



U.S. Chamber of Commerce

Q4 2021 Commercial Construction Index

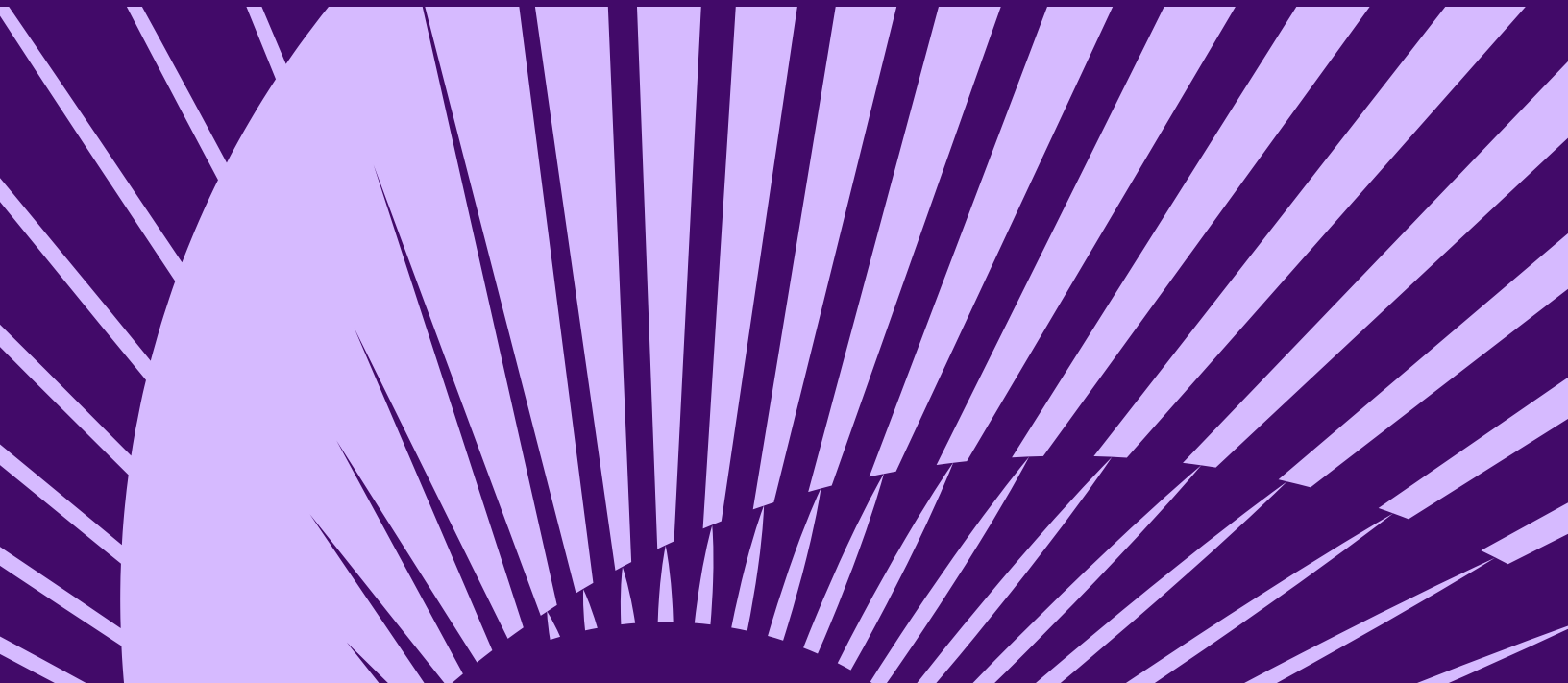
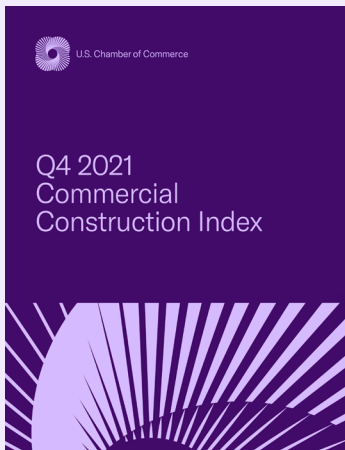


