



# Q1 2023

Market  
Conditions  
Report



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A look forward



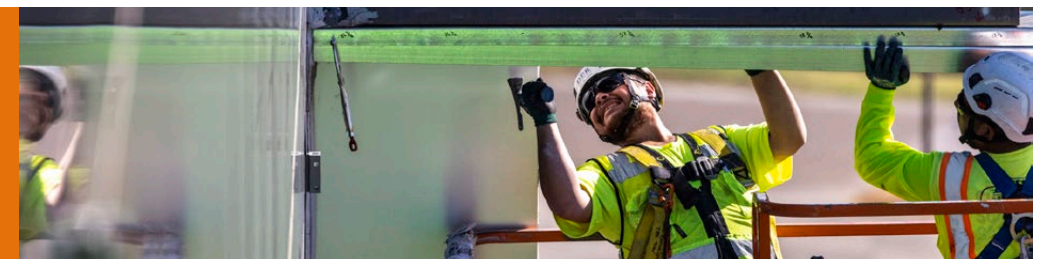
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On the cover: MGAC Heritage Foundation 214 Expansion Project, Washington, DC



# INDUSTRY INSIGHTS

A Look Forward

Photo courtesy of Chip Allen

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# Industry Insights

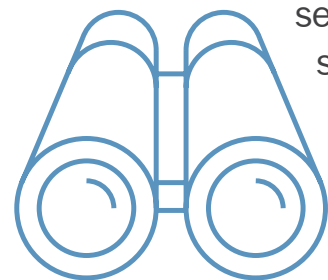
## Recession or Retraction?

Although news outlets and headlines forecast an economic downturn in 2023, the upcoming year could see some scaling back in construction, but we aren't going to be facing a widespread market contraction. The number and scale of construction projects starting in 2022 and general industry optimism is a good indication of what is to come for 2023.

We've been riding a hot market wave over the last few years in several core markets; therefore it shouldn't be too much a surprise this year to see some mild pacing of the market, but holistically, we are not seeing another significant recession for the building industry on the immediate horizon.

Even though some of the indicators— like changes in the housing market— appear to be similar to the years leading up to other recessions, we are not seeing a drastic drop in the market currently. Consumer spending is still at some historic highs and is not showing significant signs of retraction.

The U.S. economy is a tough thing to upend. Long-term forecast looking 5-10 years out may have a deeper risk of significant scaling back versus the immediate future.





## Labor Force

While the construction industry has been recruiting and hiring at a significant rate, and continues to provide great sustainable work for people at competitive pay rates, the need for workers is still high. The Bureau of Labor Statistics cites over 300,000 open construction jobs.

The industry has focused energy into growing typically underrepresented groups in construction. Construction Dive [reported](#) that 14% of the workforce is made up of women now. That's the highest percentage since tracking began, yet there is still work to be done.

Diversification of the workforce is one component to look at. Pay is another factor to consider when recruiting beyond typical borders. Certain tradespeople can earn double what other entry level minimum wage positions might offer. College degrees are not required to build these valuable skills of carpentry, iron-working and other specialized trades. Job-site training and trade apprenticeship programs can get people earning more, quicker, than other administrative, retail or hospitality type of roles.

According to [“The 10 Highest-Paying Trade Jobs” list](#) from Accredited Schools Online, of the five construction related positions in the Top 10, Construction Managers lead at #1. Since 1999, trade school enrollment has nearly doubled, and this could largely reflect the demand of skilled technical craftspeople. Trade schools get people working and earning faster than a four-year degree, and they are typically a quarter to a third of the cost of traditional universities.

14%

**of the construction workforce is now women, according to a report by Construction Dive**

Secretary of Commerce, Gina Raimondo, at the North American Building Trades Union 2022 conference stated, “Right now, there are about one million women working in the construction industry. I’m here to tell you that together we are going to double that over the next decade to create opportunity for another million women.”

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## Cost Index Overview

Over the last year, [Engineering News Record](#) has tracked a 4.9% inflation in their Construction Cost Index (CCI) and a 8.4% increase in their Building Cost Index (BCI). Where CCI is a little heavier on the common/general labor component of construction, BCI is a more ground-up structure indicator as it focused more on skilled tradespeople such as carpenters and ironworkers.

