



US Construction Outlook Q2 2023

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BUILDING ON THE PAST



Old... New... Next...

Where can we expect continued demand regardless of market performance?



Location, Location, Location

Does geography become the primary determinant of growth?

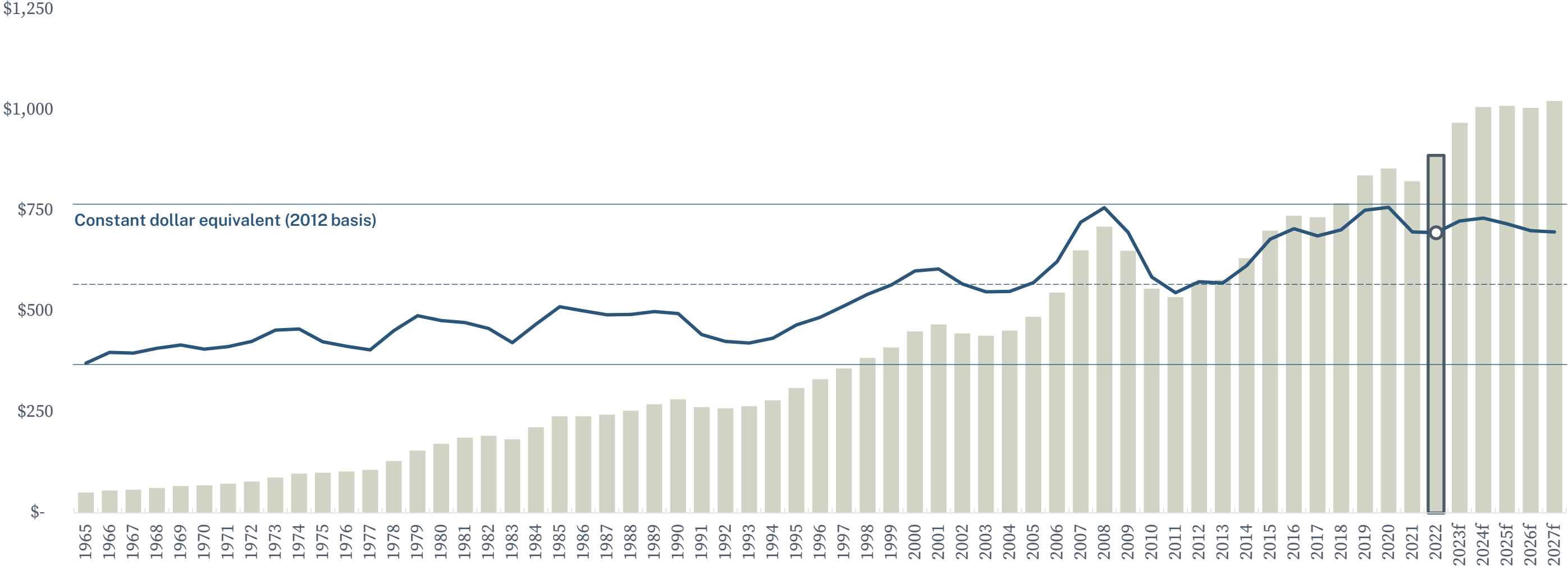


Customer Priorities

How do buying practices shift in a down cycle?