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The U.S. Chamber of Commerce Commercial Construction Index (CCI) is a quarterly economic index designed to gauge the outlook for and resulting confidence in the commercial construction industry. Recognizing a need to highlight the important contributions of this sector to the nation's economy, the U.S. Chamber of Commerce produced this first-of-its-kind index. Each quarter, contractors across the country are surveyed in order to better understand their levels of confidence in the industry and top-of-mind concerns.

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Report Summary

Index Declines as Revenue Projections Fall on Increasing Labor Costs

The U.S. Chamber of Commerce Commercial Construction Index (CCI) fell this quarter to 65, down one point from 2021 Q3. Two of the three key drivers of the Index—revenue and new business confidence—also fell. One key driver, backlog, improved slightly.

The most notable development in the current quarter is a reduction in revenue expectations, which slipped downward from the previous quarter for the first time since the pandemic began. Not surprisingly, contractors also report continuing concerns about inflation: the cost of skilled labor and the fluctuating costs of materials this quarter remained very high.

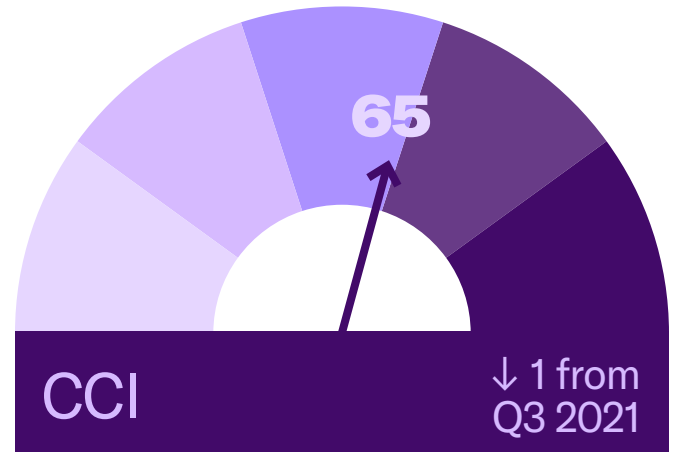
Key Drivers of Confidence

Contractors' confidence in the ability of the market to provide sufficient new business in the next 12 months dropped one point to 63 this quarter. The ratio of average current to ideal backlogs rose by one point to 75, with the average months of backlog decreasing from 9.4 months in 2021 Q3 to 8.4 months. The optimal level of backlog on average decreased as well from 12.7 months to 11.2 months. The third key driver, revenue expectations, dipped three points to 58. *See Drivers of Confidence on page 3.*

Quarterly Spotlight

This quarter's spotlight examines the ongoing consequences of the COVID-19 pandemic on the commercial construction sector. Most contractors (60%) say that less availability of building products/materials is the top consequence of the pandemic. Following behind in second place, a majority (52%) of contractors say that a major consequence of the pandemic is an increase in the ongoing workforce shortage in construction.

Pandemic-related project delays have also increased. Two-thirds (66%) of contractors expect delays on some projects (up from 60% in Q3). Just under a third (29%) expect no delays, and 71% expect delays to continue three months from now. Six months from now, 33% expect no delays and 67% expect delays on some projects (down from 44% in Q3). *See Quarterly Spotlight on page 4.*



Source: U.S. Chamber Commercial Construction Index

Market Trends

Contractors also see growing and intense difficulties finding skilled workers and are paying more to attract them. A majority (62%) of contractors report high difficulty finding skilled workers, up from 55% who said the same last quarter (and up 20 points year-over-year). Over half (56%) of contractors report a high degree of concern about their workers having adequate skill levels, up six points from last quarter and 20 points year-over-year.

