



Q4 2022

# QUARTERLY ESCALATION REPORT

ISSUED 01.23.2023

## COMMENTARY

### PROJECT COSTS AND TRENDS

In general, the national construction economy appears to be starting to see some headwinds. ENR's Construction Industry Confidence drops for second straight quarter to finish 2022 with three quarters in negative perception territory. AIA billings report falls to lowest its mark since January of 2021. However, regions and markets tend to show contrasting stories. South versus Northeast or West, private commercial versus single family versus government & infrastructure all show different trend lines. The South is still showing stronger than average AIA billings and inflation/escalation.

The headwinds mentioned above are starting to become apparent in the national escalation indexes, where the majority show a weakening in the escalation trend compared to prior quarters. This is also supported in our internal project cost indexes, where we show a monthly escalation rate averaging around 0.75%. This is down from a high of 1.5%+ in previous months, but still a strong inflation rate. As mentioned below, the reduction in overall project escalation is likely due to a softening in many materials prices and possibly some market forces. Labor pricing remains elevated.

### LABOR

National general employment as well as construction specific continue a downward trend into the 4th quarter.

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

As we track materials & commodities bouncing up and down, labor will be the portion of inflation that will have staying power to impact costs for the long term, so we will continue to watch these indicators closely.

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

ENR forecasts a couple of years of contraction in national materials with exceptions around ready-mix and gypsum.

Ready Mix and Copper have modest quarterly increase rates, and lumber continues its erratic path.

### 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	0.42%	12.01%
ENR BCI - Bham	-0.12%	10.58%
ENR BCI - Dallas	-2.26%	7.69%
ENR BCI - 20 City	0.17%	9.37%
PPI Non-Res South	2.59%	18.95%
Rider Levett Bucknall	2.30%	8.35%

LABOR		
INDEX	QTR	YR
Carpenter	0.29%	4.51%
Laborer	2.07%	7.78%
Tower Crane Operator	-0.95%	13.71%
Field Engineer	2.54%	4.26%
General Foreman	-0.22%	2.25%
Weighted Average	0.78%	5.34%

MATERIAL		
INDEX	QTR	YR
Reinforcing Bar	-4.25%	2.17%
Structural Steel	-3.71%	1.96%
Ready Mix Concrete	0.97%	12.11%
Softwood Lumber	-8.35%	-28.84%
Gypsum Bldg Materials	-0.08%	17.53%
Copper Wire & Cable	2.29%	-6.53%

## TWO-YEAR ESCALATION TREND

\*showing percentage of annual change in quarterly values

