Q1
2021

U.S. CHAMBER OF COMMERCE

Commercial Construction Index

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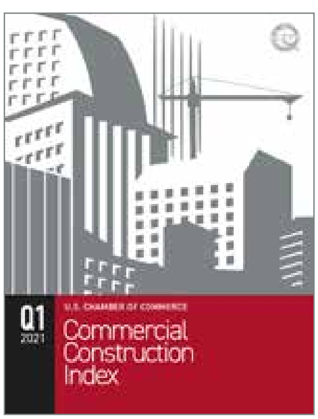
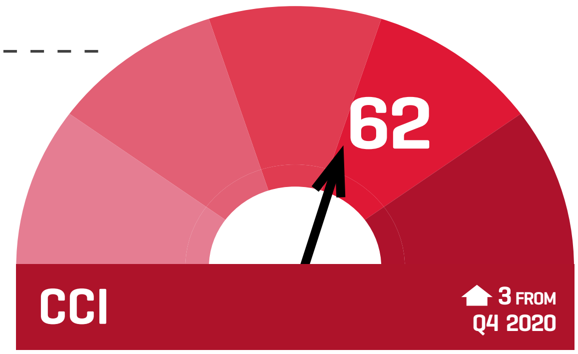


The U.S. Chamber of Commerce Commercial Construction Index (CCI) is a quarterly economic index designed to gauge the outlook for and resulting confidence in the commercial construction industry. Recognizing a need to highlight the important contributions of this sector to the nation's economy, the U.S. 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.

Index Nudges Up Again, Driven by Better Revenue Expectations



In the first quarter of 2021, the U.S. Chamber of Commerce Commercial Construction Index rose three points to 62 from 59 in Q4.

However, this score is still well below pre-pandemic findings. In Q1 2020, the Index score was 74, which at the time was in the midrange of scores since 2017. This quarter's score is up six points from the all-time Index low of 56 in Q2 2020, the first full quarter of the pandemic.

KEY DRIVERS OF CONFIDENCE

All three key drivers behind the score rose or remained the same this quarter. Most strikingly, contractors' revenue expectations jumped five points to 57 this quarter. Contractors' confidence in the ability of the market to provide sufficient new business in the next 12 months rose a modest two points to 59. The ratio of average current to ideal backlog remained unchanged at 69. *See Drivers of Confidence on page 3.*

QUARTERLY SPOTLIGHT

This quarter's spotlight continues to examine the consequences of the COVID-19 pandemic on the commercial construction sector.

Contractors report pandemic-related project delays declining. While a large majority (80%) of contractors are experiencing project delays on some projects due to the pandemic, this is down from 83% in Q4 2020. Contractors also expect the average share of their projects delayed due to COVID-19 to decrease over time. Currently, contractors report an average of 23% of their projects are delayed. In three months, contractors expect an average share of 21% of their projects to be delayed, and in six months that share drops to just 15%.

More than half (58%) of contractors say their top concern due to the pandemic remains worker health and safety. Meanwhile, 50% say their top concern is more project shutdowns/delays and 35% say fewer projects. *See Quarterly Spotlight on page 4.*

MARKET TRENDS

Despite ongoing uncertainty over the impact of the pandemic on commercial construction projects, both revenue and hiring expectations are up slightly this quarter. This may indicate contractors are anticipating a return to more normal economic conditions in the sector later this year.

Most (85%) 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 (the same as in Q4 2020). Just under a quarter (24%) report a high level of confidence, up from 19% in Q4 2020.

Revenue expectations for the next 12 months have improved substantially. Thirty-six percent of contractors expect their revenue to increase in the next year, up 11 percentage points from last quarter. Additionally, almost half (46%) say they are planning to employ more people, up from 37% in Q4 2020. *See Market Trends on pages 5-8.*

Note: In last quarter's report, released on December 10, 2020, the overall index score and backlog component score were incorrectly reported due to a data tallying error. The correct overall index score for Q4 2020 was 59 (originally reported as 60). The correct score for backlog was 69 (originally reported as 70).

