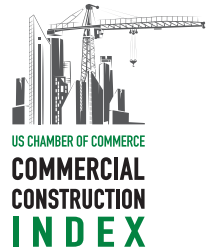


Q3
2021

U.S. CHAMBER OF COMMERCE

Commercial Construction Index

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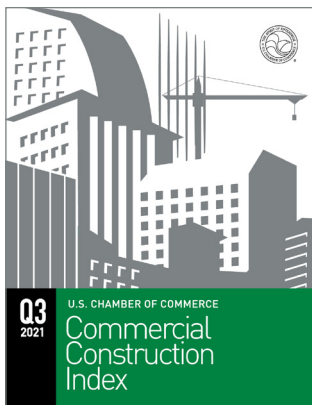
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The U.S. Chamber of Commerce Commercial Construction Index (CCI) is a quarterly economic index designed to gauge the outlook for and resulting confidence in the commercial construction industry. Recognizing a need to highlight the important contributions 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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Recovery Pauses as Contractors Struggle with Supply Chain, Skilled Labor Shortages

The U.S. Chamber of Commerce Commercial Construction Index [CCI] rose this quarter to 66, up just one point from Q2 2021. Two of the three key drivers of the Index—contractor confidence in new business and backlog—improved this quarter. One key driver [revenue] remained unchanged. The CCI has regained 10 points from its nadir of 56 at the onset of the pandemic, though it is still eight points below the pre-pandemic level of 74 [Q1 2020].

KEY DRIVERS OF CONFIDENCE

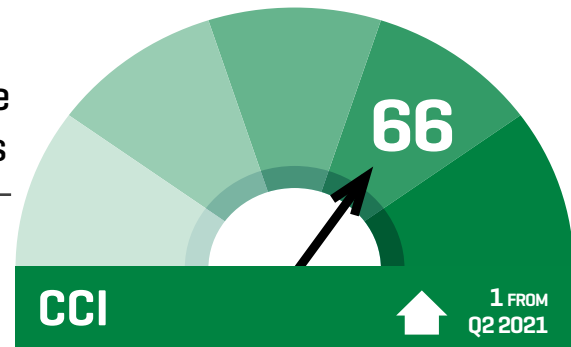
Contractors' confidence in the ability of the market to provide sufficient new business in the next 12 months climbed two points this quarter, hitting 64. The ratio of average current to ideal backlogs rose two points to 74, with the average months of backlog increasing from 9.2 months in Q2 to 9.4 months. The third key driver, revenue expectations, held steady at 61. *See Key Drivers 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 [62%] say that less availability of building products/materials is the top consequence of the pandemic. In addition, just over a third of contractors [37%] are concerned about growing workforce shortages.

On a positive note, project delays due to the pandemic continue to decrease. This quarter, 60% of contractors are experiencing delays on some projects [down 12 points from Q2]. Even



fewer [56%] expect delays to continue in three months [down from 68% in Q2], and just half [50%] expect delays to continue six months from now [down from 55% in Q2]. *See Quarterly Spotlight on page 4.*

MARKET TRENDS

Contractors expecting an increase in profit margin over the next 12 months stayed the same [24%], while those expecting a profit decrease rose. Thirteen percent expect their profit margin to decrease over that time [up seven points from Q2].

Contractors are facing increasing difficulties finding skilled workers and are paying more in order to attract them. The percentage of those reporting difficulty finding skilled workers this quarter rose, jumping 10 points to 55%. Half of contractors report a high degree of concern about their workers having adequate skill levels, up twelve points from last quarter and five points year-over-year. Moreover, 40% of contractors report a high degree of concern about the cost of hiring skilled labor. Of those who expressed concern about the cost to hire skilled labor, 79% say those costs have increased in the past six months.

Almost all [93%] contractors are experiencing at least one product shortage, up from 84% last quarter. The product which most contractors are experiencing a shortage in is steel [34%], followed closely by wood/lumber at 31%. *See Market Trends on pages 5–8.*

Key Drivers of Contractor Confidence



- Contractors' confidence in the ability of the market to provide new business in the next 12 months grew, moving up two points to 64.
- This is up 14 points from Q2 2020 (after COVID-19 shutdowns), indicating a steady recovery, but still below its score of 76 in pre-pandemic Q1 2020.
- 90% 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 (up one point from Q2).
- One-third (33%) reported a high level of confidence. This score shows no significant change from Q2.



- Revenue expectations held steady at 61, the same as last quarter. This score is still below its score of 70 in pre-pandemic Q1 2020.
- A majority of contractors (53%) expect their revenues to remain about the same in the next 12 months.
- 37% of contractors expect their revenue to increase in the next year (down two percentage points from last quarter).
- 10% of contractors expect a decrease in revenue over the next year, up four points from last quarter.



