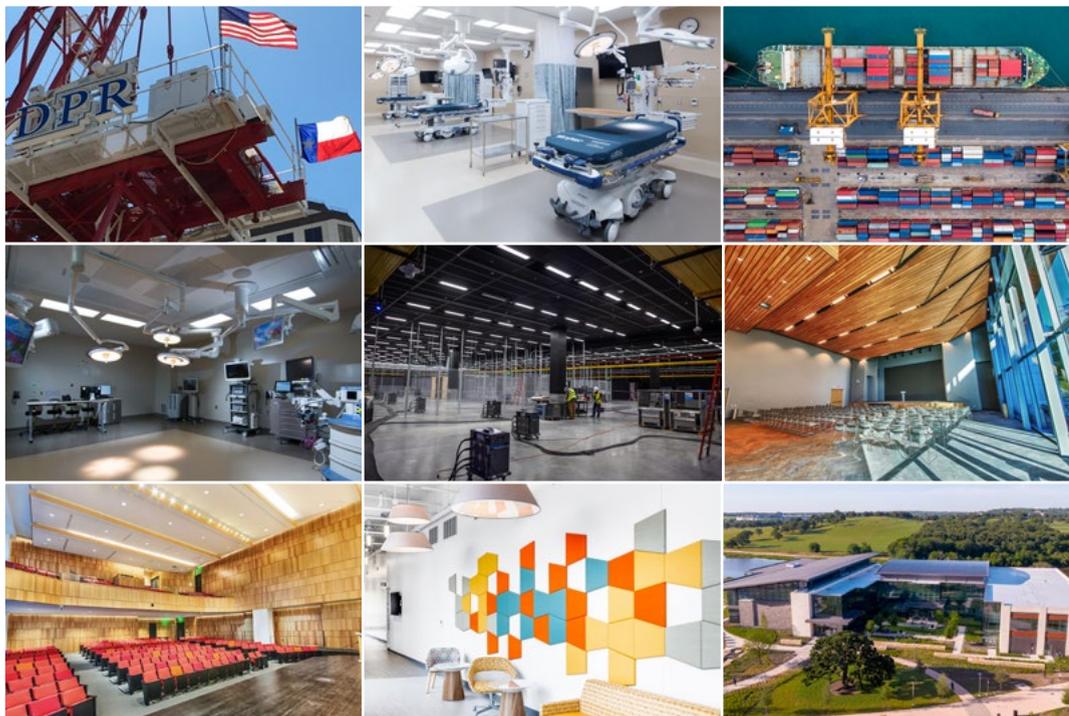


MARKET CONDITIONS REPORT

United States - Q3 / Q4 2021

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PREDICTABILITY IN AN UNPREDICTABLE WORLD

Supply chain management and mitigation can help us plan it right.



Nine months into 2021, it is apparent that building projects are continuing to start, but there are some clear challenges facing the industry in the need to move quickly and what the trades can support to maintain the pace. Across the U.S., supply chain challenges and labor force shortages are creating numerous impacts. We are proactively developing strategies to mitigate disruptions and manage to the plan.

As we push to be scientific in our approach to forecasting and procurement, it is important that project teams develop a solid approach and sense of allegiance to the project's target, while remaining focused on planning it right.

This quarter, we have taken a regional focus across the United States. It's interesting to look at the construction market through multiple lenses, and we hope that this serves as fodder for discussions and decisions on your upcoming projects.

Every project is unique. The world is in a continual state of flux. Great planning leads to predictable outcomes. And great planning takes teamwork and early strategic alignment.

We are an industry that relies on people to get the work done. Individuals are challenged physically, mentally and emotionally right now. Consider the whole person as we press forward at a rapid pace, and ensure that our jobsite culture acknowledges the demand placed on each worker on our sites. When we have clear plans to execute the work, we can reduce stress increase enjoyment. Building is fun...let's keep it that way.

We exist to build great things.

Ever Forward

Phil Bartkowski
Preconstruction Leader



NORTHWEST

MARKET OVERVIEW

The life science market continues to be strong in the Seattle and San Francisco Bay Area. Sacramento is experiencing growth in life science resulting from proximity to local universities and new developments. Healthcare remains solid across the region with a number of significant projects recently awarded and more anticipated in the near future. Healthcare providers should communicate with local qualified contractors to ensure that appropriate resources are being reserved for their upcoming projects. The advanced technology market remains active with data centers growing and expanding primarily in more remote locations. Traditional commercial projects remain stagnant, influenced by impending return to office which vary by organization and geography. However, we are experiencing more activity from commercial developers on the conversion of office buildings to accommodate life science functions.

CHALLENGES

Supply chain

Impacts are not limited to materials you may typically think to address; they now extend to items like roofing, fasteners, insulation, and foam. Customer's project scope changes can also be more challenging to accommodate in today's supply chain environment. In addition to volatility in the supply chain, there are heightened concerns about the quality of the materials arriving onsite (ex., lighting fixtures) due to the quick ramp up of production after the COVID shut down. We need to be diligent in our QA/QC process to ensure that products meet expectations and specifications.