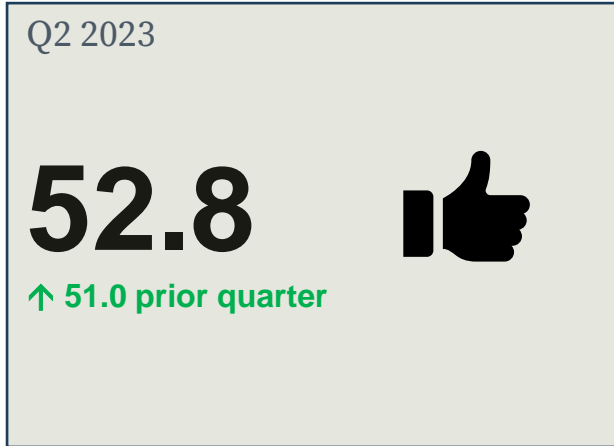
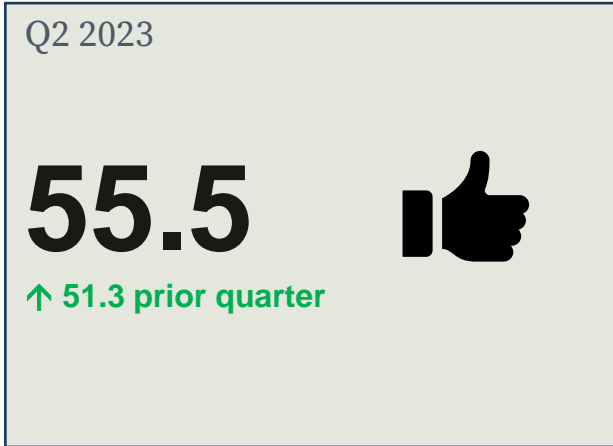
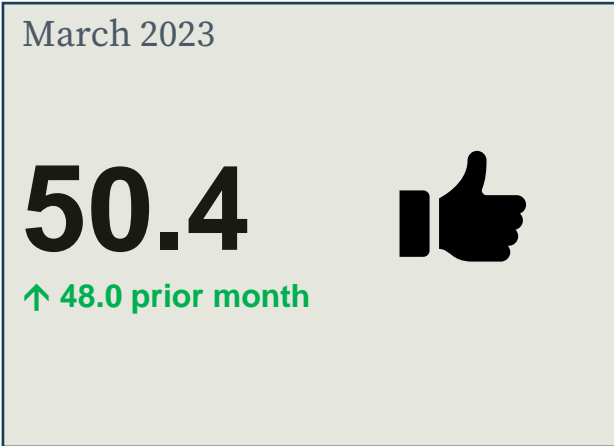
FINDING THE NEXT PLATEAU

Nonresidential Buildings and Non-building Structures Construction Spending Put in Place (US)
Billions



EMBRACING CAUTIOUS OPTIMISM IN THE FACE OF AN UNCERTAIN FUTURE

AEC Sentiment Indices



Architectural Billings Index (ABI)



Nonresidential Construction Index (NRCI)



Heavy Civil Construction Index (HCCI)