### CONSTRUCTION COST INDEX

Annual  
Inflation Rate **+4.9%**

### BUILDING COST INDEX

Annual  
Inflation Rate **+8.4%**

Both CCI and BCI are likely to increase further moving into 2023, per ENR's projections.

As DPR has mentioned in past publications, these indexes are good guideposts, but the true forecast of escalated construction cost must be looked at on a project-by-project basis. Different buildings in different locations will be affected differently, but all signs point toward a generally more expensive building cost in 2023 over 2022. However, the spikes of inflation over the last few years seem to be tapering and becoming a little more regulated and a little less dramatic.





# MANAGED SUPPLY CHAIN

Impacts, material prices, mitigation strategies



*Photo courtesy of Chip Allen*



# In This Section

## Supply Chain



## Material Prices



## Impacts & Mitigation



# Supply Chain



**Tim Jed**  
DPR Supply Chain Leader

## A Road to Recovery

As 2022 came to a close, we were encouraged to see improvements in the construction supply chain. Like others, we've been challenged by delays, shortages, and increased costs, but we are starting to see impacts ease and are optimistic that our supply chain, while not fixed, is improving. As the supply chain returns to a more normal state, it may not look exactly like it did pre-COVID, and it will require time to see it rebound completely.

Even as the supply chain recovery continues, there is increasing buzz of a possible recession, despite the positive signs within our industry that are typically indicators of strength. Architectural billings for design work have remained above average through most of the year, dipping only recently.<sup>1</sup> Construction employment is up 3.3% YOY and construction unemployment has shrunk 393,000 over past year, from 4.7% to 3.9%, tying 2018 as the all-time lowest for November. Average hourly earnings are up 6.1% YOY to \$32.94 for craft and office nonsupervisory,<sup>2</sup> and labor is in demand and tight (and a continuing point of concern for contractors). Additionally, inflation seems to be easing (the consumer price index, a measure of inflation, showed a 7.1% YOY increase for November, compared to 7.7% in October, according to the US Labor Department<sup>3</sup>).

# 3.3%

**Construction employment is up 3.3% YOY**

# 6.1%

**Average hourly earnings are up 6.1% YOY**

<sup>1</sup> <https://www.aia.org/resources/10046-architecture-billings-index-abi>  
<sup>2</sup> AGC Data Digest Vol. 22, No. 40, December 2-6, 2022 (Ken Simonson)  
<sup>3</sup> <https://www.barrons.com/news/us-inflation-slows-in-november-in-smallest-spike-in-year-01670942409>



## The Material Landscape

CBRE's Industrial Occupier Survey reported that 81% of third-party logistics providers plan to expand their footprint over next three years,<sup>4</sup> presumably to make room for additional inventory. Even the long lasting COVID-related lockdowns in China have caused world markets to adapt through shifting their manufacturer base to other APAC countries.<sup>5</sup>

Homebuilders' sales models have been seeing less customer traffic.<sup>6</sup> As homebuilding is impacted by the recent increase in interest rates, sales could slow until rates flatten. In more normal times, a slowing homebuilding market could be an early signal that a commercial real estate slowdown is coming, but demand for infrastructure, manufacturing, and electric utility construction is expected to be strong for several years, much of it driven by federal and state legislation.<sup>7</sup>

GCs' bid prices have trailed cost increases, squeezing contractors between late 2020 through mid-2022.<sup>8</sup> Transformers,<sup>9</sup> generators, some mechanical equipment, and semiconductors continue to have lead time issues with continued price increases.

Electrical manufacturers and distributors have told us there is currently a \$1.5 billion order backlog of switchgear, and we will see shortages in metal sockets and bus plugs due to high demand caused by infrastructure projects and semiconductor lead times. But help is on the way, as many chip providers are working to expand production in the US, and Taiwanese chipmaker TSMC, the world's largest semiconductor foundry, said it would more than triple its planned investment at its new Arizona plant to \$40 billion.<sup>10</sup> It's scheduled to open in 2024 and should help ease long lead times for items requiring semiconductors.

The recent attacks on infrastructure, like electrical substations in North Carolina<sup>11</sup> and the Pacific Northwest,<sup>12</sup> and internationally at the Nord Stream gas pipeline that delivers gas from Russia to Europe,<sup>13</sup> impact both consumers and manufacturers by interrupting critical energy sources and adding additional demand for products to the supply chain.