Labor demands

With imminent vaccination requirements customers should be relying on contractors who can leverage their own workforce resulting in better control over critical path scopes of work.

SOLUTIONS

Early in design, we have been able to identify key elements that are critical to the project's success and do a detailed evaluation on the supply chain risks associated with each. On a recent fast-track, design-build project, DPR evaluated imported finishes and was able to substitute for others that were more economical and readily available.

ADVICE FOR OUR CUSTOMERS

Engage early: develop a strategy for early procurement

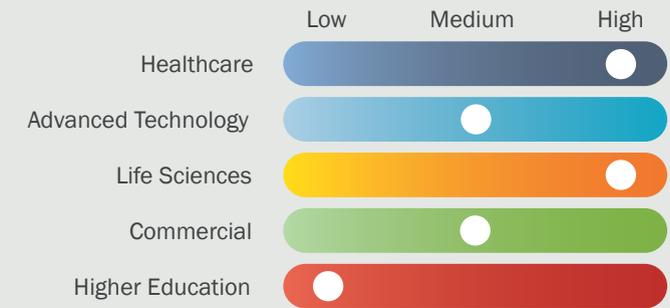
To successfully implement a disciplined plan, customers need to reevaluate how they will fund the project and engage a contractor when they still can impact the project in a meaningful way. Early engagement allows the team the opportunity to make strategic investments to secure materials in advance, mitigating future risk. This strategy also requires engagement of our design partners for upfront submittal review in advance of when it would typically occur. When you consider the overall operational cost of a building over 50 years, compared to the upfront capital expense of a construction project, the contractor's portion is relatively small, yet can have a major influence on the long-term expense of the building.

Have a contingency plan

If or when challenges arise with materials or equipment that does not arrive on time, it is important to have a plan in place. Have discussions with your local jurisdictions and see if they have roadblocks or challenges within their organizations. The key to staying on time and on budget is understanding your overall construction schedule and how it lines up with your design timelines and your procurement schedule. Those have to be aligned even more than years past due to the pandemic and manufacturing shortfalls.



CORE MARKET ACTIVITY



SOUTHWEST

MARKET OVERVIEW

There has been some significant movement in the advanced technology market in Arizona, drastically increasing the scope of advanced technology work in the Southwest. Life science work continues to thrive in the Southwest as a whole as the amount of life sciences focused venture capital flooding into the LA and San Diego counties continues to outpace previous years. Healthcare remains strong, primarily in LA. The San Diego and Arizona healthcare markets have softened as a large portion of new hospital projects have previously been awarded.

The higher education market has slowed significantly given the impacts of the pandemic and associated events of 2020. Similarly, the commercial market has yet to rebound from 2020 as clients continue to re-evaluate their office space needs with ever-evolving work-from-home policies.

CHALLENGES

Escalation

Escalation continues to be a challenge as commodities are on the rise at an unprecedented rate. Constant attention must be paid to procurement schedules as supply chain challenges are in permanent flux.

Labor shortages

The large quantity of projects pent up in 2020 are now flooding the market and putting pressure on the supply chain as well as the subcontractor community. Combined with vaccination mandates by several customers, labor shortages are compounding pressure on an already stressed market.

SOLUTIONS

Proper planning and communication

Persistence pays off. Now, more than ever, proper planning and constant communication are critical to the success of our projects. Given the volatility of the supply chain and subcontracting community, regular touch points to maintain a pulse on procurement status is a crucial key to success.

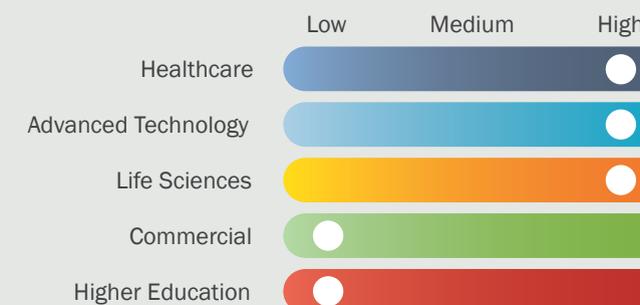
ADVICE FOR OUR CUSTOMERS

Confidence in your decisions

Timely decision making by our owners has historically been one of the most important components to make or break a project. This remains true; however, indecisiveness can now cripple a project schedule and ruin a project budget due to the myriad of challenges facing our industry. Pick a trusted partner to help you plan a path and stay on it.



CORE MARKET ACTIVITY



CENTRAL

MARKET OVERVIEW

The commercial market continues to be active. Residential and stand-alone office demand is still very strong, but there are more mixed-use projects that have hospitality and residential combined with office space. We have also seen considerable growth in the life sciences market both in Austin and Houston. As the Austin population increases, healthcare demands will continue along with it. Advanced Technology seems to be an area of moderate growth, with a few large-scale projects in the area that include commercial office and life sciences components.

