

Construction Market Conditions Report

Q4 2024

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Message from Our Experts



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We are pleased to share the Gilbane Q4 2024 Market Conditions Report. This quarterly report provides a national macroeconomic view of the overall economy and its impacts on the U.S. construction industry, focusing on market-driven data, end-to-end supply chain constraints, equipment and material availability, costs, and risk mitigation strategies.

This quarter, in addition to our interactive Geographic Insights, our Supply Chain Spotlight focuses on the impacts of recent severe weather events on global construction supply chains. Our overarching goal is to be your leading resource in supply chain management, construction equipment, and material resources. Reach out to our team of experts today; we're here to help.



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quarterly market conditions updates

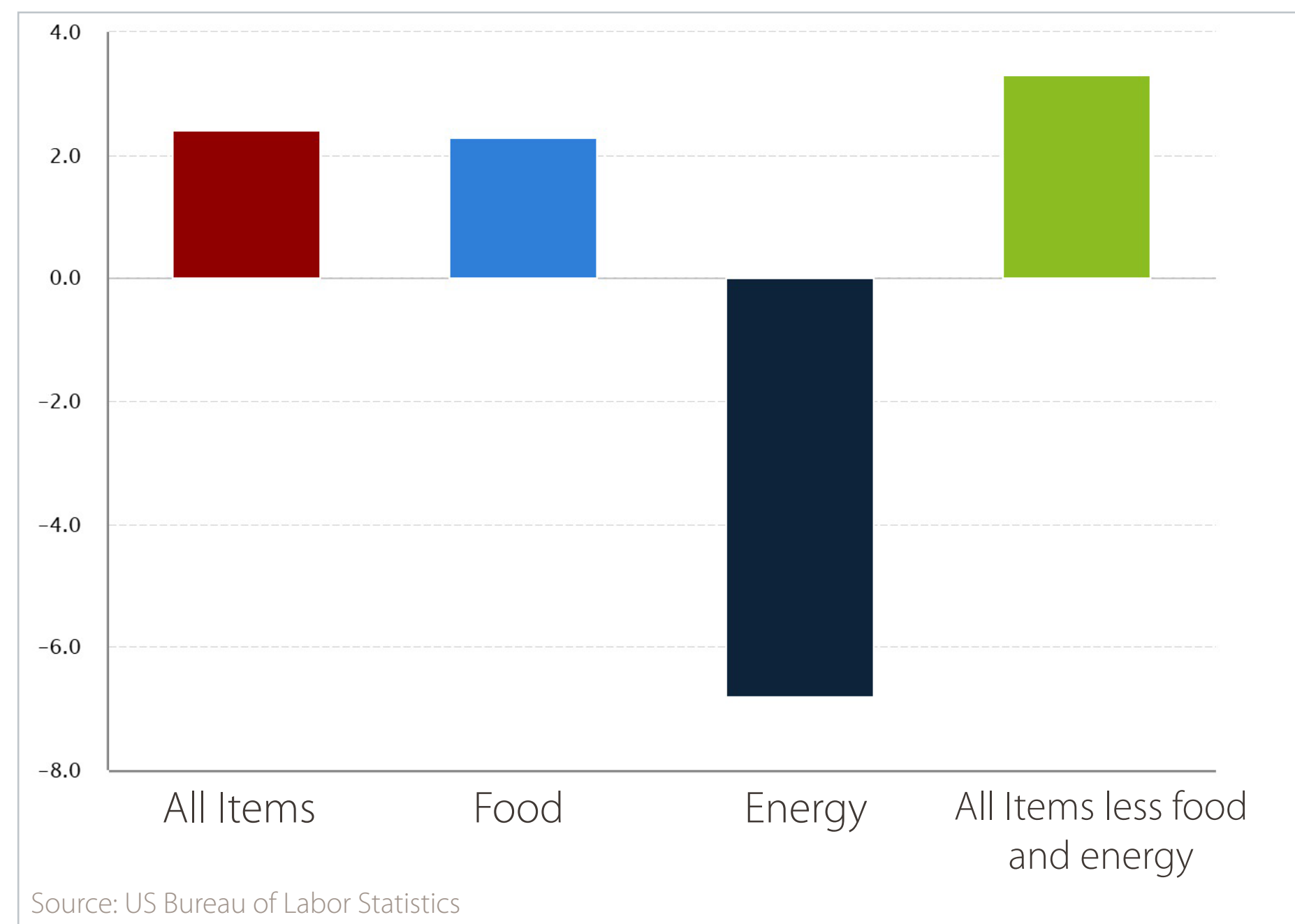
General Economic Outlook

The Fed's decision to cut interest rates by 0.5 percentage points signals optimism about the health of the U.S. economy, despite a marginal uptick in inflation in recent months. The most recent cut of 0.25 percentage points presents a "wait and see" approach.