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Key Drivers of Contractor Confidence

59 ↑ 2 FROM Q4 2020
NEW BUSINESS

- Contractors' confidence in the ability of the market to provide new business in the next 12 months grew, moving up two points to 59.
- This is up nine points from Q2 2020 (after COVID-19 shutdowns), but still far below its score of 76 in pre-pandemic Q1 2020.
- 86% 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, statistically unchanged from 85% in Q4 2020.
- 24% report a high level of confidence in new business over the next year, up from 19% in Q4 2020.

57 ↑ 5 FROM Q4 2020
REVENUE

- Revenue expectations for the next 12 months increased five points this quarter to 57. This score was 70 in Q1 2020, pre-pandemic.
- 36% of contractors expect their revenue to increase in the next year, up 11 percentage points from last quarter.
- 13% of contractors expect revenue decreases over the next year, statistically unchanged from 14% last quarter, but down eight percentage points from 21% in Q2 2020.
- Just over half of contractors (51%) expect their revenues to remain about the same in the next 12 months.

69 STEADY FROM Q4 2020
BACKLOG

- The ratio of average current to ideal backlog remained at 69, steady from Q4 2020. This key driver is the closest of the three to pre-pandemic norms: its score was 76 in pre-pandemic Q1 2020.
- The average months of actual backlog decreased from 8.4 months in Q4 2020 to 8.0 months in Q1 2021.
- The optimal average backlog level decreased from 12.2 months to 11.6 months in Q1 2021.

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Contractors See Fewer COVID-19 Project Delays

While 80% of contractors say they are experiencing delays on some projects due to the coronavirus outbreak, reported delays are down three percentage points quarter-over-quarter.

In addition, contractors expect their average share of delayed projects to continue to decrease over time. This quarter contractors report on average 23% of their projects are delayed, down from 26% in October 2020. Looking ahead, in three months contractors expect an average share of 21% of their projects to be delayed, and in six months that drops to 15%.

CONTRACTORS GROWING LESS CONCERNED OVER PANDEMIC IMPACTS

Contractors were provided a series of challenges that COVID-19 may present to their businesses and were asked to select the three that concerned them the most. The graphic to the right lists the top challenges.

While worker health and safety and project shutdowns/delays have remained top-of-mind over the last several quarters, the percentage of contractors reporting these concerns is decreasing.

This quarter, 58% report worker health and safety as a top concern, down from 64% last quarter. Meanwhile, 50% report more project shutdowns/delays, down from 53% last quarter. Although just one-third (33%) cite less availability of building products as a top concern, down from 41% in Q4 2020, shortages persist. Currently, 71% say they are experiencing at least one building material shortage, statistically unchanged from Q4 2020, showing shortages have persisted for a second quarter in a row.

80% of contractors are experiencing project delays due to COVID-19

23% is the average share of delayed projects due to COVID-19

Contractors' Top Concerns During COVID-19:

58% say worker health and safety.

50% say more project shutdowns/delays.

35% say fewer projects.

33% say less availability of building products.

31% say an increase in worker shortages.

Skilled Labor Shortages Continue to Impact Operations

The vast majority (85%) of contractors report moderate to high levels of difficulty finding skilled workers, up from 83% in Q4 2020. This quarter, 45% of contractors report a high level of difficulty finding skilled workers, up slightly from 42% last quarter.

Most (88%) contractors say they have a moderate to high degree of concern about their workers having adequate skill levels. Of those, 46% report a high degree of concern, up 10 percentage points from last quarter.

Contractors don't see the shortage of skilled workers improving. Almost all (94%) contractors who reported a moderate to high degree of concern about workers having adequate skill levels expect the issue to stay the same or get worse in the next six months. Only 4% of those expect it to improve, while 2% are not sure.