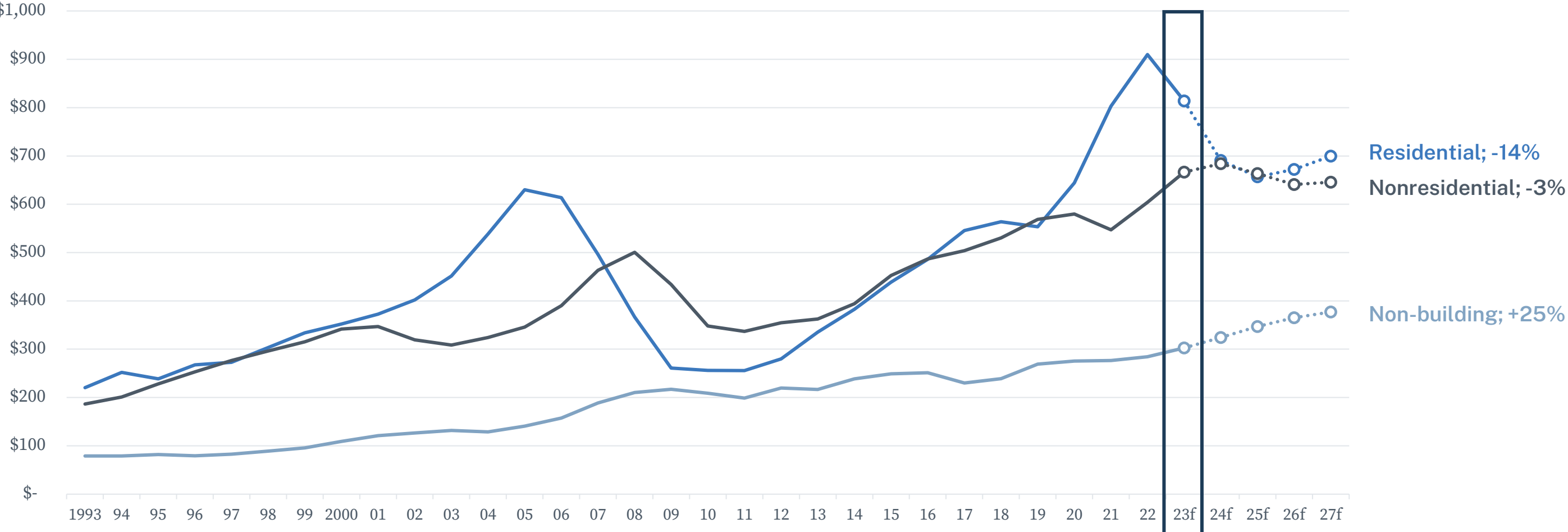


Construction Industry Round Table

CIRT Sentiment Index

BULLS & BEARS COEXIST AT ALL TIMES

Total Construction Spending Put in Place (US)
Billions of current dollars



DEVELOPER AND PRIVATE INVESTMENT DRIVEN SEGMENTS SUFFER

Segment	2023- 2027 Average Construction Spending (Millions)	2023- 2027 Forecast Growth (CAGR)
Multifamily	110,244	-5%
Lodging	20,235	-3%
Office	88,651	0%
Commercial	108,596	-5%
Health Care	57,665	1%
Educational	110,628	3%
Religious	2,845	0%
Public Safety	12,566	4%
Amusement and Recreation	27,569	-3%
Transportation	75,032	8%
Communication	28,269	6%
Manufacturing	128,045	-7%
Power	127,626	6%
Highway and Street	139,088	6%
Sewage and Waste Disposal	38,035	5%
Water Supply	27,227	4%
Conservation and Development	11,138	1%

Nonresidential Buildings

Heavy Civil

Data centers represent approximately **20% of the Office** segment, and spending is forecast to **increase by more than 50% over the next five years.**

Warehouse represented more than 50% of the Commercial segment in 2021. Construction **spending on warehouses increased by 35% from 2019- 2021** compared to a 15% decline in all other commercial buildings.

Over the past five years, **K-12 construction has increased by 20%** compared to **higher education, which has decreased by almost 25%.**

Over the past decade, **food & beverage, chemical, computer & electronics, and transportation equipment** has led the manufacturing construction segment.

DIRECTIONAL TRENDS AND SIGNPOSTS



OLD TO NEW TO NEXT

New Economy...

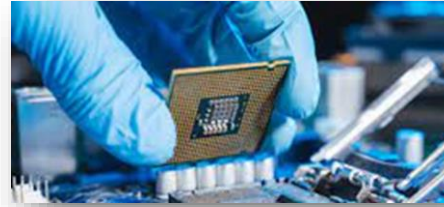
Life Sciences



Data Centers



Semiconductor Fabrication



Food & Beverage Manufacturing



Logistics



Intelligent Transportation Systems



Urban Mass Transit



New Energy



Old Economy...