4 AGC Data Digest Vol. 22, No. 40, December 2-6, 2022 (Ken Simonson)  
5 <https://www.cnbc.com/2022/10/20/china-factory-of-the-world-is-losing-its-manufacturing-dominance.html>  
6 <https://wolfstreet.com/2022/10/18/housing-bubble-woes-plunge-in-buyer-traffic-homebuilder-confidence-a-lot-faster-than-during-housing-bust-1/>  
7 AGC Construction Outlook: Recession or Resurgence, December 2022 (Ken Simonson)  
8 AGC Construction Inflation Alert, December 2022 (Ken Simonson)  
9 <https://www.powertransformernews.com/2022/11/21/cpm-complains-about-shortage-of-transformers-in-usa/>  
10 <https://www.reuters.com/technology/biden-visit-taiwans-tsmc-chip-plant-arizona-hail-supply-chain-fixes-2022-12-06/>  
11 <https://www.cnn.com/2022/12/08/us/power-outage-moore-county-investigation-thursday/index.html>  
12 <https://www.seattletimes.com/seattle-news/law-justice/pse-substations-among-five-attacked-in-pacific-northwest-in-november/>  
13 <https://www.reuters.com/world/europe/traces-explosives-found-nord-stream-pipelines-sweden-says-2022-11-18/>



Concrete shortages have been reported in 43 states, caused, in part, by cement and fly ash shortages.<sup>14</sup> The fly ash shortage also constrains wallboard manufacturing east of the Mississippi River, and we've learned from drywall manufacturers that it may take five to seven years to fully address this issue. Glass continues to be an at-risk item caused by sand shortages,<sup>15</sup> manufacturing constraints, and competing demand from other industries like solar and automotive manufacturing. Other items still experiencing extended lead times include polyiso insulation, TPO membrane roofing, dock levelers, lab casework, access controls, security cameras, ductile iron pipes, and stainless-steel tubing.



## Geopolitical Update

The SEC set disclosure guidelines to encourage transparency for public companies on events impacting their supply chain specific to (1) the COVID-19 pandemic, (2) the Russia-Ukraine conflict, and (3) climate-related risks.<sup>16</sup>

Globally, the world is adjusting to China's past "Zero Covid" policies, resulting in China losing manufacturing and export market share in key sectors to Asian neighbors.<sup>17</sup>

The impact of the Russia-Ukraine conflict on key natural resources is well known, but we've recently seen a reduction of impact notices from our suppliers, which further suggests that things are beginning to improve (see Diagram 1). Companies like GM are reporting improvements as well, further validating the good news.<sup>18</sup>

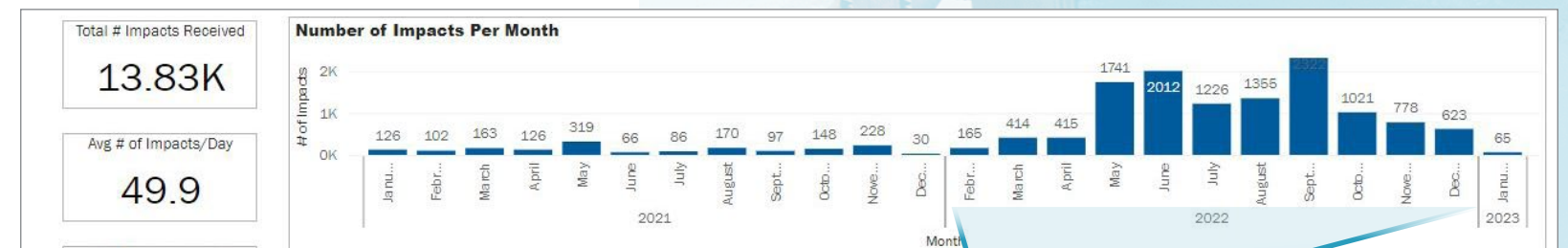


Diagram 1: The chart above shows the number of impacts received per month by DPR from its manufacturers and suppliers. Impact notices began increasing as businesses returned to work after COVID-19 shutdowns, and then increased exponentially with the Russia-Ukraine conflict (which began in Feb 2022). In recent months it has started to decline, indicating an easing in supply chain impacts.