Almost all (95%) contractors are experiencing at least one product shortage, up from 93% last quarter and up 24 points (71%) who said the same a year ago. The product which most contractors are experiencing a shortage in is steel (27%), followed by roofing at 19%.

Contractors still see growing profits. Contractors expecting an increase in profit margin over the next 12 months stayed the same (24%) as last quarter, while those expecting profits to remain the same rose three points to 66%. Ten percent expect their profit margin to decrease over that time (down three points from Q3). *See Market Trends on pages 5-8.*

Drivers of Confidence

Key Drivers of Contractor Confidence

63 ↓ 1 from
Q3 2021

New Business

- Contractors' confidence in the ability of the market to provide new business in the next 12 months fell one point to 63.
- This key driver is up from 2020 Q2 (after COVID-19 shutdowns), but still well below its score of 76 in pre-pandemic 2020 Q1.
- 88% of contractors report a moderate to high level of confidence that the U.S. market will provide sufficient new business opportunities in the next 12 months (down two points from Q3).
- About one-third (31%) of contractors reported a high level of confidence. This score shows no significant change from Q2 or Q3.

58 ↓ 3 from
Q3 2021

Revenue

- Revenue expectations dipped to 58 this quarter. This score is well below the pre-pandemic score of 70 in 2020 Q1.
- A majority of contractors (58%) expect their revenues to remain about the same in the next 12 months.
- Thirty-five percent of contractors expect their revenue to increase in the next year (down two percentage points from last quarter).
- Just 7% of contractors expect a decrease in revenue over the next year, down three points from last quarter.

75 ↑ 1 from
Q3 2021

Backlog

- The ratio of average current and ideal backlogs rose one point to 75 this quarter. This key driver is the closest of the three to its pre-pandemic level: it was 76 in 2020 Q1.
- The average months of backlog decreased from 9.4 months in 2021 Q3 to 8.4 months this quarter.
- The optimal level of backlog on average decreased from 12.7 months to 11.2 months.
- 40% of contractors reported 6-12 months of backlog (statistically unchanged from Q3), while another 40% reported less than six months of backlog (up four points from last quarter).

Quarterly Spotlight: Impact of COVID-19

Product Shortages and Workforce Shortages Are Biggest COVID-19 Impacts

Contractors say that less availability of building products/materials is, by far, the top consequence of the COVID-19 pandemic (60%). (See page 8 for more details on product shortages). In second place, 52% of contractors say that worker shortages are their top concern, reflecting an even worse turn in chronic skilled-labor shortages in the construction industry.

COVID-Related Project Delays Worsen

More contractors report COVID-related delays this quarter. Two-thirds (66%) of contractors are experiencing delays on some projects (up seven points from last quarter). Just under a third (29%) expect no delays and 71% expect delays to continue three months from now. Six months from now, 33% expect no delays and 67% expect delays on some projects.

The percentage of projects delayed grew slightly this quarter. This quarter, contractors reported on average that they expected 18% of their projects to be delayed (was 15% last quarter). However, looking ahead, contractors predict delays tailing off. In three months, contractors expect an average share of 16% of their projects will be delayed and in six months that share is only 14%.

Contractors say they are seeing big impacts from COVID-19. A majority say that less availability of building products (60%) and an increase in worker shortages (52%) are top concerns related to the pandemic. Of relatively less concern is the pandemic's impact on: worker health and safety (35%), more project shutdowns/delays (30%), and fewer projects (19%).

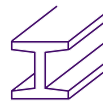
66%

of contractors are experiencing project delays due to COVID-19

18%

is the average share of delayed projects due to COVID-19

Contractors' Top Concerns Due to COVID-19 in Q4:



60% say less availability of building products.



52% say an increase in worker shortages.



35% say worker health and safety concerns.



30% say more project shutdowns/delays.