CONTRACTORS TURN DOWN WORK AND PUT IN HIGHER BIDS

Contractors who report a skilled labor shortage continue to see impacts on their business operations, although concerns have eased some compared to last quarter:

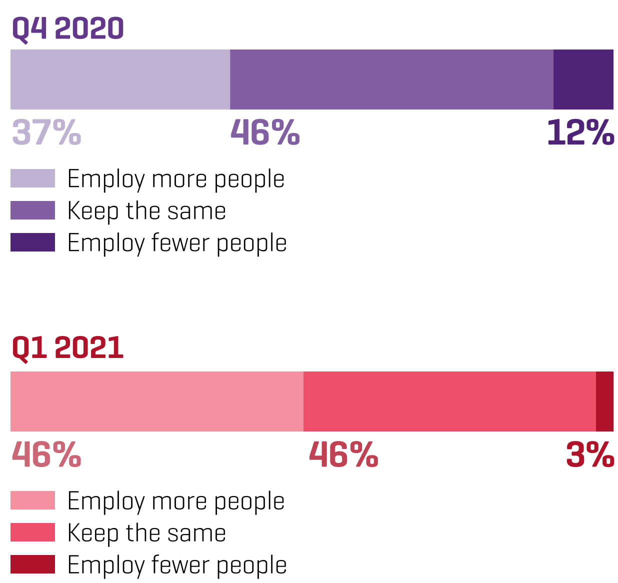
- **75%** say they are **asking skilled workers to do more work**, down eight percentage points from Q4 2020.
- **61%** of contractors **report a challenge in meeting project schedule requirements**, down from 71% in Q4 2020.
- **59%** of contractors are **putting in higher bids** due to a shortage in skilled workers, statistically unchanged from Q4 2020.
- **34%** of contractors **report turning down work** due to skilled labor shortages, down from 39% in Q4 2020.

ALMOST HALF OF CONTRACTORS PLAN TO HIRE

Hiring plans are positive this quarter as more contractors say they will hire in the next six months. Almost half (46%) of contractors say they will employ more people, up from 37% who said the same in Q4 2020. This is up 14 percentage points from Q2 2020 when only 32% of contractors said they were planning to employ more workers. Another 46% of contractors this quarter say they plan to keep the same amount of staff.

Meanwhile, just 3% of contractors expect to reduce staffing, down from 12% in Q4 2020. Of the few who expressed they will decrease staff, 100% say it will be a moderate decrease.

Contractor hiring plans
over the next six months



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Revenue Expectations Show Substantial Uptick

Contractors' revenue expectations for the next 12 months improved substantially this quarter. More than one-third (36%) of contractors expect their revenue to increase in the next year, up 11 percentage points from 25% last quarter.

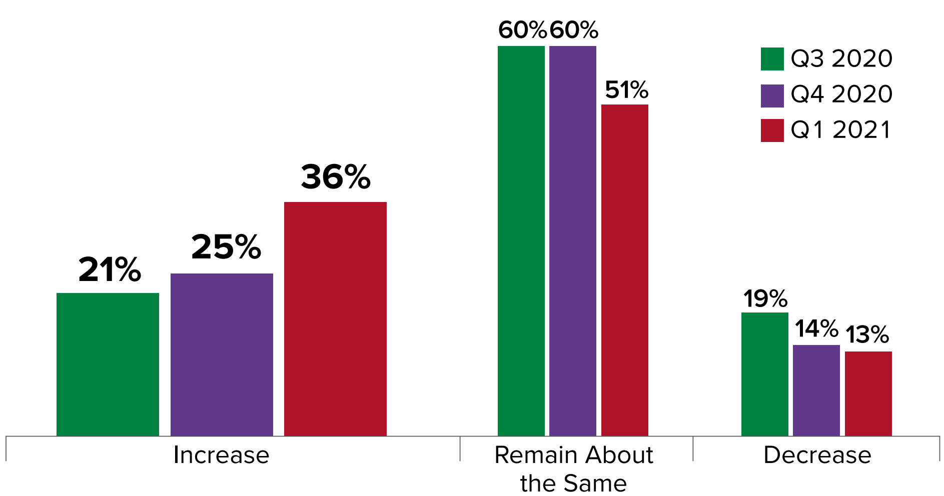
The majority of contractors (51%) expect their revenues to remain about the same in the next 12 months, while 13% expect revenue decreases.