**750%** Nearly 750% increase in supply chain impacts in 2022 over 2021.

<sup>14</sup> AGC Construction Inflation Alert, December 2022 (Ken Simonson)  
<sup>15</sup> <https://news.stanford.edu/2022/07/26/four-questions-eric-lambin-sand-shortage/>  
<sup>16</sup> <https://www.foley.com/en/insights/publications/2022/10/sec-supply-chain-disruptions-covid-climate-risks>  
<sup>17</sup> <https://www.cnbc.com/2022/10/20/china-factory-of-the-world-is-losing-its-manufacturing-dominance.html>  
<sup>18</sup> <https://www.cnn.com/2022/10/25/business/gm-earnings/index.html>



## Logistics and Freight

### FUEL

Gas prices have eased in recent weeks, currently up 14% this year, but diesel is running about 50% higher, to \$5.35 per gallon (as of December 2022). Reasons include refining capacity and the Russia-Ukraine conflict (that is, Russian exports of diesel). Potentially impacting this further is that the US administration is seeking to stop sales from the Strategic Petroleum Reserve mandated by Congress so it can replenish the reserve, which is now at about 65% of where it was on January 1, 2022. This would likely drive fuel prices up again, but it is unclear to what extent. While these impacts will ease over time, it is not likely to see improvement in the near term.

### ROAD

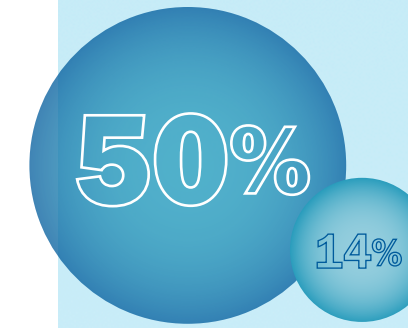
In trucking, California is considering banning all diesel trucks at ports by 2035, and statewide by 2045, with new vehicles being powered by clean fuels starting in 2024. Starting in 2025, the state may ban internal combustion trucks that have more than 800,000 miles on them from operating at ports and rail yards. In addition, as of the start of 2023, all trucks with 2009-and-older engines are prohibited in the state. There is a shortage of charging stations and infrastructure to currently support this plan, most electric trucks currently only have a range of between 100 and 200 miles between charges, and many APAC imports for the US come in through California ports, so this plan could impact cost and delivery locations and schedules.

### WATER

Shipping containers have become much more affordable recently but were problematic throughout much of 2022 due to tight capacity and high rates. In 2023, freight forwarders will have significant negotiating power and spot rates will continue to fall. In fact, some smaller container ships are being scrapped and others are taking longer routes to their destination to take on additional containers prior to crossing oceans. Climate change and drought have caused low water levels in rivers such as the Mississippi and Rhine which resulted in slowdowns on related barge freight.

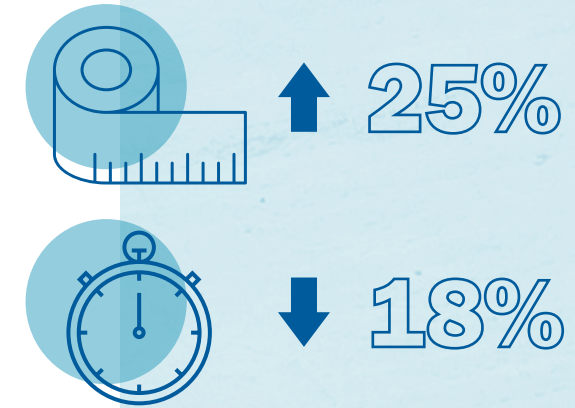
### RAIL

On December 2, a bill was signed into law averting an imminent rail strike, but many of the supply chain issues that we've experienced have been aggravated by a steady decline in rail service over recent years, despite the record 2021





earnings seen by Union Pacific (UNP), Norfolk Southern (NSC) and Berkshire Hathaway's (BRKA) Burlington Northern Santa Fe. The railroads have used precision scheduled railroading (PSR), which is essentially streamlining to manage costs and boost profits. US freight trains grew 25% in length between 2008 and 2017 (up to 3 miles in length). Profits for rail carriers have grown, but consistent delivery has declined. Only 67% of trains now arrive on time, down from 85% pre-pandemic. PSR has resulted in disgruntled employees and unhappy customers.



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## Proaction Yields Positive Results

In 2022, DPR rounded out the supply chain team with specialists dedicated to help transform our supply chain relating to supplier relationship management, quality, strategic sourcing, procurement, and logistics.