19% say fewer projects.

Key Market Trends: Workforce

Contractors Report Growing Difficulty Finding Skilled Workers

Contractors say the already-chronic problem of finding enough skilled workers turned worse this quarter. The vast majority (91%) of contractors report moderate to high levels of difficulty finding skilled workers, up three points from Q2. But more telling is the fact that 62% of contractors report high levels of difficulty finding skilled workers, rising seven points from last quarter. This is 20 points higher from just a year ago when 42% of contractors reported high difficulty in finding these workers.

Contractors have also grown more concerned about workers having adequate skills. Over half (56%) report a high degree of concern about their workers having adequate skill levels, up six points from last quarter and 20 points year-over-year. Fewer contractors report a moderate degree of concern this quarter (35% have moderate concern, down from 42% in Q3).

Looking ahead, many contractors feel the chronic skills shortage will only get worse and few anticipate improvements. Almost all (93%) contractors who reported moderate to high concern expect the problem with finding skilled workers will stay the same or get worse in the next six months. Only 6% expect it to improve and 1% are unsure.

62% of contractors report a high level of difficulty finding skilled workers

Turning Down Work and Higher Bids Become the Norm as Contractors Grapple with Talent Shortage

The skilled labor shortage is forcing contractors to turn down work and put in higher bids for projects as contractors struggle to find enough skilled laborers.

Of those contractors who report difficulty finding skilled labor:

- 74% say they are asking skilled workers to do more work, (down from 83% who said the same in 2020 Q4).
- 72% of contractors report a challenge in meeting project schedule requirements, (up slightly from 71% in 2020 Q4).
- Over half (60%) of contractors are putting in higher bids for projects, (up from 58% in 2020 Q4).
- Almost half (45%) of contractors report turning down work due to skilled labor shortages (was 39% in 2020 Q4).

91% of contractors report moderate to high levels of difficulty finding skilled workers

45% of contractors report turning down work due to skilled labor shortages

Most Contractors Plan to Hire over Next Six Months

In the midst of this skilled worker shortage, contractors remain eager to hire. More than half (54%) of contractors say they will employ more people in the next six months (up from 51% in Q3). Slightly less than half (41%) expect to keep the same number of workers on staff. Meanwhile, just 2% expect to reduce their staffing (unchanged statistically from the past four quarters) and 3% are not sure about their hiring plans. This hunger to hire suggests contractors will be fighting one another to access a tight labor pool over the coming months.

Key Market Trends: Profit, Revenue & Financing

Most Contractors Expect Similar Revenues

Despite a small dip in the key indicator of revenue, most contractors anticipate steady revenue despite growing uncertainties over labor and materials costs. Very few see declining revenue ahead.

A majority of contractors (58%) expect their revenues to remain about the same in the next 12 months (down 5 points from 2021 Q3). While 35% of contractors expect their revenue to increase in the next year (down two percentage points from last quarter), and just 7% of contractors anticipate declining revenues (down three points from Q3).