In Dallas-Fort Worth, there is high client interest for office buildings, but few actual starts for this type of work, likely due to the inflated cost of materials, which lead to higher budgets that affect proformas. There is also a large amount of already available office space and new buildings under construction. Healthcare's focus is on revenue generating projects like OR expansions, additions, and space reconfigurations.

CHALLENGES

Supply chain

Once projects are awarded and materials are ordered, contractors are getting hit with last minute schedule changes and expedition fees. Due to a few mega projects in the area, there has been a strain on skilled labor as well.

Escalation

Escalation of materials has impacted projects. Specifically, exterior metal studs have been steadily increasing in cost in addition to delivery dates pushing out. As of August 2021, the current delivery date of exterior metal studs is 22-24 weeks. The cost and availability of most roofing relating products has also been increasing in cost, in addition to delivery

dates pushing out. Firm roofing pricing from subcontractors is challenging, with roofing subcontractors suggesting that we include an approximate 5% of total quoted amount for potential material escalation.

Competitive subcontractors

Subcontractors are extremely busy bidding work and have started to NOT bid work unless the project is being awarded, or it is a strategic bid for them. Labor has remained flat; however, the material escalation and supply chain disruptions have driven up pricing on many scopes.

SOLUTIONS

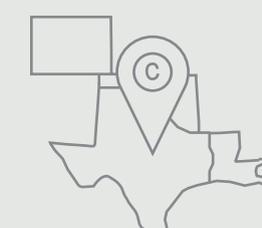
Proactive mitigation

We have aligned with our clients around the use of supply chain impact allowances to effectively be able to navigate these issues as they arise. We always try to identify long lead items and items that may have price volatility, but now we must engage trade partners sooner and double down on this effort. We suggest early purchase dates to meet schedule, investigating available alternate materials, and adding more procurement detail to construction schedules.

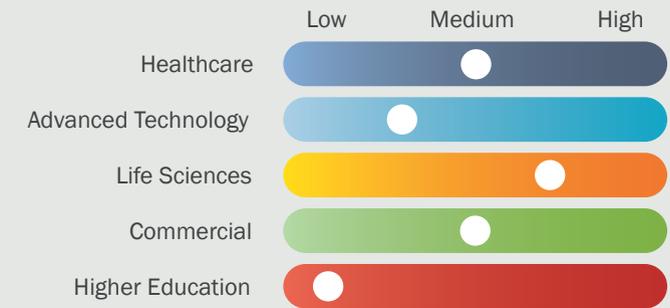
ADVICE FOR OUR CUSTOMERS

Communication is key

There should be constant communication with customers about market risks. We are attempting to identify risk early, communicate with the trades and providing adequate budgets to protect us and the owner from unexpended increases. We are also asking for more early release items/packages to meet schedule demands. Talk with the design teams on options to keep the project moving forward. We can use data from our trade partners to have transparent conversations with customers so they know what to expect.



CORE MARKET ACTIVITY



SOUTHEAST

MARKET OVERVIEW

Metro areas across the Southeast continue to attract Fortune 500 and other companies relocating or expanding their corporate presence, especially in Florida and Nashville. Reasons include favorable business climate, affordable cost of living, and desirable talent pools.

Healthcare providers continue to assess the effects of the pandemic on facility needs. This ongoing evaluation injects short term volatility into healthcare facility infrastructure planning and investment across the Southeast. A steady pipeline of activity specific to biopharmaceutical manufacturing and R&D labs remains centered around Raleigh-Durham.

CHALLENGES

Escalation

Most trades are impacted by escalation thus creating opportunities for us to find creative solutions to mitigate the increases. We have seen significant struggles with escalation and lead time delays in structural steel and metal studs. We've seen issues where steel stud and roofing manufacturers will not guarantee their pricing until the material is delivered—coupled with lead times that don't allow them to deliver until a three-to-six-month timeframe—limiting control over pricing increases. We are communicating clearly with our customers identifying known escalation risks as well as probable escalation risks. We've addressed these risks in multiple ways, from actual pricing to owner allowances to construction contingencies.

SOLUTIONS

Expediting package release and buy-out

We work to help our customers understand that when a contractor submits a GMP or bid to an owner, the contractor has likely had the subcontractors' numbers for at least a week. Given that the majority of the major trades' bids are only good for fourteen days at best in the current market conditions, we really have to work together and quickly to release the work before pricing expires. Contractors need help expediting review and release of these packages to manage risk for continually escalating pricing. We are having to stay even more diligent with collaboration between our owners and trade partners to handle escalation between submission of proposals and formal release of the work.