This expertise was used to support our project teams by assessing at-risk materials on project pursuits, overcome supply chain disruptions on delayed materials, expand and formalize manufacturer relationships, and evaluate risk of manufacturers and suppliers. We continue to evaluate new vertical integration opportunities and expanding manufacturer-direct sourcing on key materials.

In 2023, we will begin offering **logistics and storage options** as a service to our project teams and will develop a **network of quality inspection providers** able to perform factory inspection worldwide to allow us to assess readiness and availability of manufactured products more rapidly, helping us to ensure on-time project delivery.

We are working to expand our material cost forecasting and utilize the information to provide more intelligence to our preconstruction teams and customers, thereby enabling earlier action for at-risk materials.





In the Q3 2021 Market Conditions Report, we said we would share the results of our forecast accuracy when compared to what happened. Here are our findings:

The team is collecting and synthesizing this data to better anticipate impacts and become more predictable for our customers in project delivery.

Group	Category	3 Month Forecast	6 Month Forecast	9 Month Forecast	12 Month Forecast
		Color Score & Fcst Tendency	Color Score & Fcst Tendency	Color Score & Fcst Tendency	Color Score & Fcst Tendency
Materials	Aluminum	●↑	●↑	●↑	●↑
	Commercial and Institutional Type Electric Lighting Fixture, Including Parts and Accessories	●	●	●	●
Materials	Concrete	●			
Materials	Construction Machinery	●	●	●	●
Materials	Copper Wire	●↑	●↑	●↑	●↑
Materials	Elevators, Escalators, and Other Lifts	●	●	●	●
Materials	Glass	●	●	●	●
Materials	Gypsum	●	●	●↓	●↓
Materials	HVAC and Commercial Refrigeration	●	●	●↓	●↓
Materials	Insulation	●	●↑	●↑	●↑
Materials	Lumber & Plywood	●	●↑	●↑	
Materials	Paint & Coating	●	●↓	●↓	●↓
Materials	Plumbing	●			
Materials	PVC	●↑	●↑	●↑	●↑
Materials	Semi-Conductor	●	●↑	●	●
Materials	Steel Beams	●	●↑	●	●↑
Materials	Steel Decking	●↑	●↑	●↑	●↑
Materials	Steel Joist	●	●	●	●
Materials	Steel Studs	●↑	●↑	●↑	●↑
Materials	Switchgear, Switchboard, and Industrial Controls Equipment	●	●	●↓	●↓
Energy & Freight	Transportation	●↑	●↑	●↑	
Energy & Freight	Warehouse	●	●	●	

**KEY**

- Blank – recent add of category, comparative information not available
- Green – forecast accurate relative to actual
- ↑ Yellow Arrow Up – forecast somewhat high compared to actual
- ↓ Yellow Arrow Down – forecast somewhat low compared to actual
- ↑ Red Arrow Up –forecast significantly high compared to actual
- ↓ Red Arrow Down –forecast significantly low compared to actual

**HOW'D WE DO?**

A look back at our forecast prediction

*This chart is based on the average result of DPR's forecast for five (5) periods from June of 2021 through and including June of 2022 (information not inclusive of last quarter due to timing of BLS PPI information release).*

Our forecasts are developed through dozens of discussions each quarter with suppliers and manufacturers, whose results are averaged by trade.






For this analysis, we took each forecast independently, and averaged how accurate our results were compared to the actual PPI changes from the Bureau of Labor and Statistics over the next four quarters (3, 6, 9, and 12 months out). Once we had those results, we grouped and averaged each of the 3, 6, 9, and 12 month results to see how accurate the forecasts were. Overall, the forecast accuracy was good, with the main outliers being what our suppliers predicted for aluminum, copper, coil related steel products, and PVC. On each of these, we believe the suppliers and marketplace anticipated higher impact from events than what were actually seen, with PVC being related to chemical shortages and weather events, and aluminum, copper, and coil related steel products being related mostly to the impact of raw materials coming from Ukraine and Russia, and the impact of the ongoing conflict there.