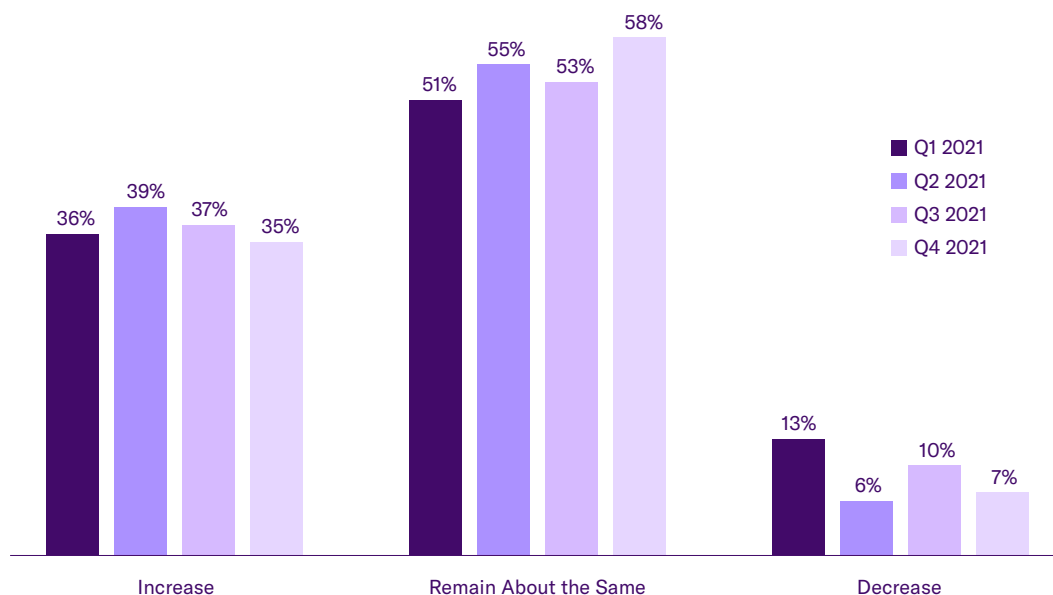
Those expecting changes predict they will be small. Of those expecting a revenue increase, 34% believe it will be an increase of up to 3%. While 21% think it will be an increase of 10% or more. Of those expecting a decrease, 33% believe it will be a decrease of up to 3%, while 29% think it will be a decrease of 10% or more.

Majority of Contractors Anticipate Access To Financing to Remain the Same

Most contractors see little change in access to financing and anticipate it will remain the same in the near future. However, some say access to working capital will get more difficult.

Most (61%) contractors expect their access to working capital financing will remain about the same in the next six months, while just 4% expect that it will get easier. Meanwhile, 23% of contractors believe that access to working capital financing will get more difficult (up six points from 17% saying the same last quarter).

Contractors' Expected Change in Revenue Over the Next 12 Months



Key Market Trends: Materials Costs & Equipment Spending

Contractors See Very High Impact from Cost Fluctuations

Contractors' concern about the cost of building materials stayed near an all-time high (since the inception of the CCI in 2017).

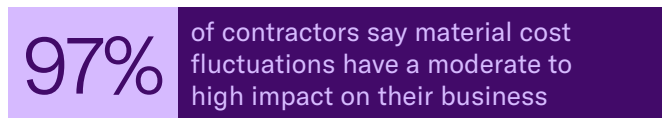
This quarter, 97% of contractors indicated cost fluctuations have a moderate-to-high impact on their business (just one point below the all-time high last quarter). This figure is up 23 points year-over-year (74% reported moderate-to-high impacts from cost fluctuations in 2020 Q4).

Of those who said material cost fluctuations have had a considerable impact on their business, 43% said steel was their top concern, followed by 31% who say wood/lumber is the product of most concern. In third place, 19% said roofing materials were their biggest concern in terms of price changes.

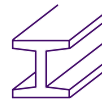
Contractors Look to Spend More on Tools and Equipment

Just under half (46%) of contractors report they will spend more on tools and equipment in the next six months (up from 40% last quarter).

Fewer (42%) say they will not spend more on tools and equipment over the same time period (down from 45% who said the same in 2021 Q3).