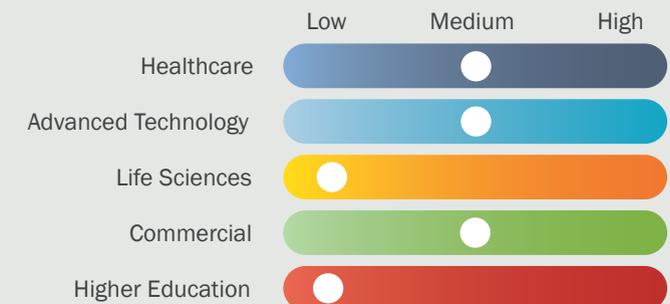
ADVICE FOR OUR CUSTOMERS

De-conflicting information and teamwork

When working with multiple contractors, it's not unusual to receive different information from each. When it comes to lead times—especially on decking and joists—steel subcontractors with the best relationships are getting preferential treatment regarding both cost and time. It's important to work with an experienced contractor with deep knowledge and established relationships who can be your trusted advisor. It is very important to strategize together on how to best tackle any real or potential escalation risks on a detailed scope by scope basis.



CORE MARKET ACTIVITY



NORTHEAST

MARKET OVERVIEW

Advanced technology, specifically mission critical, continues to be a very strong market in the Northeast. New Jersey advanced technology has slowed but continues to have a steady pipeline of work. The market continues to expand the hyperscale space with some colocation. Life sciences across the Northeast is continuing to grow, specifically Boston, New Jersey, and Maryland.

In addition to the life sciences manufacturers, we are also seeing a steep increase in developers moving away from commercial space and towards lab/office repositioning and ground-up builds, not only for speculative R&D lab space but also speculative cGMP space. There continues to be a steady stream of all size healthcare projects across the Northeast. Tenant fit-outs continue to occur; however, at a slower pace. Developers with capital are using this time to upgrade existing facilities and are being more selective with large commercial ground-up or repositioning projects.

CHALLENGES

Due diligence

The last eight months in the Northeast has been a mixture of good backlog and long burn projects in preconstruction mixed with quick hitting, hard bid projects. Trade partners for larger projects are being more selective about what they will pursue because they are busy, requiring more due diligence on the right trade partners for each project.

The Northeast has also seen a more drastic impact to supply chain and commodity pricing compared to the eight months prior. Steel, copper, and insulation all continue to be a very significant challenge with demanding lead times and costs to meet owner schedules and budgets.

Labor shortages

Labor shortages continue to be a challenge across all markets. The eastern and western MA markets are extremely hot, resulting not only in labor shortages but also in extremely high wages and escalation (not all supply chain driven). Owner required vaccines could lead to further shortages regarding availability of labor.

SOLUTIONS

Early procurement = speed to market

Splitting out scopes of the work to release packages and trade partners before the project is completely designed allows for quicker project starts and relieves some of the supply chain challenges. For example, on a recent 375,000-sq. ft. ground-up cell therapy facility, where speed to market was critical, DPR separated procurement of the ground-up core and shell from the fit-out, allowing us to bring certain scopes on board early without finalizing the fit-out components. Mass excavation of the site began prior to knowing the final foundation or building design, but, by being aggressive with the early start, we were able to improve speed to market.

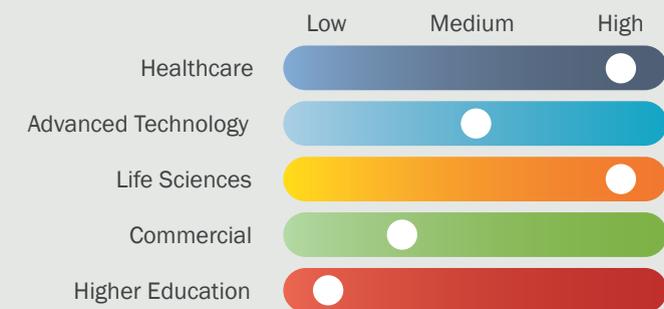
ADVICE FOR OUR CUSTOMERS

Timing is everything

Owners need to be in lockstep with contractors on procurement plans. Engage your contractor partners well in advance of the design being complete (ideally at concept for large, technical projects). Providing escalation allowances for both cost and schedule allows contractors to be aggressive in their approach during procurement and mitigates future risks during early preconstruction efforts. Early contractor onboarding also helps to flag lead time issues that might delay a project and allow enough time to work with the design team to make alternate design decisions and keep the project on schedule and on budget.



CORE MARKET ACTIVITY





Industry **OVERVIEW**

INDUSTRY OVERVIEW

Throughout 2021 we have seen the construction industry rebound after a challenging year, affected primarily by the pandemic and shutdowns. Certain projects types are thriving more than others (data centers, R&D facilities), but **there has been a general rise in activity and projects that are now competing for resources, both from a material and labor supply perspective.** It's an exciting time to be a builder as we continue to see capital investments into the markets we serve.

Construction related spending

Construction spending, specifically in the private sector, has seen a steady pace of growth after the drastic drop in January 2020. This year alone, the building industry has continued to tick upwards month after month in terms of new project starts. Projects that were delayed from 2020 to this year are starting, and, relative to 2020, we are beginning to see some of the benefits of investments that had previously been delayed.