Contractors' profit margin expectations for the next 12 months have remained steady for the last three quarters: 68% of contractors expect their profit margins to remain the same (the same as with Q4 2020 findings). However, slightly more contractors expect a decrease in profit margins over the next year: 14% expect profits to decrease, up from 12% in Q4 2020. Meanwhile, less expect profit to increase: 17% of contractors expect their profit margins to increase, down from 20% last quarter.

CONTRACTORS SEE LITTLE CHANGE IN ACCESS TO FINANCING

This quarter there is little change in contractors' expectations of access to capital. The majority (63%) of contractors expect their access to working capital financing will remain the same over the next six months, down one percentage point from Q4 2020. Meanwhile, 21% expect that it may become more difficult in the next six months, up one percentage point from Q4 2020. Over half (60%) of contractors believe that owner/developer access to financing will get easier or remain the same in the next six months, up from 59% last quarter.

CONTRACTORS' EXPECTED CHANGE IN REVENUE IN THE NEXT 12 MONTHS



Concerns About Material Cost Fluctuations Remain High

Contractors' concerns about fluctuations in the cost of building materials remain high. Most (82%) contractors say cost fluctuations have a moderate to high impact on their business, up eight percentage points from Q4 2020, and up 17 percentage points year-over-year. For comparison, before the pandemic in Q1 2020, 65% reported moderate to high impacts from cost fluctuations.

Of those who said material cost fluctuations have had an impact on their business, 43% said wood/lumber is the product of most concern (down from 61% in Q4 2020), followed by steel (35%), and copper (27%).

82% of contractors say material cost fluctuations have a moderate to high impact on their business

CONTRACTORS HOLD SPENDING ON TOOLS AND EQUIPMENT STEADY

Contractors have ramped up spending on tools and equipment since Q2 2020. More contractors (37%) plan to increase spending on tools and equipment this quarter, up one percentage point from Q4 2020, and up from 28% in Q2 2020. For comparison, in Q1 2020 before pandemic-related shutdowns, 54% said they would spend more on tools and equipment.

However, nearly half (49%) of contractors report they will not increase spending on tools and equipment in the next six months, unchanged from Q4 2020.

Products of most concern

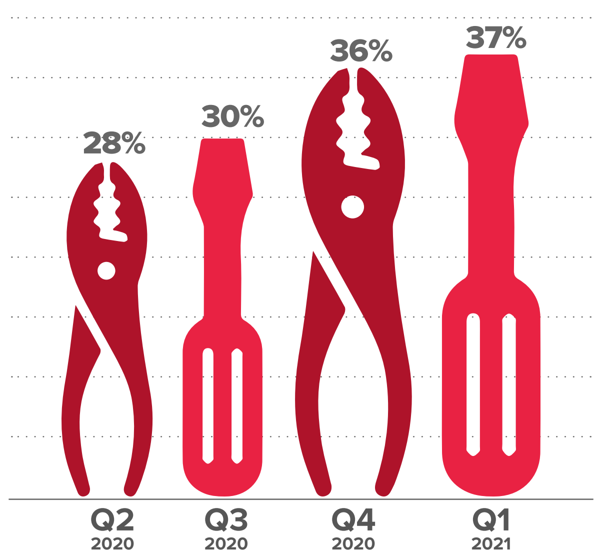
to contractors who report impacts from cost fluctuations:

43% say **wood/lumber**

35% say **steel**

27% say **copper**

PERCENTAGE OF CONTRACTORS PLANNING TO SPEND MORE ON TOOLS AND EQUIPMENT IN THE NEXT SIX MONTHS



Lumber Shortage Worries Lessen

Most contractors continue to experience building product and materials shortages of some kind. Close to three-quarters (71%) of contractors are experiencing at least one product shortage, steady from last quarter.