Products of most concern to contractors who report impacts from cost fluctuations:



43% say steel

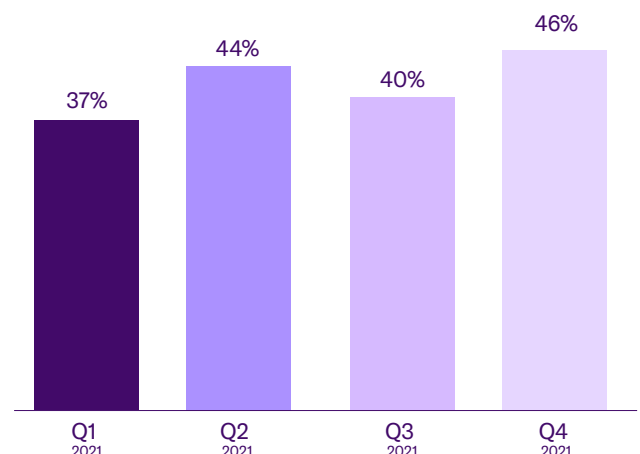


31% say wood/lumber



19% say roofing materials

Percentage of Contractors Planning to Spend More on Tools and Equipment in the Next Six Months



Key Market Trends: Materials Availability & Tariffs

Steel, Lumber, Roofing Shortages Are Top Concerns

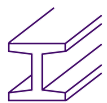
As supply chains adapt and recover from the pandemic, almost all contractors say they are experiencing at least one building product or material shortage. In fact, a record-high percentage (95%) of contractors are experiencing at least one product shortage, up two points from 93% in 2021 Q3, and up 24 points year-over-year.

Notably this quarter, steel remained the most-reported product shortage. Wholly 27% of contractors said steel was their top materials shortage. This is followed by roofing material (19%) and wood/lumber (17%).

Contractors are also reporting persistent large impacts from product shortages. According to those experiencing shortages, 63% report a high impact on projects this quarter, up from 20% in 2021 Q1. Meanwhile, 33% report a moderate level of impact on projects due to product shortages and 4% report a low/no impact.

95% of contractors face at least one material shortage

Contractors' top reported material shortages:



27% say steel



19% say roofing materials



17% say wood/lumber

Tariff and Trade Concerns Linger

Contractors have expressed ongoing concerns about the potential effect of tariffs and trade wars on their access to materials. It is interesting to note the concerns over steel tariffs in particular since this is contractors' top materials shortage worry. This suggests that easing steel tariffs could significantly reduce contractors concerns about ongoing steel shortages.

This quarter, the already-high concerns over trade and tariffs remained very high:

- 47% say steel and aluminum tariffs will have a high to very-high degree of impact on their business in the next three years (up one point from last quarter and almost double from 24% a year ago).
- Nearly half (49%) say new construction material and equipment tariffs will have a high to very-high degree of impact on their business over the next three years (up five points from last quarter and up 23 points from 2020 Q4).
- 33% expect high impacts from trade conflicts with other countries, up three points from last quarter, and rising 13 points from 2020 Q4.

Methodology

Methodology

Dodge Data & Analytics (DD&A) in partnership with the U.S. Chamber of Commerce conducts the Commercial Construction Index survey on a quarterly basis with the DD&A Contractor Panel. The data represented in this report is from the Q4 2021 survey conducted online from October 12 to October 14, 2021.

DD&A Contractor Panel

In order to enable reliable market research in the construction industry, D&A maintains a panel of more than 2,200 decision-makers that includes general contractors, construction managers, design-builders and trade contractors. This panel allows DD&A to provide findings that are representative of the entire U.S. construction industry by geography, and by size and type of company.

Fourth Quarter Survey Demographics

213 contractors who do projects in the commercial and institutional sectors in the U.S. (including multifamily residential) responded to the survey.

Type of Company

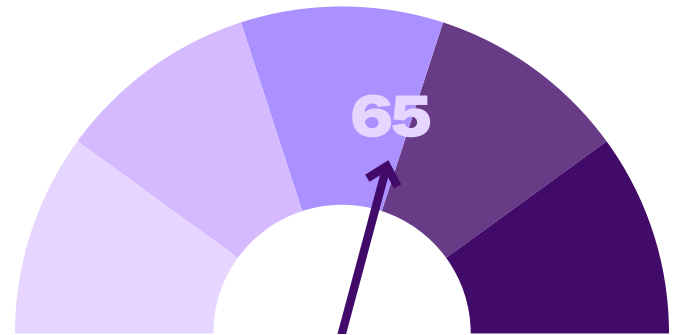
54% of respondents are prime contractors (including general contractors, construction managers, design-builders), and 46% are specialty trade contractors.