Billings

One of the forward-looking indicators that the industry tracks is the Architecture Billing Index (ABI) published by the American Institute of Architects (AIA). This index looks at what is in the design phase right now and what the design community is projecting in terms of billings and initiated contracts.

Looking forward, all indications seem positive. Anything over a 50.0 on the ABI is a sign of positive growth, and **design contracts are hovering around 58, with billings around 54.** For perspective, in July of 2020 the ABI for architectural billings was around 43, and the index didn't tick over the 50

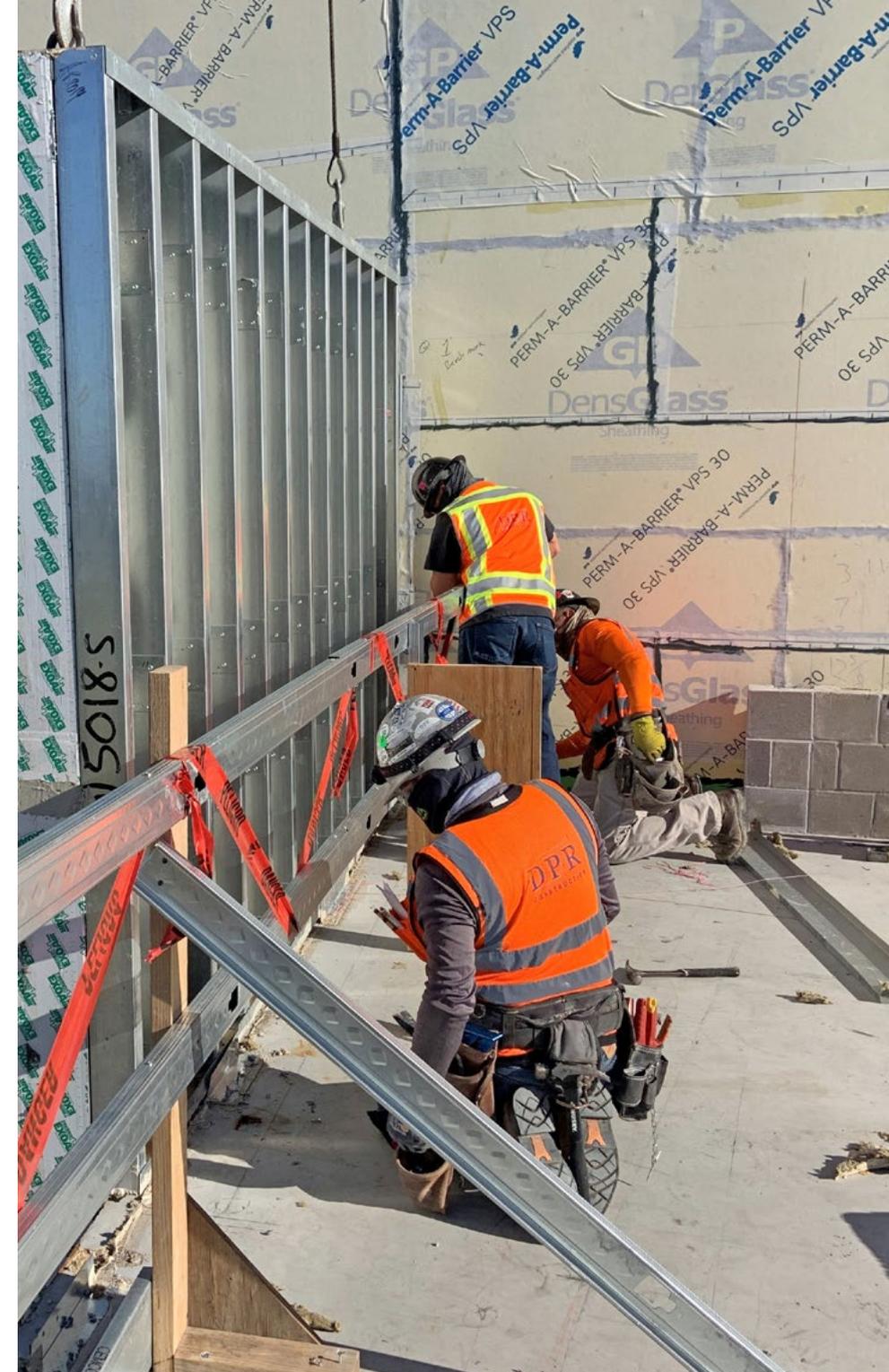
mark until Q1 2021. There was definitely a Q1 and Q2 spike in activity, and since then, it's tapered back to a moderate positive market at this point.

Labor markets: jobs and opportunities

The construction industry is continuing to struggle to meet the labor demands for an active market. **The market is creating more jobs, and needs are high, which creates competition for companies, both for skilled trade labor and construction management professionals.**

The issue is not finding projects for the labor-force; the challenge is finding the labor-force for the projects. This is not a new challenge though. There are nearly 300,000 job openings across the construction industry right now, and there is a lack of new prospects coming into the construction trades to fill those positions. **DPR, like other industry partners, is focused on developing that next generation of builders.** To keep up with the pace of the market, we must encourage the younger generation and recruit more effectively for those leaving other industries to see construction as an attractive career future.

