



Q1 2023

QUARTERLY ESCALATION REPORT

ISSUED 04.21.2023

COMMENTARY

PROJECT COSTS AND TRENDS

The construction economy outlook differs depending on geography, market vertical and job size. ENR Confidence index, while still below 50, is up 11 points to 44, which snaps a six-month decline. Meanwhile, AIA's ABI still shows a soft future backlog with declining Billings and Design Contracts from January to February.

Escalation in certain commodities and supply chain issues prove sticky. Electrical and mechanical equipment lead times plague many projects, and the trade contractors and vendors are not seeing a reprieve in the near future.

While escalation/inflation proves difficult to remove from materials, the rate of increase for the construction market as a whole, continues to slow. The trend lines in the indices we track shadow our internal data for year over year changes, landing the Q1 increase from '22 Q1 around 8%. The quarterly shift in index reporting from Q4 '22 to Q1 '23 as an average is minor, but the range in values is relatively vast at a variance of 6.65. This mirrors the news about economic variations, which are depending on region and market. We feel our tracking in quarterly change is a little more stable, consistent, and accurate at 1.2% uptick between 2022's Q4 and Q1 of 2023.

LABOR

Labor data has shown a steady increase following the rate of inflation year over year

While some of the categories may fluctuate, our average rate mirrors the trajectory we've seen over the last few quarters with an annual growth of approx 5.5% across all roles.

Our teams should continue to understand the economics and market for labor at the specific project location and time when planning for upcoming self-perform projects.

MATERIALS

Inflation proves difficult to shake as all materials we track, save lumber, have quarterly and monthly upticks. However, ENR forecasts all these commodities to have contraction throughout 2023.

Lumber still proves to be erratic and dropping even further from the end of 2022.

INFORMATION SOURCES

Project: ENR indices, BLS Producer Price Index, Rider Levett Bucknall National Construction Cost Index

Labor: B&G field employees in AL, GA, FL

Material: BLS Producer Price Indexes

CURRENT ESCALATION %

PROJECT		
INDEX	QTR	YR
ENR BCI - Atlanta	-3.95%	6.58%
ENR BCI - Bham	-0.83%	5.44%
ENR BCI - Dallas	0.95%	5.31%
ENR BCI - 20 City	0.36%	5.76%
PPI Non-Res South	2.69%	17.29%
Rider Levett Bucknall	1.35%	8.11%

LABOR		
INDEX	QTR	YR
Carpenter	0.41%	3.61%
Laborer	0.46%	8.89%
Tower Crane Operator	-0.17%	4.42%
Field Engineer	-0.51%	3.90%
General Foreman	0.58%	6.79%
Weighted Average	0.32%	5.08%

MATERIAL		
INDEX	QTR	YR
Reinforcing Bar	7.04%	6.09%
Structural Steel	8.33%	7.46%
Ready Mix Concrete	3.03%	11.67%
Softwood Lumber	-3.60%	-53.50%
Gypsum Bldg Materials	0.27%	11.80%
Copper Wire & Cable	6.22%	-2.74%

TWO-YEAR ESCALATION TREND

*showing percentage of annual change in quarterly values