Lodging



Shopping Centers/ Malls



Automotive



Movie Theaters



Office



Sports/ Recreation



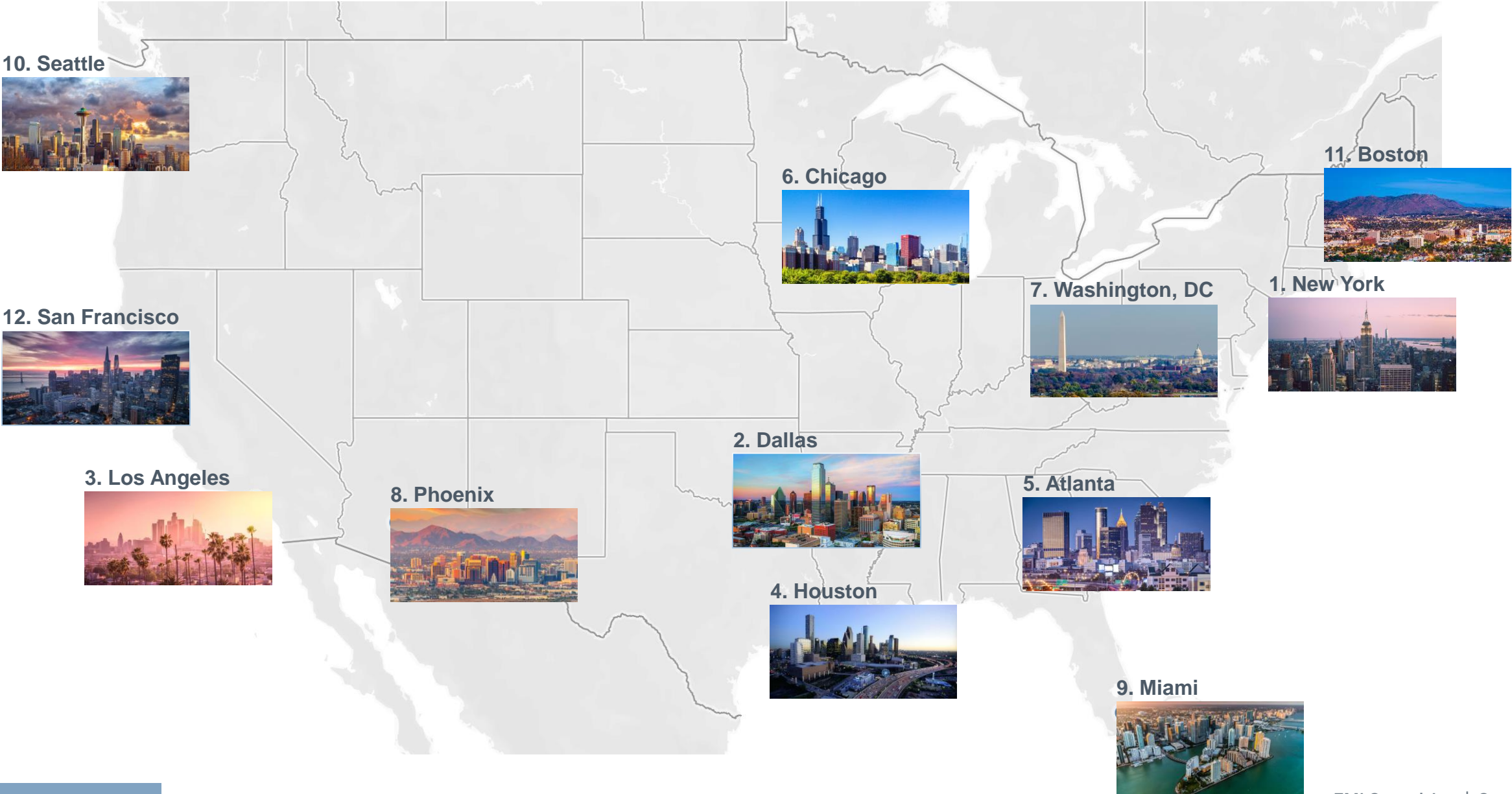
Amusement Parks



Banks



ONE-IN-THREE CONSTRUCTION DOLLARS ARE SPENT IN JUST 12 MARKETS

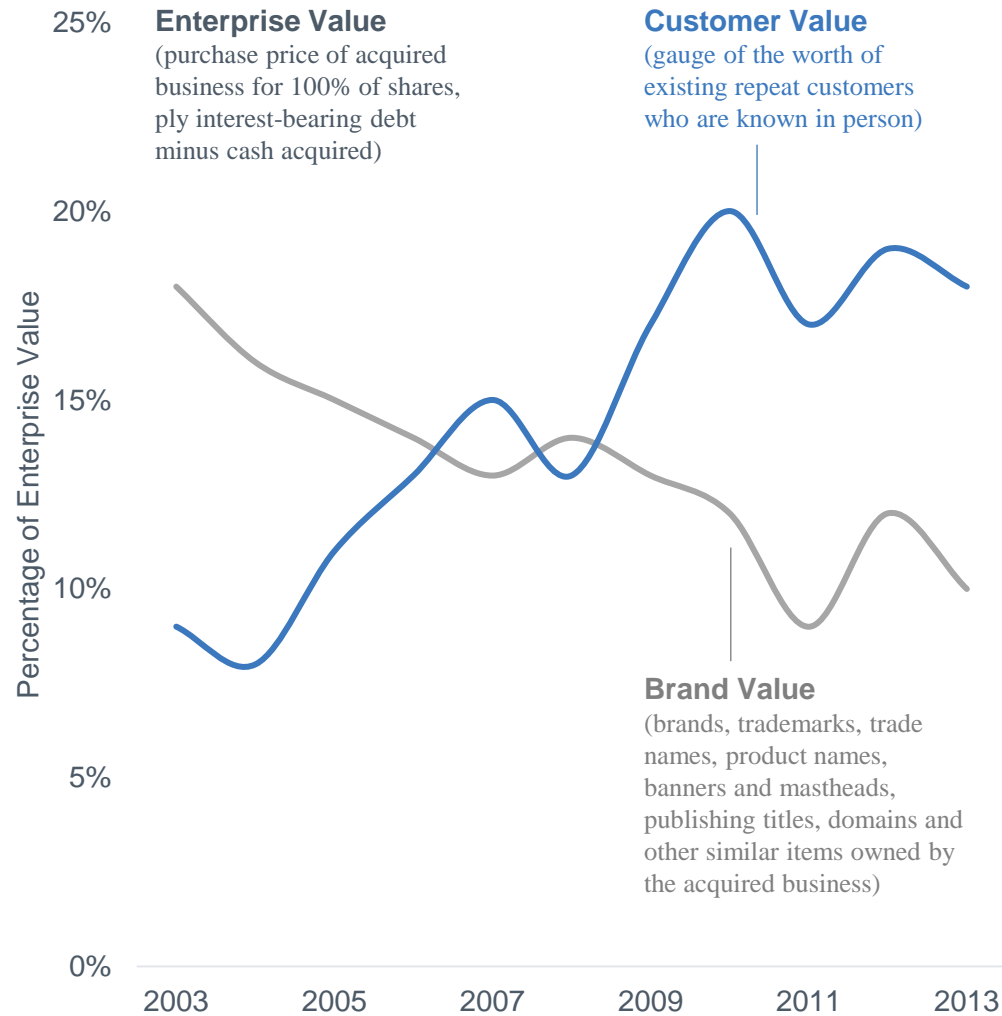


HALF OF ALL CONSTRUCTION CONCENTRATES IN DISTINCT REGIONS



THE RISING VALUE OF CUSTOMER RELATIONSHIPS

Major Intangible Asset Benchmarks Averages



Asset Class	Frequency (% of acquisitions)	Asset Value* (US\$ millions)	Asset Value* (% of enterprise value)	Asset-Specific Royalty Rate or Profit Margin* (% of revenues)	Useful Life* (year)
Customer relationships	77%	\$153	17.90%	10.70%	10.9
Trade names, brands	60%	125	12.50%	3.00%	30.0
Product technology	24%	218	15.70%	9.90%	10.2
Software	26%	48.5	14.80%	16.20%	6.0

*Figures are given for cases where the asset occurs, not on 100% of cases.

A DIFFERENCE OF OPINION

Believers: **80%** of firms believe they provide superior service



Achievers: **8%** of customers agree



Why should I choose you?

CONTRACTOR DIVERSIFICATION PATTERNS

Most Common/
Less Complex

Least Common/
More Complex



Expanded Construction Services/ Self-performed Trades	Engineering and Design Assistance	End-to-End Offerings	Adjacencies
<ul style="list-style-type: none"> • Sitework • Foundations • Concrete • Framing • MEP • Fabrication as a Service (FaaS) • Offsite/Modular 	<ul style="list-style-type: none"> • Programming • Design-assist • Consulting • Preconstruction as a service • Power supply and delivery 	<ul style="list-style-type: none"> • Development • Land acquisition • Equity participation (e.g., PPP) • Bond issuance/ Fund raising • Commissioning • Service & maintenance • Energy management • Facilities management 	<ul style="list-style-type: none"> • Banking • Insurance (e.g., brokerage, captive) • Construction materials • Equipment/ Equipment rental • Technology as a Service (TaaS)