Job Function

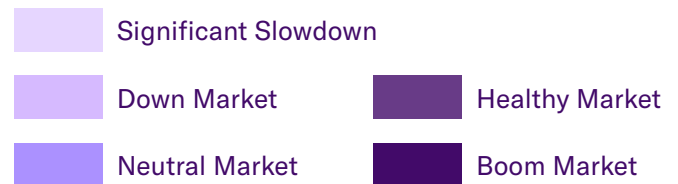
Most are in leadership roles or engaged in projects. 40% of respondents are C-level, 31% are primarily involved on projects, 22% are estimators and 7% fall into the Other category.

Regions

43% do most of their project work in the Midwest, 28% in the South, 19% in the West, 9% in the Northeast, and 1% do most projects in more than one region.



The Commercial Construction Index is 65 for the fourth quarter of 2021.



Source: U.S. Chamber Commercial Construction Index

Size of Company

18% Large companies (\$100M and over), 49% midsize companies (\$10M to under \$100M), 33% small companies (Under \$10M)

The analysis includes comparisons to previous surveys conducted online with the DD&A Contractor panel since January 2017.

Methodology

Commercial Construction Index

The Commercial Construction Index is an indicator of the health of the contractor segment of the U.S. building industry. It is comprised of three specific components reflecting aspects of the commercial contractors' situation.

The First Component

The First Component calculates each respondent's ratio of current backlog to ideal backlog. It takes the mean of the ratio across all survey respondents.

The Second Component

The Second Component is the mean of all responses, on a scale of 1-10, to the question "How confident are you that the U.S. market will provide your company with sufficient new business opportunities?"

The Third Component

The Third Component compiles contractors' ranges of expected revenue growth/decline and transposes those to a 10-point scale, then takes the mean of responses on that scale.

Each measure is drawn from the quarterly survey responses, and they are weighted evenly by one third (33.3%) to create the composite index.

Defining Commercial Construction

For purposes of the CCI we define commercial construction as the following types of buildings: Office, Retail, Hospitality, Education, Healthcare, Multifamily Residential (mid- and high-rise), Government, Warehouses, Airport Terminals and other transportation buildings.

The U.S. Chamber of Commerce is the world's largest business organization representing companies of all sizes across every sector of the economy. Our members range from the small businesses and local chambers of commerce that line the Main Streets of America to leading industry associations and large corporations. They all share one thing: They count on the U.S. Chamber to be their voice in Washington, across the country, and around the world. For more than 100 years, we have advocated for pro-business policies that help businesses create jobs and grow our economy.

Dodge Data & Analytics is North America's leading provider of commercial construction project data, market forecasting & analytics services and workflow integration solutions for the construction industry. Building product manufacturers, architects, engineers, contractors, and service providers leverage Dodge to identify and pursue unseen growth opportunities that help them grow their business. On a local, regional or national level, Dodge empowers its customers to better understand their markets, uncover key relationships, seize growth opportunities, and pursue specific sales opportunities with success. The company's construction project information is the most comprehensive and verified in the industry. As of April 15th, Dodge Data & Analytics and The Blue Book—the largest, most active network in the U.S. commercial construction industry—combined their businesses in a merger. The Blue Book Network delivers three unparalleled databases of companies, projects, and people. Dodge and The Blue Book offer 10+ billion data elements and 14+ million project and document searches. Together, they provide a unified approach for new business generation, business planning, research, and marketing services users can leverage to find the best partners to complete projects and to engage with customers and prospects to promote projects, products, and services. To learn more about Dodge Data & Analytics, visit: construction.com and thebluebook.com.

For more information, please visit www.commercialconstructionindex.com.