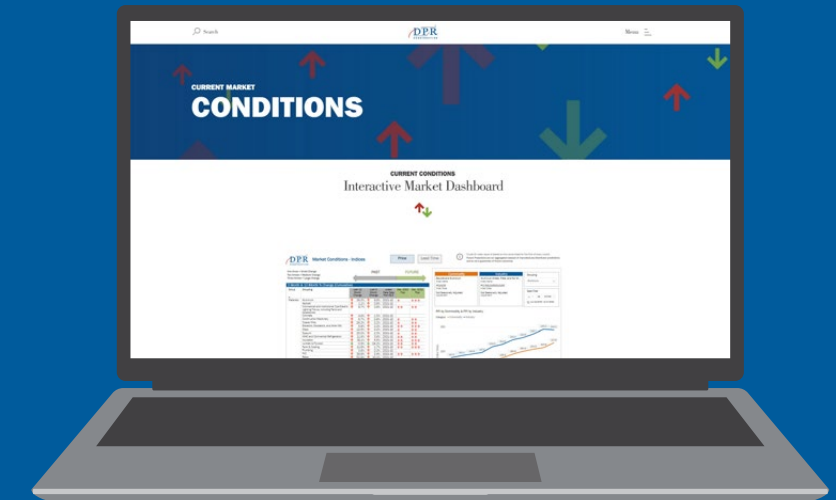
# Impacts & Mitigation

## Biggest Impacts

These impacts are based on actual communications received from our suppliers and distributors, and may be different than the Market Conditions Dashboard, as this information is based on specific products compared to the general data in the Market Conditions Dashboard.

	LOGISTICS SUMMARY	CAUSE	ACTION
	<b>Domestic Trucking</b> Reduction of 0% to -5% / 0 - 1 week lead time	Spot market rates continue to decrease as capacity exceeds demand. <ul style="list-style-type: none"> <li>Flatbed rates have dropped from the high-water mark of \$3.45 per truck mile in June 2022 to \$2.83 per truck mile in November 2022, an 18% price drop.</li> </ul>	Continue to look at the spot market to bid the best rates for loads.
	<b>Ocean Cargo from Asia - 40' Shipping Container</b> Reduction of 0% to -5% / 1 - 3 weeks lead time	Market rates continue to decrease as capacity exceeds demand. <ul style="list-style-type: none"> <li>Asia-US West Coast prices (FBX01 Weekly) fell 74% to \$1,403/FEU from \$5,405/FEU last quarter. This rate is 91% lower than the same time last year.</li> <li>Asia-US East Coast prices (FBX03 Weekly) fell 63% to \$3,361/FEU from \$9,073/FEU last quarter. This rate is 80% lower than the same time last year.</li> </ul>	While capacity continues to exceed demand, look for canceled sailings and rebooking to become more of an issue in the next quarter as ocean carriers optimize the use of container ships.
	IMPACTED TRADES	CAUSE	ACTION
	<b>Aggregates</b> Up 15 to 20%	High demand and backlog with local suppliers on allocation and shortage delays due to logistics.	Plan and procure in advance.
	<b>Steel Framing</b> High volatility – 20% down but leveling to increasing	Prices have dropped significantly during last quarter but recent opportunistic increases are driving prices back up for near term purchases.	Monitor project schedules and procure accordingly.
	<b>Wallboards &amp; Related Accessories</b> Up 20 to 60%	Increasing labor cost, raw material shortage, and logistics cost related to rail.	Early procurement is advised with further increases forecasted.

## MARKET CONDITIONS DASHBOARD



Scan the QR code or click to [view the current market conditions dashboard](https://www.dpr.com/company/market-conditions)

<https://www.dpr.com/company/market-conditions>

Past data reflects the movement of PPI indices, as provided by the US 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.

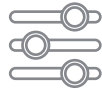




### IMPACTED TRADES

#### Transformer, Gear, Panelboards, and Switches

Up 10% with continued increases in coming year



#### Vacuum Fault Interrupters

Leadtime 130 weeks



#### Generators

Leadtime 100+ weeks

### CAUSE

Continued high demand and increased tier 2 & tier 3 material cost.

Tier 2 material shortage and high demand.

Enclosure shortage coupled with high demand.

### ACTION

Early procurement is advised with further increases forecasted.

Substitute for available brands and procure early.

Substitute for available brands and procure early.

## Mitigation Strategies Implemented on Recent Projects

While the easing of supply chain issues is positive, DPR has been actively working to control our destiny and prepare for the future in managing our supply chain. Our aim is to ensure a reliable supply chain that keeps our projects on track, hitting critical milestones, and minimizing the effect of outside events.