- › Growth in consumer spending accelerated in the third quarter of 2024. Both real and current-dollar personal income, as well as real and current-dollar disposable income, have also increased.
- › Total non-farm employment increased by 12,000 in October, remaining relatively unchanged from September. The unemployment rate also remained unchanged from September, at 4.1 percent in October.
- › Real average hourly earnings increased 0.2 percent from August 2024 to September 2024 and are up 1.5 percent from September 2023 to September 2024. Earnings data for October is not yet available.

12-month percentage change, Consumer Price Index

Selected categories, September 2024, not seasonally adjusted



General Economic Outlook

Gross Domestic Product

- › Real gross domestic product (GDP) increased 0.7 percent (annual rate of 2.8 percent) in Q3 2024 from Q2 2024, according to the “advance” estimate released by the Bureau of Economic Analysis. In Q2 2024, real GDP increased 0.75 percent (annual rate of 3 percent) from the previous quarter.
- › The growth of real GDP in the third quarter reflects increases in consumer spending, exports, and federal government spending. However, growth has decelerated from the second quarter due to a downturn in private inventory investment and a larger decrease in residential fixed investment.
- › Construction contributed 0.23 percentage points to the annual growth in GDP in Q2 2024, the seventh-largest industry contribution overall and third-largest private goods industry contribution. Contributions to percent change in real GDP by industry group are not yet available for Q3 2024.
- › From Q3 2023 to Q3 2024, real GDP grew 2.7 percent.

Inflation

- › The Consumer Price Index for All Urban Consumers (CPI-U) increased 0.2 percent in September on a seasonally adjusted basis and rose 2.4 percent over the past 12 months, not seasonally adjusted, according to the U.S. Bureau of Labor Statistics. This marks the smallest 12-month increase in the CPI-U since February 2021.
- › The All Items Less Food and Energy Index rose 0.3 percent in September and 3.3 percent over the past 12 months. Following a 0.1 percent decline in June 2024, the first monthly decline since May 2020, the CPI-U has reversed trend and continued to tick upward in the following months.
- › Despite the slight uptick in inflation, the Fed made its first long-awaited interest rate cuts in September 2024. Following analyst projections, the Fed cut rates further at the beginning of November.

General Economic Outlook

Business Investment

- › Real gross private domestic investment grew 0.075 percent (annual rate of 0.3 percent) in Q3 2024 from Q2 2024, according to the “advance” estimate released by the Bureau of Economic Analysis. In Q2 2024, real private investment increased 2.075 percent (annual rate of 8.3 percent) from the previous quarter.
- › From Q3 2023 to Q3 2024, real gross private domestic investment grew 3.2 percent.

Government Investment

- › Real government consumption expenditures and gross investment rose 1.25 percent (annual rate of 5 percent) in Q3 2024 from Q2 2024, according to the “advance” estimate released by the Bureau of Economic Analysis. In Q2 2024, real government expenditures and investment increased 0.775 percent (annual rate of 3.1 percent) from the previous quarter.
- › From Q3 2023 to Q3 2024, real government consumption expenditures and gross investment rose 3.4 percent.

Corporate Profits

- › Corporate profits increased 3.6 percent in Q2 2024 from Q1 2024, according to the “third” estimate released by the Bureau of Economic Analysis. By contrast, corporate profits decreased 1.7 percent in Q1 2024 from the previous quarter. However, corporate profits were 10.8 percent higher in Q2 2024 than in Q2 2023. Preliminary corporate profits data for Q3 2024 is not yet available.
- › Corporate profits are a key measure of the financial health of corporate America, according to the Bureau of Economic Analysis.



