



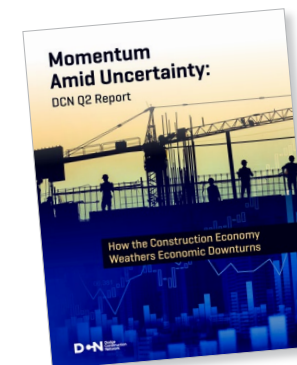
Construction Market Forecast 2022

LINBECK

Momentum Amid Uncertainty

"We expect that the shortage of skilled labor will slow the progress of projects through the design and bidding stages, resulting in moderate growth in starts activity," said Branch.

"This is the perfect storm. We have not recently had a situation like this – where we have significant logistics and supply issues caused by the pandemic combined with the shortage of employees in logistics and trucking. It's unprecedented."



Source and Link: Dodge
Construction Network
https://proddrupalcontent.construction.com/s3fs-public/newsroom/DCN%20Q2%20Report_2022_1.pdf

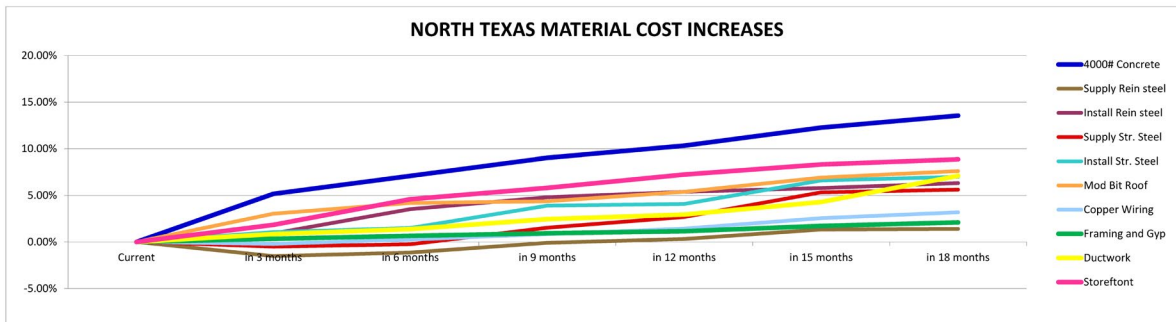
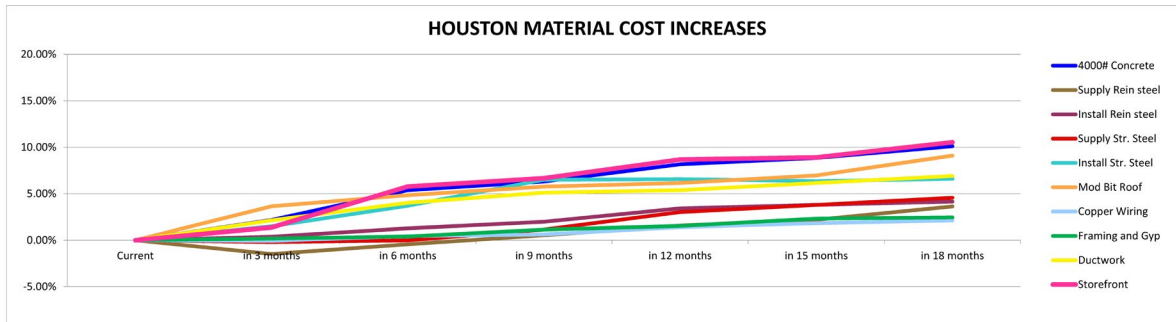
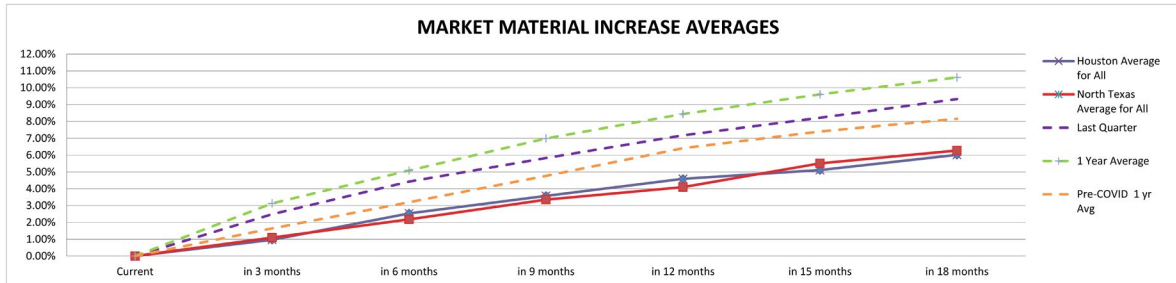
Momentum Amid Uncertainty

ADDRESSING CONSTRUCTION'S DWINDLING WORKFORCE

Another burden on the industry, exacerbated by the pandemic, is the scarcity of skilled construction workers. As a result, unfilled positions in construction are approaching an all-time high.

