



Q3 2022

QUARTERLY ESCALATION REPORT

ISSUED 10.17.2022

COMMENTARY

PROJECT COSTS AND TRENDS

The 3rd quarter of 2022 shows the construction economy suffers from as many mixed signals as the broader economy.

Commodities continue to soften, industry backlog is strong, labor is scarce and increasing in cost, all while recession rumors grow, cost of capital rises, and inflation while slowing still shows staying power.

The trade contractors continue to be caught between labor and material supply issues and managing backlog and margins, but the receipt of price increase letters from trade contractors & vendors has slowed this quarter.

While the rate of increase in project costs inflation may be starting to show slowing, the annual inflation rate change is still averaging over 14% for indices we track. This is probably reflective of the softening materials yet offset by the increases in labor, yielding uncertainty in overall project costs.

All of these factors result in a construction economy that is difficult to predict.

LABOR

Unemployment rates for construction drop, and salaried and craft labor continue to be in high demand.

Mimicking trends seen in the broader economy, our labor data has shown a steady increase to the rate of inflation year over year

The cost of labor will be the portion of inflation that will prove to have the strongest lingering impact to overall costs, so we will watch these indicators closely.

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

MATERIALS

While the quarterly change eases a bit, the annual increases are still historic for most materials. Ready Mix and Gypsum have modest quarterly increase rates, and lumber continues to be on a several year long roller coaster ride.

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	4.39%	16.41%
ENR BCI - Bham	2.61%	13.39%
ENR BCI - Dallas	2.86%	13.96%
ENR BCI - 20 City	0.87%	10.32%
PPI Non-Res South	6.75%	24.77%
Rider Levett Bucknall	1.82%	7.83%

LABOR		
INDEX	QTR	YR
Carpenter	2.95%	4.27%
Laborer	4.11%	6.90%
Tower Crane Operator	5.34%	14.60%
Field Engineer	2.57%	1.10%
General Foreman	4.19%	2.70%
Weighted Average	3.38%	4.77%

MATERIAL		
INDEX	QTR	YR
Reinforcing Bar	-4.51%	9.13%
Structural Steel	-5.26%	7.34%
Ready Mix Concrete	7.46%	14.41%
Softwood Lumber	-7.70%	18.41%
Gypsum Bldg Materials	3.82%	20.22%
Copper Wire & Cable	-14.02%	-8.66%

TWO-YEAR ESCALATION TREND

*showing percentage of annual change in quarterly values