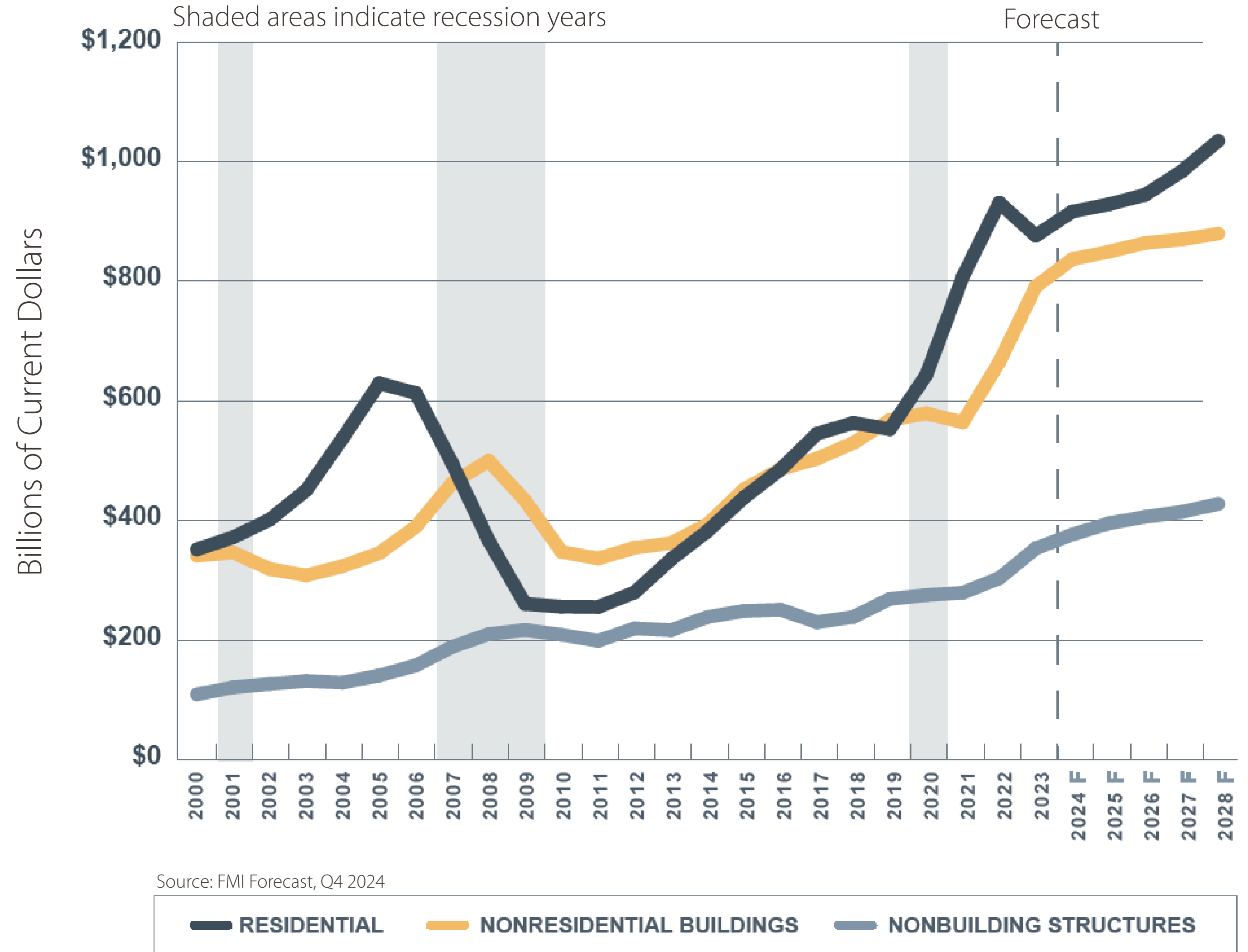
Construction Market Overview

The construction industry is expected to finish 2024 on a high note.

- › Total engineering and construction spending for the U.S. is forecast to end 2024 up 5 percent, just below 2023 growth of 6 percent, according to FMI. Total construction spending increased slightly in September 2024, rising 0.1 percent from August 2024. Meanwhile, construction spending in September 2024 was up 4.6 percent from September 2023, according to the U.S. Census Bureau.
- › High-performing segments in 2024 point to strong investment growth across manufacturing, public safety, amusement and recreation, and water supply, each with anticipated yearend growth of more than 10 percent above 2023 levels.
- › Construction demand continues to be strong for new data centers, industrial, manufacturing, and large infrastructure projects. FMI survey participants expect short- and long-term strength in education, healthcare, and manufacturing to drive industry opportunities over the next three years.
- › Strong backlog and volatility in the supply chains of some commodities, specifically in the electrical category, remain a risk to cost inflation for those products and support continued lead time challenges.