There are roughly 334,000 unfilled positions in the construction industry, according to the US Bureau of Labor Statistics, a trend that has been moving aggressively upward since the spring of 2020. This trend has plagued construction's growth for years and has significantly worsened over time. Employment as it relates to construction is systemic – it's a clear and present danger as the industry moves forward. The industry must reach younger workers where they are (high schools, tech schools and universities) with opportunities that present a path to a career, not just a job.

Source and Link: [Dodge Construction Network](https://proddrupalcontent.construction.com/s3fs-public/newsroom/DCN%20Q2%20Report_2022_1.pdf)
https://proddrupalcontent.construction.com/s3fs-public/newsroom/DCN%20Q2%20Report_2022_1.pdf



WorkTexas Trade School

Linbeck partnered with Gallery Furniture to transform an unused facility into a WorkTexas trade school and Premier High School for Houston's youth and young adults. The trade school caters to students ages 16 to 30. It includes classrooms and trade shops that provide real-world, hands-on labor experience to prepare students for careers in horticulture, welding, and plumbing, among other professions. The high school is free to local students from economically disadvantaged neighborhoods and has quickly become a community hub. In addition to providing a traditional high school curriculum and vocational learning, the school teaches morals, values, virtues, financial planning and literacy, and conflict resolution.



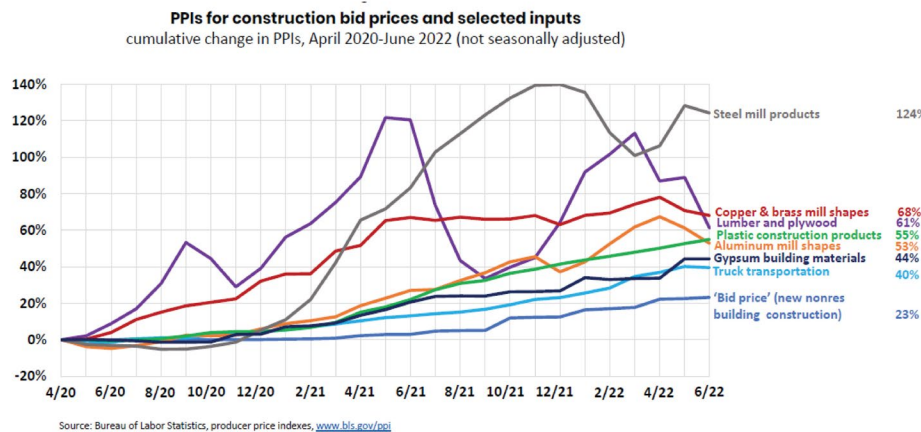
Recent changes in input costs

Previous editions of this guide have highlighted the extreme runup in materials costs that began in early 2020. More recently, prices have moved in divergent directions for different materials. But, on balance, they continue to climb at a much higher rate than the consumer price index.

The extent of these increases is documented by the Bureau of Labor Statistics (BLS). BLS posts producer price indexes (PPIs) around the middle of each month for thousands of products and services (at www.bls.gov/ppi). Most PPIs are based on the prices that sellers say they charged for a specific item on the 11th day of the preceding month. Producers include manufacturers and fabricators, intermediaries such as steel service centers and distributors, and providers of services ranging from design to trucking.

Figure 1 shows the magnitude of the increases for seven widely used categories of construction inputs. From April 2020, the low point for prices of many goods during the early stage of the pandemic, to June 2022, the PPI for steel mill products more than doubled (up 124% in 26 months). There were increases of more than 60% in the indexes for copper and brass mill shapes (up 68%) and lumber and plywood (up 61%). PPIs rose by more than half for plastic construction products (up 55%) and aluminum mill shapes (up 53%). The index for gypsum products increased 44% and the PPI for truck transportation climbed 40%. Numerous other indexes rose by more than the 23% increase in the "bid price" index.

Figure 1



124%
The PPI for steel mill products rose 124% in 26 months

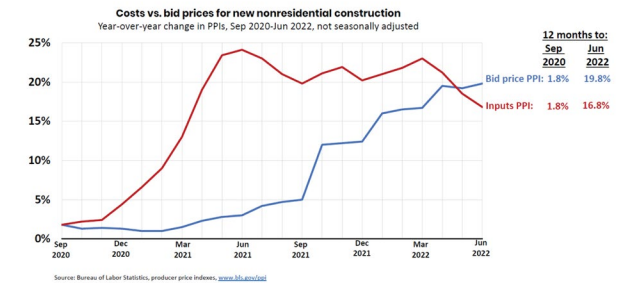
Changes in bid prices

The extreme runup in so many input costs caused financial hardship for many contractors and subcontractors, especially for those whose purchases are concentrated in materials with extra-steep increases.