National construction unemployment hit an 8-year high in 2020, around 8%. Thus far in 2021, we've seen that come down across the industry, hovering around 6% now. Jobs are out there for construction related careers; we have more positions available. Unemployment is not due to lack of opportunity in this situation. This can be a very local/regional discussion, but broadly, the industry needs to double down on recruiting new talent to fuel the engine of building across the trades.



“Holding” pricing

One of the things that we are hearing more regularly is the lack of willingness or ability to ‘lock in’ pricing. With the volatile dynamics of supply chain and the magnitude (size and quantity) of opportunities, there is stress on the trades. **Right now, we are seeing a lot of subcontractors stipulating a very short duration to hold their bid.**

There is heightened awareness to release subcontractors at an enhanced pace. This is important for the team to know when they are planning the purchase of materials and labor for the project. Teams need to work faster than ever to lock in on pricing and ensure that we can stay on track, both from a schedule and price perspective.

Developing a plan that helps us protect our subcontractor partners and maintains pace on the project is always important. We are working to streamline the process and ensure that we can get the scope of work bought for the right price at the right time.





Supply Chain **MANAGEMENT**

SUPPLY CHAIN MANAGEMENT

Being shrewd about the material supply chain is more than just buying in bulk, and it's more than controlling costs. In fact, the first objective in managing the supply chain is to reduce disruptions, as low cost is of little benefit when materials show up late and delay a project.

While disruptions in the already complex global network aren't new, they are increasing, and have been further exacerbated by the COVID-19 pandemic. Averaging across industries, companies can now expect supply chain disruptions lasting a month or longer to occur every 3.7 years and can expect to lose half a year's profits over the course of a decade, according to McKinsey.

To help our teams stay on top of the changing climate and help our customers make smarter, data-driven decisions, we track historical costs for materials across major trades over a 12-month timeline. Additionally, for certain trades that have significant impacts to projects, we are forecasting 12 months of future impacts for material pricing and lead times.

Past data reflects the movement of PPI indices, as provided by the U.S. Bureau of Labor and Statistics and is captured and updated monthly.

Future forecast data is gathered through DPR's Supplier Relationship Management Program in coordination with leading industry manufacturers and suppliers.

Forecasted data is captured and modeled quarterly as an average of several surveys to multiple suppliers within the trade.



One Arrow = Small Change
Two Arrows = Medium Change
Three Arrows = Large Change



3 Month & 12 Month % Change (Cumulative)						
Group	Grouping	Last 12 Month Change	Last 3 Month Change	Latest Data Date from BLS	Dec. 2021 Fcst	Sept. 2022 Fcst
Materials	Aluminum	↑ 35.7%	↑ 8.6%	2021-08	↑	↑↑
	Asphalt	↑ 0.5%	↑ 1.8%	2021-08		
	Commercial and Institutional Type Electric Lighting Fixture, including Parts and Accessories	↑ 7.4%	↑ 2.5%	2021-08	↑	↑↑↑
	Concrete	↑ 5.0%	↑ 2.7%	2021-08		
	Construction Machinery	↑ 4.3%	↑ 1.8%	2021-08	↑	↑↑
	Copper Wire	↑ 31.4%	↑ 2.2%	2021-08	↑↑	↑↑↑
	Elevators, Escalators, and other lifts	↑ 3.9%	↑ 1.2%	2021-08	↑	↑↑
	Glass	↑ 12.5%	↑ 6.7%	2021-08	↑↑	↑↑↑
	Gypsum	↑ 22.9%	↑ 6.5%	2021-08	↑	↑↑
	HVAC and Commercial Refrigeration	↑ 8.0%	↑ 3.4%	2021-08	↑↑	↑↑
	Insulation	↑ 16.6%	↑ 7.1%	2021-08	↑↑	↑↑↑
	Lumber & Plywood	↑ 15.9%	↓ -29.6%	2021-08	↑↑	↑↑
	Paint & Coating	↑ 10.4%	↑ 5.7%	2021-08	↑	↑↑
	Plumbing	↑ 4.2%	↑ 1.5%	2021-08	↑↑↑	↑↑↑
	Rebar	↑ 50.4%	↑ 15.9%	2021-08	↑	↑↑↑
	Steel Beams	↑ 49.1%	↑ 12.4%	2021-08	↓	↑↑
Steel Decking	↑ 122.5%	↑ 25.3%	2021-08	↓	↑↑	
Steel Joist	↑ 50.4%	↑ 15.9%	2021-08	↓	↑↑	
Steel Piping & Tube	↑ 73.5%	↑ 25.3%	2021-08			
Steel Studs	↑ 122.5%	↑ 25.3%	2021-08	↑	↑↑↑	
Switchgear, Switchboard, and industrial controls equipment	↑ 5.5%	↑ 2.3%	2021-08	↑	↑↑	
Energy & Freight	Crude Oil	↑ 60.5%	↑ 1.2%	2021-09		
	Electricity	↑ 5.1%	↑ 2.9%	2021-08		
	Freight	↑ 20.6%	↓ -0.7%	2021-08	↑↑↑	↑↑↑