### STRATEGIC SOURCING

We are seeing more competitive pricing in global products and recently priced door hardware internationally for our self-perform work. These suppliers offer competitive pricing and improved lead times. We are now in the process of reviewing products and quality to assess applicability.

**Why this matters:** Considering international suppliers could improve pricing and lead times.



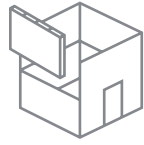
### SOURCING ALTERNATIVES

DPR is currently developing strategic international relationships with producing and processing steel mills to capitalize on competitive pricing opportunities from foreign markets.

**Why this matters:** DPR recognizes current inflationary pressures on the domestic steel markets and looks for alternatives that provide the best value and service.







### USING OUR LOGISTICS PROGRAM

With warehouse prices steadily rising, DPR leverages storage capabilities through temporary storage facilities and containers to mitigate storage concerns.

**Why this matters:** DPR continually examines cost-effective storage to meet the needs of owners and their projects.



### INNOVATING FOR QUALITY & EFFICIENCY

DPR has developed and is systematizing a material supplier qualification program into a simple, intuitive, and easy process to enable extensive insights and help identify risk.

**Why this matters:** A robust and easy to use qualification program will promote confidence in our suppliers and enable strategic material procurement.



### LEVERAGING SUPPLIER RELATIONSHIPS

Collaborating with our EIG team, we developed a strategic relationship with Eaton that provided us with transparent information across all our project orders, as well as kept a real-time pulse on material lead-times for upcoming projects

**Why this matters:** Through strategic relationships, we can tap into truly accurate information and build with the best knowledge in the market.





# INSIGHTS RETROSPECT

A look back at DPR insights performance

Photo courtesy of Chip Allen



## Insights Retrospect

As we look towards 2023, we wanted to review earlier Market Conditions Reports to ensure we are holding ourselves to the highest standards, and providing honest and fair insights that you can trust.

- How did assertions made in the early part of COVID play out?
- Was the data correct?
- Where did we miss the mark and why?

**If you're not keeping score, it's just practice.**



**Phil Bartkowski**  
National  
Preconstruction  
Leader

“Measuring our performance is how we hold ourselves accountable. It is how we know where we need to improve. It is how we prove to our customers—and employees—that we are sincere about producing truly great results.”





# Insights Retrospect 2020

A pandemic layered with social unrest drastically altered the economy.

## Commodities



### WHAT WE SAID / PROJECTED

Lower oil prices affect many facets of construction, including petroleum-based materials, freight costs and construction equipment operation. This could lead to a reduction in overall construction costs if trends continue to stay low.

### HOW IT TURNED OUT

Nearly 3 years later, we are hovering around \$90/barrel and during 2022 it topped out around \$120/barrel.

### WHAT THIS MEANS



We saw a dip in oil pricing from 2019 to 2020. Demand was low, supply was high. It was \$40/barrel at the time. It's been a roller-coaster that's remained on the up-slope since we've made that statement. Prices have not stayed low, they've only gone up since.

## Economy



### WHAT WE SAID / PROJECTED

Slight decreases in July's [2020] Consumer Price Index (CPI) and (PPI) are glimmers of hope for consumers, but economists worry that consumer spending will continue to fall.

### HOW IT TURNED OUT

From July 2018 to July 2020, the CPI hovered around 250. From July 2020 to July 2021, the CPI jumped above 270. July 2021 to July 2022, it jumped again above 295. At the close of 2022, the index sits around 300.

### WHAT THIS MEANS



Broadly, most goods are more expensive today than then and pricing has escalated more quickly since the beginning of 2020 than we've experienced in decades.

## Commodities



### WHAT WE SAID / PROJECTED

Softwood Lumber Pricing - "ENR is forecasting a -0.70% drop at the end of 2020 with a gradual climb to 3.3% in 2022 and a drop to 0.80% at the end of 2023.

### HOW IT TURNED OUT

Didn't see this one coming. By the end of 2020, this index showed a 30% increase and in 2021 a 65% increase, still hovering over a 23% increase through 2022.

### WHAT THIS MEANS



Lumber had a drastic demand and spike through the pandemic, but has begun to taper back down looking into 2023.



# Insights Retrospect 2021

High demand and low or no availability, together with political changes, led to a volatile year.