As shown in Figure 5, the PPI for bid prices rose at the same rate as the PPI for inputs from September 2019 to September 2020, 1.8% year-over-year. The bid-price PPI continued rising at a modest rate through mid-2021, while the year-over-year change in input prices accelerated to more than 24% by June 2021.

Since mid-2001, the bid-price PPI also has accelerated considerably, as contractors attempt to pass on their rising materials and labor costs. By June 2022, the bid-price index was climbing at a 19.8% year-over-year rate, compared to 16.8% for the PPI for inputs to new nonresidential construction.

Figure 5



The bid-price index only indicates the price contractors propose for new starts. On projects for which they had already submitted a bid or begun work, contractors were stuck with paying elevated materials prices that they could not pass on.

Source and Link: AGC 2022 Construction Inflation Alert
https://www.agc.org/sites/default/files/users/user21902/Construction%20Inflation%20Alert%20Cover_Jul2022_V4.pdf

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https://www.agc.org/sites/default/files/users/user21902/Construction%20Inflation%20Alert%20Cover_Jul2022_V4.pdf

Construction Market Forecast Compiled Pricing Data as of September 2022

Supply Reinforcing Steel \$\$/TON

| TIME FRAME | HOUSTON | | NORTH TEXAS | |
|--------------|---------|--------|-------------|--------|
| | \$ / LB | Delta | \$ / LB | Delta |
| Current | \$1,606 | 0.00% | \$1,499 | 0.00% |
| in 3 months | \$1,582 | -1.48% | \$1,477 | -1.52% |
| in 6 months | \$1,599 | -0.44% | \$1,482 | -1.14% |
| in 9 months | \$1,614 | 0.53% | \$1,498 | -0.09% |
| in 12 months | \$1,631 | 1.58% | \$1,504 | 0.32% |
| in 15 months | \$1,641 | 2.19% | \$1,519 | 1.34% |
| in 18 months | \$1,664 | 3.62% | \$1,520 | 1.41% |

Install Reinforcing Steel \$\$/TON

| TIME FRAME | HOUSTON | | NORTH TEXAS | |
|--------------|---------|--------|-------------|-------|
| | \$ / LB | Delta | \$ / LB | Delta |
| Current | \$520 | 0.00% | \$494 | 0.00% |
| in 3 months | \$522 | -1.48% | \$499 | 0.91% |
| in 6 months | \$526 | -0.44% | \$511 | 3.52% |
| in 9 months | \$530 | 0.53% | \$518 | 4.80% |
| in 12 months | \$538 | 1.58% | \$521 | 5.38% |
| in 15 months | \$540 | 2.19% | \$523 | 5.79% |
| in 18 months | \$541 | 3.62% | \$525 | 6.32% |

Supply Structural Steel \$\$/TON

| TIME FRAME | HOUSTON | | NORTH TEXAS | |
|--------------|---------|--------|-------------|--------|
| | \$ / LB | Delta | \$ / LB | Delta |
| Current | \$3,883 | 0.00% | \$3,835 | 0.00% |
| in 3 months | \$3,875 | -0.20% | \$3,815 | -0.50% |
| in 6 months | \$3,882 | -0.01% | \$3,825 | -0.25% |
| in 9 months | \$3,927 | 1.15% | \$3,893 | 1.53% |
| in 12 months | \$4,000 | 3.02% | \$3,938 | 2.68% |
| in 15 months | \$4,030 | 3.79% | \$4,039 | 5.32% |
| in 18 months | \$4,060 | 4.56% | \$4,050 | 5.62% |

Install of Structural Steel \$\$/TON

| TIME FRAME | HOUSTON | | NORTH TEXAS | |
|--------------|---------|-------|-------------|-------|
| | \$ / LB | Delta | \$ / LB | Delta |
| Current | \$1,263 | 0.00% | \$1,328 | 0.00% |
| in 3 months | \$1,281 | 1.50% | \$1,342 | 1.06% |
| in 6 months | \$1,309 | 3.70% | \$1,348 | 1.50% |
| in 9 months | \$1,345 | 6.50% | \$1,380 | 3.90% |
| in 12 months | \$1,345 | 6.57% | \$1,382 | 4.09% |
| in 15 months | \$1,343 | 6.34% | \$1,416 | 6.60% |
| in 18 months | \$1,346 | 6.60% | \$1,421 | 6.99% |

