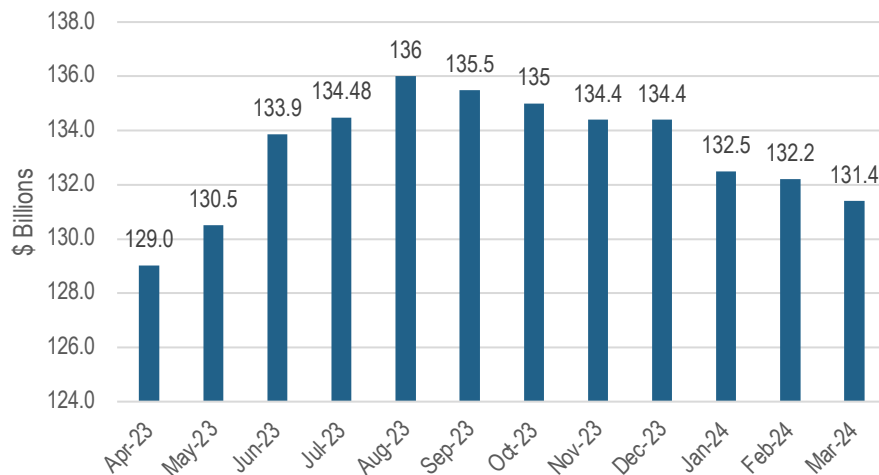


Residential Construction

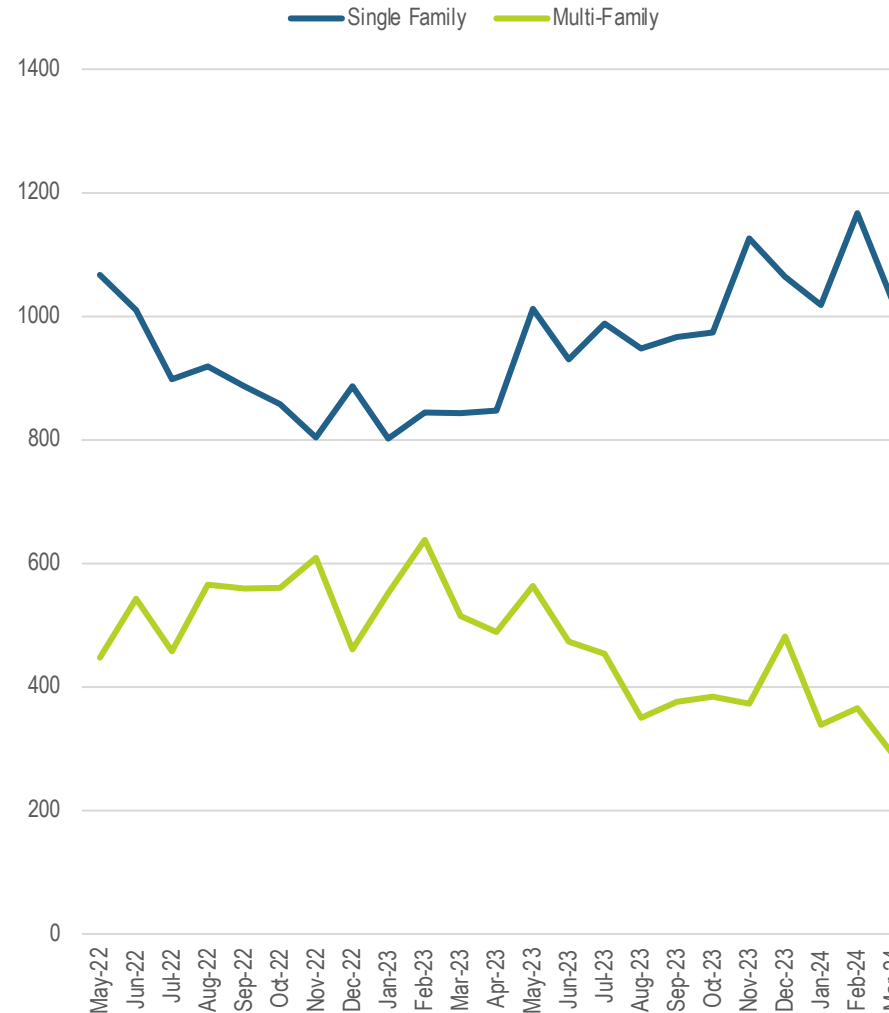
Single Family Construction Put in Place



Multi-Family Construction Put in Place



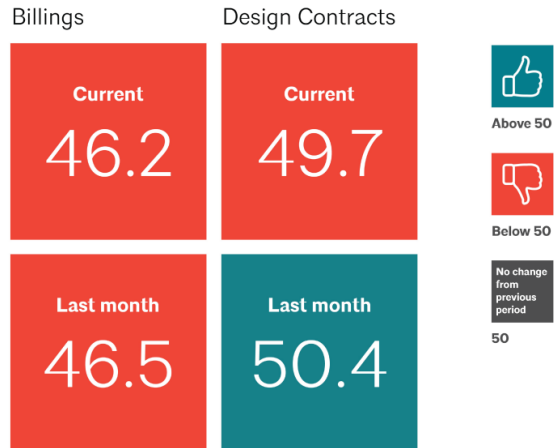
Annual Housing Start Rate by Month



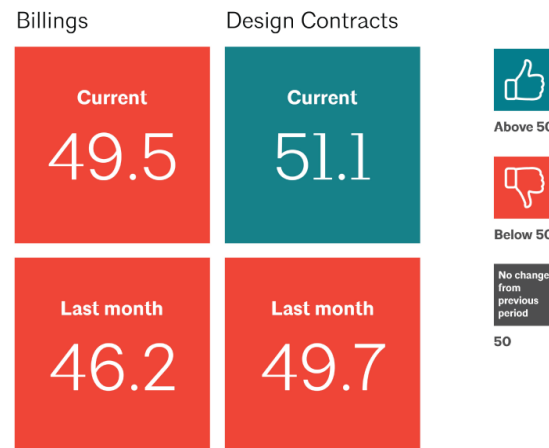
- After modest slowing of single-family home construction, the segment has rebounded from its April low. Both spending and starts remain strong. Low supply of existing homes (driven by high interest rates) will likely continue to drive demand for newly constructed single-family homes in the near term.
- Multi-family construction saw no slow down and continued to grow with spending at record levels through August 2023. Since August, multi-family construction has entered a period of steady decline. This decline is seen in both the spending and in the starts.
- Note the March multi-family annual start rate of 290,000 units was below the May 2020 rate of 296,000 (driven by COVID disruptions), and is a number not seen since September 2016. The last time multi-family starts were consistently below 300,000 units was in 2012 to 2013.

Leading Indicators – AIA

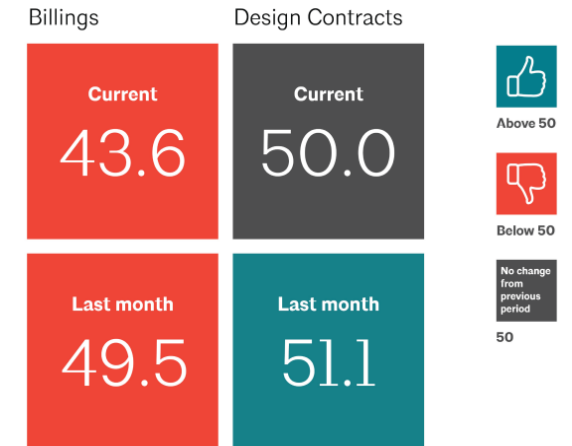
January 2024



February 2024



March 2024



- Beginning in July 2023, both architectural billings and new design contracts turned negative. New design contracts bounced back to slightly positive by December 2023 and have remained steady since then. Billings have continued to show declines, though the stabilization of design contracts indicates we may see stabilization in billings over the next quarter.
- As a leading indicator, this aligns with the declines in nonresidential construction we have seen over the last quarter. The stabilization of design contracts may be an indicator that we will see these declines end later in the year and see steady nonresidential construction spending for the second half of 2024.

May 2024 Overall Observations

- Nonresidential construction spending remains very high even though we have seen declines from what were record spending levels over the last quarter. Manufacturing spending is \$150 billion above the average levels seen in the 2010s and continues to be the driver of construction activity. This high level of manufacturing construction will likely limit any increase in construction labor availability due to declines in other segments.
- Based on architectural activity we would expect continued slow declines in many sectors of nonresidential construction through the first two quarters of 2024. Looking to the second half of the year, the flat to slightly positive trend in new design contracts may indicate a flat nonresidential market during the third and fourth quarters of 2024.
- We are not likely to see a rapid decline in overall nonresidential construction spending. Government spending and incentives tied to the infrastructure bill, the Inflation Reduction Act, and the CHIPS Act are likely to provide a strong baseline of spending driving a healthy construction market across many sectors of nonresidential construction through 2024.
- In the residential space, low existing home inventory driven by high interest rates is likely to keep the single-family market steadily growing. Multi-family construction is looking more like it is entering a significant down cycle.