## Economy



Q1  
2021

### WHAT WE SAID / PROJECTED

The Build Back Better plan claims an influx of new infrastructure and clean energy jobs, and also targets an ‘upgrade’ of nearly 4 million buildings to reduce the energy reliance of these buildings.

### HOW IT TURNED OUT

Build Back Better Act failed to pass through the senate as a \$3.5 trillion package. By the end of 2021 after negotiations, it had been cut back to \$1.7 trillion and by February 2022, the act was claimed to be dead. Since then, the rebranded Inflation Reduction Act passed in August 2022 and will plan to raise \$738 billion.

### WHAT THIS MEANS



Still focused on climate change, the rebates and upgrade assistance offered to construction projects don't appear to be stacking up to the targets of the initial act's projection.

## General



Q3  
2021

### WHAT WE SAID / PROJECTED

We are proactively developing strategies to mitigate disruptions and manage to the plan.

### HOW IT TURNED OUT

DPR's mitigation strategies included developing a robust, dedicated supply chain management team, capitalizing on our knowledge in structuring successful deals for our customers, and proactively sourcing materials for our projects.

### WHAT THIS MEANS



These proactive mitigation strategies continue to position us as a trusted, knowledgeable partner.

## Labor



Q3  
2021

### WHAT WE SAID / PROJECTED

DPR, like other industry partners, is focused on developing that next generation of builders.

### HOW IT TURNED OUT

DPR is spearheading national efforts on diversity, equity and inclusion in the workplace, like [Construction Inclusion Week](#). We also highlight the advantages of field careers through our [“Builders at our Core” series](#).

### WHAT THIS MEANS



With an innovative and ever forward mindset around recruitment—like that on the [Atrium Health project](#)—we are seeing a decrease in construction unemployment.



# Insights Retrospect 2022

The storm of inflation and supply chain impacts has subsided but remains in flux. Is this the new normal?

## General



### WHAT WE SAID / PROJECTED

We are optimistic about the year ahead as we look at opportunities, both large and small, in the markets we serve. The big technology driven companies are scaling with no perceived end in sight.

### HOW IT TURNED OUT

As 2022 progressed, DPR continued to see a significant amount of new opportunities, though some have been scaled back or delayed. Most cite wanting to hold-tight as the US economy settles surrounding inflation and a seeming uptick in pricing across the board.

### WHAT THIS MEANS



This doesn't seem to be a rapid descent, but rather a sustaining move in growth proceeding a bit more cautiously than the last few years. We still don't believe there is an end in sight, but the pipeline is retracting a bit. The sky hasn't fallen yet, nor do we anticipate that in 2023.

## Inflation



### WHAT WE SAID / PROJECTED

The current rate of inflation is the highest its been in 40 years. Some economists predict a nearly normal state by Q4 2022.

### HOW IT TURNED OUT

Just when we thought it couldn't get any higher in Q1 2022, our Q3 2022 Market Conditions reported a historic high inflation rate above 8%. We took a deeper dive in that report and surfaced the multitude of factors considered by the Fed. If nearly normal inflation should be around 2% year over year, we've blown that out of the water in 2022 and have not retracted even close to that normal state.

### WHAT THIS MEANS



It's difficult to see a significant downward trend toward those pre-pandemic expectations, but experts still warn of a coming cooling of the economy. Judging by consumer spending and the quantity of buildings going through the planning and design process, we are optimistic of a strong construction market in 2023.

## Life Sciences



### WHAT WE SAID / PROJECTED

Essentially expect demand for lab and manufacturing space to continue through 2022 and 2023.

### HOW IT TURNED OUT

This continues to hold true. A significant portion of our current work and upcoming projects continue to lie in the Life Sciences core market. A boost in funding, research dedication and drug needs has carried this segment into a bold state looking through 2023 as well.

### WHAT THIS MEANS



The life sciences core market has been steady and all indications point to a continued positive direction.





# Q1 2023

## Market Conditions Report



### 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.

**United States Census Bureau**

<https://www.census.gov/>

**United States Department of Labor**

<https://www.dol.gov/>

**United States Energy Information Administration**

<https://www.eia.gov/>

**United States Chamber of Commerce**

<https://www.uschamber.com/>

**United States Bureau of Labor Statistics**

<https://www.bls.gov/>

**Engineering News Record**

<https://www.enr.com/>

**American Institute of Architects**

<https://www.aia.org/>

**Cumming Corporation**

<https://cumming-group.com/>