Thank you



Jay Bowman, Partner & Managing Director of Research & Analytics

Jay Bowman is a partner and senior executive with FMI, the world’s oldest and largest provider of management consulting, investment banking, and research exclusively for the built environment. As Managing Director of Research & Analytics, he counsels domestic and international clients in the AEC industry on market-related strategies.

Among his many achievements, Jay successfully positioned FMI for expansion into Canada and South America. As part of FMI’s expansion into Canada, he stood up FMI’s permanent forecast for construction spending for Canada. Jay was also named one of the Top 50 Construction Influencers globally by Autodesk.

A highly regarded keynote speaker, Jay is frequently tapped to present at the nation’s largest industry conferences. He also co-authors the annual North America Markets Construction Overview, one of the most widely read overviews in the Canadian and US construction industries. Other published works include *Public Sector Work Will Lead Market in 2020*, *Industry Economists Say* (Engineering News Record); *Multifamily Boom: How Much Longer Can It Last?* (HPAC Engineering); and *GCs Rethink People, Products and Processes* (Engineering News Record).

Jay earned his Master of Business Administration degree with a concentration in Construction Management from East Carolina University (ECU) and his undergraduate degree from the University of Georgia (UGA) in risk management and insurance. While earning his degree at ECU, he worked and created some of his best memories building boats at Grady-White.

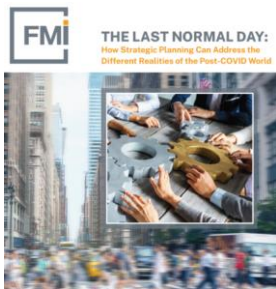
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Thought Leadership

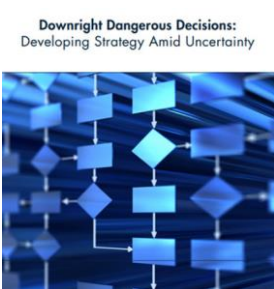
The Changing Game of Strategy



The Last Normal Day



Downright Dangerous Decisions



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