Copper Wire \$\$/LB

| TIME FRAME | HOUSTON | | NORTH TEXAS | |
|--------------|---------|--------|-------------|--------|
| | \$ / LB | Delta | \$ / LB | Delta |
| Current | \$3.77 | 0.00% | \$4.78 | 0.00% |
| in 3 months | \$3.77 | -0.07% | \$4.77 | -0.21% |
| in 6 months | \$3.78 | 0.45% | \$4.80 | 0.27% |
| in 9 months | \$3.79 | 0.62% | \$4.82 | 0.83% |
| in 12 months | \$3.82 | 1.40% | \$4.85 | 1.43% |
| in 15 months | \$3.84 | 1.82% | \$4.91 | 2.55% |
| in 18 months | \$3.85 | 2.12% | \$4.94 | 3.18% |

Frame and Gyp \$\$/SF

| TIME FRAME | HOUSTON | | NORTH TEXAS | |
|--------------|---------|-------|-------------|-------|
| | \$ / LB | Delta | \$ / LB | Delta |
| Current | \$8.62 | 0.00% | \$6.44 | 0.00% |
| in 3 months | \$8.64 | 0.19% | \$6.46 | 0.34% |
| in 6 months | \$8.65 | 0.40% | \$6.48 | 0.66% |
| in 9 months | \$8.72 | 1.14% | \$6.50 | 0.93% |
| in 12 months | \$8.75 | 1.54% | \$6.52 | 1.16% |
| in 15 months | \$8.82 | 2.32% | \$6.55 | 1.72% |
| in 18 months | \$8.83 | 2.45% | \$6.58 | 2.10% |

Mod Bit Roofing* \$\$/SF

| TIME FRAME | HOUSTON | | NORTH TEXAS | |
|--------------|---------|-------|-------------|-------|
| | \$ / LB | Delta | \$ / LB | Delta |
| Current | \$17.04 | 0.00% | \$23.21 | 0.00% |
| in 3 months | \$17.66 | 3.64% | \$23.91 | 3.03% |
| in 6 months | \$17.87 | 4.84% | \$24.18 | 4.19% |
| in 9 months | \$18.02 | 5.76% | \$24.22 | 4.36% |
| in 12 months | \$18.09 | 6.16% | \$24.46 | 5.39% |
| in 15 months | \$18.23 | 6.96% | \$24.82 | 6.91% |
| in 18 months | \$18.59 | 9.10% | \$24.98 | 7.61% |

* 20,000 SF Roof W/4-Inch ISO

Ductwork \$\$/LB

| TIME FRAME | HOUSTON | | NORTH TEXAS | |
|--------------|---------|-------|-------------|-------|
| | \$ / LB | Delta | \$ / LB | Delta |
| Current | \$8.16 | 0.00% | \$6.96 | 0.00% |
| in 3 months | \$8.33 | 2.13% | \$7.02 | 0.85% |
| in 6 months | \$8.49 | 4.02% | \$7.05 | 1.38% |
| in 9 months | \$8.58 | 5.11% | \$7.13 | 2.45% |
| in 12 months | \$8.60 | 5.37% | \$7.16 | 2.94% |
| in 15 months | \$8.66 | 6.15% | \$7.26 | 4.30% |
| in 18 months | \$8.72 | 6.91% | \$7.45 | 7.10% |

4000# Concrete \$\$/CY

| TIME FRAME | HOUSTON | | NORTH TEXAS | |
|--------------|----------|--------|-------------|--------|
| | \$ / LB | Delta | \$ / LB | Delta |
| Current | \$130.33 | 0.00% | \$155.00 | 0.00% |
| in 3 months | \$133.17 | 2.17% | \$163.00 | 5.16% |
| in 6 months | \$137.33 | 5.37% | \$166.00 | 7.10% |
| in 9 months | \$138.56 | 6.31% | \$169.00 | 9.03% |
| in 12 months | \$140.97 | 8.16% | \$171.00 | 10.32% |
| in 15 months | \$141.87 | 8.85% | \$174.00 | 12.26% |
| in 18 months | \$143.51 | 10.11% | \$176.00 | 13.55% |

Storefront \$\$/SF

| TIME FRAME | HOUSTON | | NORTH TEXAS | |
|--------------|---------|--------|-------------|-------|
| | \$ / LB | Delta | \$ / LB | Delta |
| Current | \$85.73 | 0.00% | \$81.75 | 0.00% |
| in 3 months | \$86.90 | 1.37% | \$83.25 | 1.83% |
| in 6 months | \$90.67 | 5.77% | \$85.50 | 4.59% |
| in 9 months | \$91.44 | 6.67% | \$86.50 | 5.81% |
| in 12 months | \$93.16 | 8.67% | \$87.67 | 7.24% |
| in 15 months | \$93.36 | 8.90% | \$88.56 | 8.32% |
| in 18 months | \$94.76 | 10.53% | \$89.00 | 8.87% |