Crude Oil index value is based on the value listed for the first of every month. ****Future Projections are an aggregated dataset of manufacturer/distributor predictions and is not a guarantee of future outcomes****

One Arrow = Small Change
Two Arrows = Medium Change
Three Arrows = Large Change



Forecast Lead Times (Cumulative)							
Group	Grouping	Last 3 Month Change	Sept. 2021 Actual	Dec. 2021 Fcst	Mar. 2022 Fcst	Jun. 2022 Fcst	Sept. 2022 Fcst
Materials	Aluminum	↓ -29.6%	9 - 11 Wks	→	↑	↑	↑
	Asphalt						
	Commercial and Institutional Type Electric Lighting Fixture, including Parts and Accessories	↑ 95.0%	12 - 14 Wks	→	→	→	→
	Concrete						
	Construction Machinery	↑ 26.4%	30 - 32 Wks	→	→	→	→
	Copper Wire	↑ 35.5%	10 - 12 Wks	→	→	→	→
	Elevators, Escalators, and other lifts	↑ 11.7%	17 - 19 Wks	↑	↑↑	↑↑	↑↑
	Glass	↑ 106.3%	14 - 16 Wks	↑↑	↑↑	↑↑	↑↑
	Gypsum	↓ -30.1%	0 - 2 Wks	→	→	→	→
	HVAC and Commercial Refrigeration	↑ 42.4%	13 - 15 Wks	↑↑	↑↑↑	↑↑↑	↑↑↑
	Insulation		34 - 36 Wks	→	→	↓	↓
	Lumber & Plywood		5 - 7 Wks	↑	↑	↓	↓
	Paint & Coating	↓ -56.3%	6 - 8 Wks	↑	↑	↑	↑
	Plumbing	↑ 228.2%	21 - 23 Wks	→	→	→	→
	Rebar	↓ -33.3%	8 - 10 Wks	→	→	↓	↓
	Steel Beams	↑ 394.1%	41 - 43 Wks	→	→	↓	↓
Steel Decking		41 - 43 Wks	→	→	↓	↓	
Steel Joist		41 - 43 Wks	→	→	↓	↓	
Steel Piping & Tube							
Steel Studs	↑ 14.3%	7 - 9 Wks	→	→	↓	↓	
Switchgear, Switchboard, and Industrial controls equipment	↑ 16.6%	21 - 23 Wks	↑	↑	↑↑	↑↑	
Energy & Freight	Crude Oil						
	Electricity						
	Freight		0 - 2 Wks	↑	↑	↑	↑

Red represents an increase denoted by 1 arrow, 2 arrows, or 3 arrows.
Green represents a decrease denoted by 1 arrow, 2 arrows, or 3 arrows.

SUPPLY CHAIN MANAGEMENT

As Chinese and U.S. consumption of products remains strong, pricing and lead times continue to rise. World events and other challenges continue to test the material supply chain, which have added another level of complexity to the solutions required.

The rapid recovery in semiconductor demand, which will remain through 2022 with lead times in excess of 6 months, is impacting anything requiring computer chips. Other examples include:

- The largest copper mine in the world (in Chile) threatened by closure due to environmental impact
- A likely reduction in availability of synthetic gypsum in the eastern U.S. due to coal fired plant output reduction
- A coup in Guinea causing concern over availability of bauxite (for aluminum production) leading to higher prices (Guinea is the world's second-biggest producer of raw materials for aluminum)
- A continuation of high steel demand with some stockpiling causing price and lead time issues
- Shortages of resins (like PVC) resulting from the winter storm in the South and exacerbated by the recent storms in the South/Southeast

Logistics import surges and one way container shipping are straining storage space and availability of containers, leading to historic container price spikes and causing bidding wars (prices for moving containers across from Asia to U.S. are up to 7x what they were pre-Covid, and many believe it will continue to rise rapidly). Rail congestion and loss of truck drivers has further complicated this situation.

DPR is working to offset these issues, and has recently added experts in logistics and sourcing to help us navigate these challenges. For example, to ease lead time and longer term pricing challenges, we are helping our teams aggregate insulation, steel, and related delayed items to proactively plan directly with manufacturers.