- The ratio of average current and ideal backlogs rose two points to 74 from 72 last quarter. This key driver is the closest of the three to its pre-pandemic level: it was 76 in Q1 2020.
- The average months of backlog increased from 9.2 months in Q2 to 9.4 months.
- The optimal backlog level on average decreased slightly from 12.8 months to 12.7 months.
- 41% of contractors reported 6-12 months of backlog and 36% reported less than six months of backlog (the same as last quarter).

Contractors Say Product Shortages Are Biggest Impact of COVID-19

Contractors say that less availability of building products/materials is, by far, the top consequence of the COVID-19 pandemic [62%]. [See page 8 for more details on product shortages]. Thirty-eight percent of contractors say that worker health and safety is a top concern, followed by worker shortages at 37%.

COVID-RELATED PROJECT DELAYS CONTINUE TO DECREASE

Project delays due to the coronavirus outbreak continue to decrease. This quarter, 60% are experiencing delays on some projects [down 12 points from last quarter]. Even fewer [56%] expect delays to continue in three months [down from 68% in Q2], and just half [50%] expect delays to continue six months from now [down from 55% in Q2].

The average percentage of projects delayed improved again this quarter. In Q2, contractors reported, on average, 17% of their projects were delayed. This quarter, contractors reported on average 15% of their projects are currently delayed.

However, looking ahead, contractors predict delays tailing off slowly. In three months, contractors expect an average share of 14% of their projects will be delayed and in six months that share is 11%.

60% of contractors are experiencing project delays due to COVID-19

15% is the average share of delayed projects due to COVID-19

Contractors' Top Concerns During COVID-19 in Q3:



62% say less availability of building products.



38% say worker health and safety concerns.



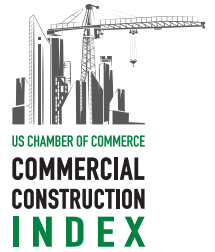
37% say an increase in worker shortages.



30% say fewer projects.



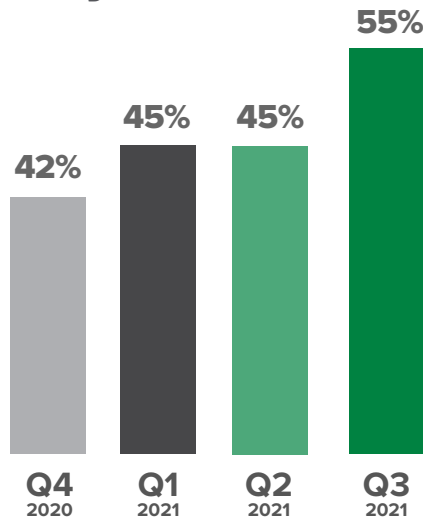
24% say more project shutdowns/delays.



Contractors Report Growing Difficulty Finding Skilled Workers

The majority [92%] of contractors report moderate to high levels of difficulty finding skilled workers, up four points from Q2. The percentage of contractors reporting *high* difficulty finding skilled workers rose, jumping 10 points to 55%. These are the highest numbers for both these statements in the past year [since Q3 2020].

Contractors reporting high difficulty finding skilled workers:



Contractors have also grown more concerned this quarter about workers having adequate skill levels. Half of contractors report a high degree of concern about their workers having adequate skill levels, up twelve points from last quarter and five points year-over-year. Less contractors reported a moderate degree of concern this quarter than in Q2 [42% report a moderate degree of concern, down from 49% in Q2].

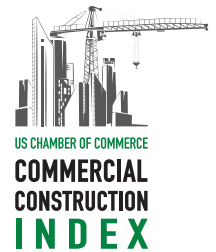
Looking ahead, almost all [93%] contractors who reported moderate to high concern expect the problem with finding skilled workers will stay the same or get worse in the next six months. Only 4% expect it to improve and 3% are unsure.

Of those contractors who report difficulty finding skilled labor:

- **73%** report a **challenge in meeting project schedule requirements**, up from 56% in Q2.
- **71%** say they are **asking skilled workers to do more work**, up slightly from 68% from Q2.
- **Over half [59%]** are **putting in higher bids**, up from 50% in Q2.
- **Over a third [42%]** report **turning down work** due to skilled labor shortages, up from 35% in Q2.

92% of contractors report moderate to high levels of difficulty finding skilled workers

42% of contractors having difficulty finding workers report turning down work due to skilled labor shortages



Most Contractors Expect Steady Revenue, Profits

Most contractors anticipate few changes in both revenue and profits over the coming year.