Some contractors are experiencing a shortage in wood/lumber, although concern is easing. This quarter, 22% of contractors said they are experiencing a wood/lumber shortage, down from a spike of 31% in Q4 2020 from 5% the previous quarter. Lumber has seen higher demand due to a boom in residential construction since the pandemic began.

This quarter, 14% of contractors said they are experiencing a steel shortage and 10% said they face a pipe/PVC shortage.

Contractors are reporting less impact from product/materials shortages overall. Of contractors experiencing shortages, most (61%) report a moderate level of impact on projects, down from 65% in Q4 2020. More contractors (19%) report low-to-no impact on projects due to product shortages, up from 11% in Q4 2020.

TARIFF AND TRADE CONCERNS ENDURE

Contractors have expressed ongoing concerns about the potential effect of tariffs and trade wars on their access to materials.

- **35%** say **steel and aluminum tariffs** will have a high to very-high degree of impact on their business in the next three years, up from 24% in Q4 2020.
- **29%** 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 from 21% in Q4 2020.
- **19%** expect high impacts from **trade conflicts with other countries**, steady from Q4 2020 and over the past several quarters.

71% of contractors face at least one material shortage

Contractors' top reported material shortages:

22% say **wood/lumber**

14% say **steel**

10% say **pipe/PVC**

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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 Q1 2021 survey conducted online from January 5 to January 8, 2021.

DD&A CONTRACTOR PANEL

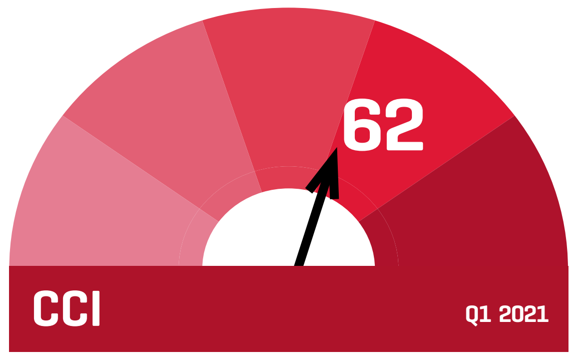
In order to enable reliable market research in the construction industry, D&A maintains a panel of more than 2,200 decision-makers that includes general contractors, construction managers, design-builders and trade contractors. This panel allows DD&A to provide findings that are representative of the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

FIRST QUARTER SURVEY DEMOGRAPHICS

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

TYPE OF COMPANY 51% of respondents are prime contractors (including general contractors, construction managers, design-builders), and 49% are specialty trade contractors.

JOB FUNCTION Most are in leadership roles or engaged in projects. 41% of respondents are C-level, 28% are primarily involved on projects, 22% are estimators and 10% fall into the Other category.



The Commercial Construction Index is 62 for the first quarter of 2021.

REGIONS 40% do most of their work projects in the Midwest, 30% in the South, 14% in the West, 12% in the Northeast, and 5% do most project work in more than one region.

SIZE OF COMPANY 16% Large companies ($100M and over), 45% midsize companies ($10M to under $100M), 39% small companies (Under $10M)

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

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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 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 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 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 analytics and software-based 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 and execute on those opportunities for enhanced business performance. Whether it's on a local, regional or national level, Dodge makes the hidden obvious, empowering its clients to better understand their markets, uncover key relationships, size growth opportunities and pursue those opportunities with success. The company's construction project information is the most comprehensive and verified in the industry. Dodge is leveraging its 100-year-old legacy of continuous innovation to help the industry meet the building challenges of the future. To learn more, visit **www.construction.com**.

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