Engineering News Record 20-City Average Material Prices						
Material Description	Aug 2020		Aug 2021		\$ Difference	% Change
Portland Cement						
Type 1	\$148.52	ton	\$150.48	ton	\$1.96	1.30%
Ready-Mix Concrete						
3000 psi	\$121.63	cy	\$130.37	cy	\$8.74	6.70%
4000 psi	\$140.68	cy	\$143.66	cy	\$2.98	2.07%
5000 psi	\$193.29	cy	\$182.94	cy	\$(10.35)	-5.66%
Concrete Block						
Normal Weight: 8" x 8" x 16"	\$147.03	c	\$170.34	c	\$23.31	13.68%
Light Weight: 8 x 8 x 16	\$171.87	c	\$161.84	c	\$(10.03)	-6.20%
12" x 8" x 16"	\$182.79	c	\$182.94	c	\$0.15	0.08%
Copper Water Tubing						
Type L - 1/2"	\$1.64	lf	\$1.97	lf	\$0.33	16.75%
Type L - 1 1/2"	\$7.06	lf	\$7.99	lf	\$0.93	11.64%
Lumber						
2" x 6" Common S4S (Pine)	\$689.77	mbf	\$1,284.58	mbf	\$594.81	46.30%
2" x 6" Common S4S	\$671.95	mbf	\$1,331.20	mbf	\$659.25	49.52%
2" x 8" Common S4S	\$699.25	mbf	\$1,169.73	mbf	\$470.48	40.22%
2" x 10" Common S4S	\$783.55	mbf	\$1,229.99	mbf	\$446.44	36.30%
5/8" CDX Plywood	\$708.07	msf	\$1,320.67	msf	\$612.60	46.39%
3/4" Plyform	\$1,046.10	msf	\$1,541.30	msf	\$495.20	32.13%
Gypsum Board (Regular)						
1/2" Gypsum Board	\$296.11	msf	\$336.11	msf	\$40.00	11.90%
Aluminum Sheet						
3003H14, 36" x 96" Sheet	\$233.40	cwt	\$258.74	cwt	\$25.34	9.79%

SIGNIFICANT SUPPLIER NOTICES FROM THE LAST 3 MONTHS: IMPACTS TO MATERIALS

DFH (doors, frames and hardware)

38-45% ↑

- **CAUSE:** Higher than expected demand and material volatility, shortage of steel availability
- **ACTION:** Switch to solid wood door where possible and lock-in and procure early

Insulation (mineral wool, fiberglass, foam)

10-15% ↑ / 32+ weeks lead time

- **CAUSE:** No material price "lock-in" options
- **CAUSE:** Shortage of Polyisocyanurate coupled with competing raw material demand from roofing systems
- **ACTION:** Early procurement & commitment

Lockers & miscellaneous Division 10 products and building accessories

46% ↑

- **CAUSE:** Volatility in metal pricing and increasing demand
- **ACTION:** Early procurement & commitment

Steel & Copper

6-15% ↑

- **CAUSE:** Volatility in metal pricing and increasing demand
- **ACTION:** Early procurement & commitment

Logistics

6-10% ↑

- **CAUSE:** Increase in demand couple with Q4 holiday preparation
- **ACTION:** Consider partnering with 3PLs for early delivery of materials which enables early procurement

DPR MITIGATION STRATEGIES



Sourcing

Recognizing the need to mitigate sourcing issues, DPR is working on agreements with key suppliers that **allow us to leverage larger purchase order volumes in exchange for better pricing, control over lead times, and dedicated attention to customer service, which will ultimately improve our performance at the jobsite.** For example, aggregating recent orders with a top 5 global electrical supplier have improved lead times and pricing compared to fragmented purchases.



Logistics

SurePods, DPR's strategic partner for manufacturing bathroom pods, had a large influx of work which was affected by long lead material times, necessitating a need for rapid buyout of materials to prevent production delays. This buyout created a large influx of materials which required additional off-site and supplemental storage. Within 3 weeks of firming the requirement, 24 40-foot shipping containers were delivered to SurePods and we secured a 3PL warehouse contract to support space for 2,000 standard pallets of materials, including online inventory management, and transportation services. **This abated 40% of typical container purchase costs and prevented potential production delays.**



Quality

DPR's quality team performs thorough due diligence on manufacturers to confirm supplier quality and ensure compliance. On a recent project, the selected non-U.S. manufacturer for photo voltaic products was delayed at customs as a result of using forced labor to manufacture its equipment. DPR became aware of a supplier quality issue and, with our deep relationships and knowledge, was able to quickly research and assess 6 other manufacturers and their projects. This research led to identification of 2 manufacturers that are qualified and interested in providing products for the project.



Supplier Relationship Management

Due to recent lead time and availability issues for steel, we surveyed project teams to understand current needs and potential projects at risk. As a result of the survey, **we obtained commitment from 3 manufacturers to support the material needs of 13 projects.**



Additional **RESOURCE MATERIALS**



Information in this report is compiled from third-party reporting that is available to the public. It is not owned by DPR Construction.



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- United States Census Bureau
- U.S. Department of Labor
- U.S. Energy Information Administration
- U.S. Chamber of Commerce
- U.S. Bureau of Labor Statistics
- Engineering News Record
- American Institute of Architects
- Cumming Corporation