The majority of contractors [63%] expect their profit margins to remain about the same over the next 12 months [down from 70% in Q2]. This quarter, the percentage of contractors expecting an increase in profit margin stayed the same as last quarter at 24%, while those expecting a decrease rose [13% expect a decrease, up seven points from last quarter].

More than half of contractors [53%] expect their revenues to remain about the same in the next 12 months. Thirty-seven percent of contractors expect their revenue to increase over the next year [down two points from last quarter]. Meanwhile just 10% of contractors expect revenue decreases over the next year.

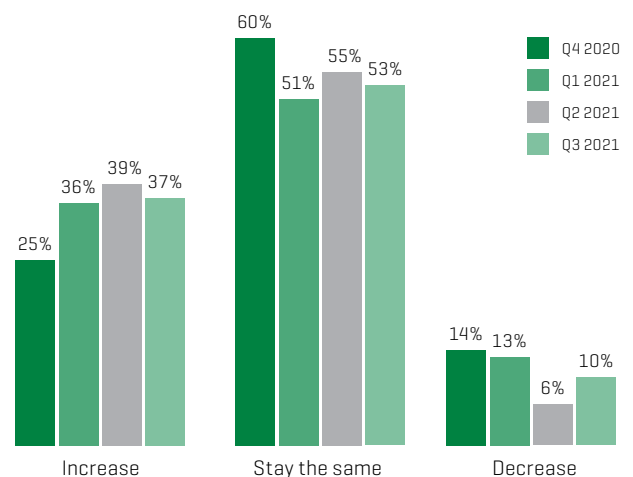
Those expecting changes predict they will be small. Of those expecting an increase in revenue, 43% believe it will be an increase of up to 3%. Of those expecting a decrease, 40% believe it will be a decrease of up to 3%.

CONTRACTORS ANTICIPATE ACCESS TO FINANCING TO REMAIN THE SAME

Similar to revenue and profits, most contractors see little change in access to financing.

More than two-thirds [67%] of contractors expect their access to working capital financing will remain about the same in the next six months, while just 6% expect that it will get easier [down from 10% in Q2 2021]. Meanwhile, 65% of contractors believe that *owner/developer access* to financing will get easier or remain about the same within that same timeframe.

Contractors' expected change in revenue over the next 12 months:





Contractors Report Record Impact of Cost Fluctuations

Contractors' concern about the cost of building materials reached an all-time high this quarter [since the inception of the CCI in 2017].

This quarter, an astounding 98% of contractors indicate cost fluctuations have a moderate-to-high impact on their business. This figure is up four points since Q2 and 35 points year-over-year [63% reported moderate-to-high impacts from cost fluctuations in Q3 2020].

98% of contractors say **material cost fluctuations** have a moderate to high impact on their business

Of those who said material cost fluctuations have had a considerable impact on their business, 45% say wood/lumber is the product of most concern, followed by steel [44%]. [In Q2, those concerns were 56% and 48% respectively]. Seventeen percent said copper and pipe/PVC cost fluctuations were of concern.

SLIGHTLY MORE SAY THEY WILL NOT SPEND MORE ON TOOLS AND EQUIPMENT

Just under half of contractors [45%] report they will *not* spend more on tools and equipment in the next six months [up from 42% last quarter].

Forty percent say they will increase spending on tools and equipment over the same time period [down from 44% who said they would increase spending last quarter].

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



45% say wood/lumber

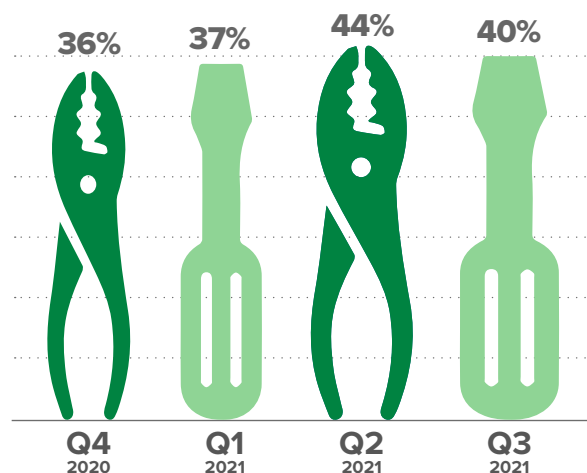


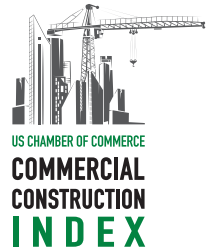
44% say steel



17% say copper

Percentage of contractors planning to spend more on tools and equipment in the next six months:





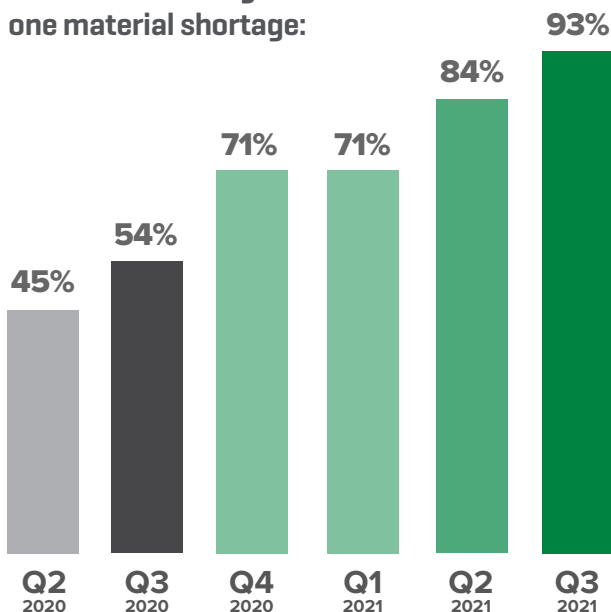
Steel Shortages Take Lead from Lumber

As supply chains adapt and recover from the pandemic, almost all contractors say they are experiencing at least one building product or material shortage. Notably this quarter, steel surpasses lumber as the most-reported product shortage.

Almost all [93%] contractors are experiencing at least one product shortage, up from 84% last quarter. The product which most contractors are experiencing a shortage in is steel [34%], followed closely by wood/lumber at 31%. The next most-reported shortage is insulation/insulation material with 15% of contractors reporting a shortage. This is the first time since Q2 2020 that steel shortages have been reported more than lumber shortages.

Contractors are also reporting bigger impacts from product shortages. According to those experiencing shortages, 64% report a high impact on projects this quarter, up from 46% in Q2. Meanwhile, 35% report a moderate level of impact on projects due to product shortages and 1% report no impact.

Contractors facing at least one material shortage:



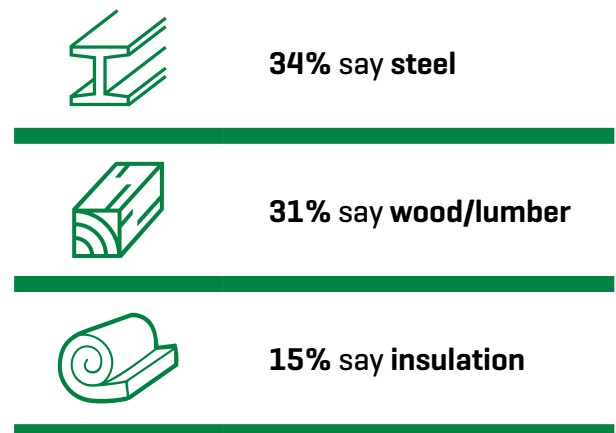
TARIFF AND TRADE CONCERNS LINGER AT NEW, HIGHER LEVELS

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

Last quarter, these concerns jumped, and this quarter concern has remained at elevated levels or even increased:

- **46%** 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 45% in Q2 2021.
- **44%** 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 four points from 40% in Q2 2021.
- **30%** expect high impacts from **trade conflicts with other countries**, the same as in Q2 2021.

Contractors top reported material shortages:



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 Q3 2021 survey conducted online from July 15 to July 18, 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.

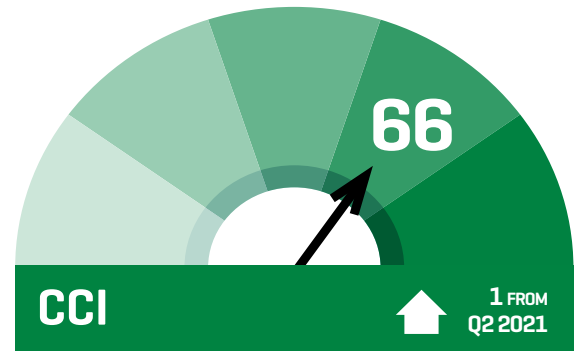
THIRD QUARTER SURVEY DEMOGRAPHICS

210 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. 39% of respondents are C-level, 31% are primarily involved on projects, 24% are estimators and 6% fall into the Other category.

REGIONS 31% do most of their project work in the Midwest, 28% in the South, 22% in the West, and 13% in the Northeast.



The Commercial Construction Index is 66 for the third quarter of 2021.

SIZE OF COMPANY 21% Large companies (\$100M and over), 42% midsize companies (\$10M to under \$100M), 36% small companies (Under \$10M)

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

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 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, visit: construction.com and thebluebook.com.

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