Construction Market Overview

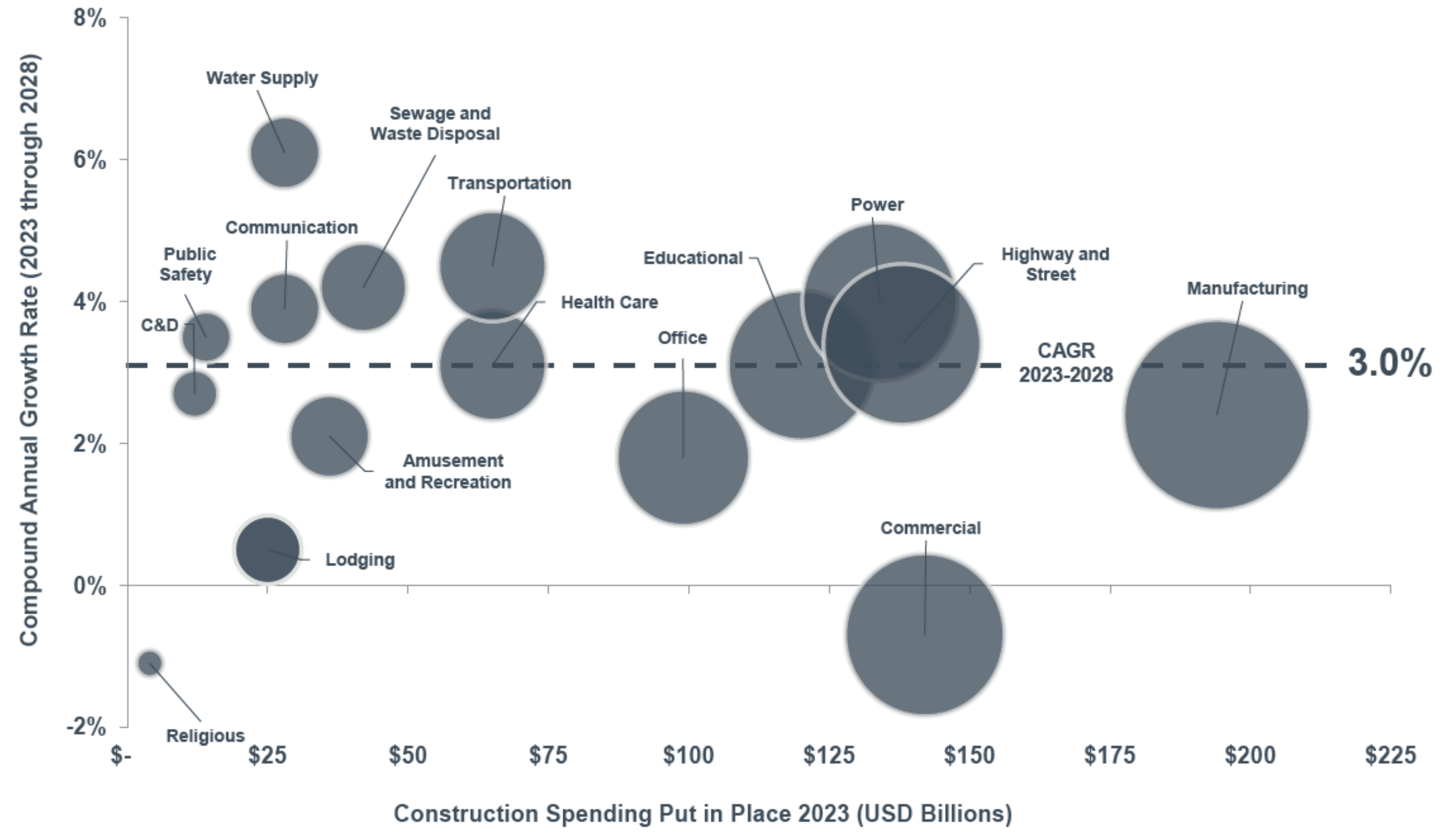
Total Construction Spending Put in Place Estimated for the U.S.



Construction Market Overview

Non-Residential Construction Spending Put in Place

Forecast Growth by Construction Segment



Source: FMI Forecast, Q4 2024

Construction Market Overview: Geographic Insights

New York:

NYC: In New York City, activity in the private sector has been quiet due to weak commercial demand.

Building owners continue to pursue office-to-residential conversions, which can be complex due to the required floor plan changes.

The public sector has been busy with large transportation, sports, entertainment, housing, and healthcare projects, with more in the backlog.

Labor remains tight due to an aging workforce.

Additional large projects will further limit the availability of trade contractors and materials. While material price volatility is stabilizing, lead times for specialty equipment remain extended.

NY State: The market in New York State has been busy with multiple large projects. Key segments include sports and entertainment, research and development, and manufacturing. As is the case with many regions, skilled labor has been tight. These large projects have been further straining the availability of skilled labor, particularly upstate.

Mid-Atlantic:

Labor shortages remain a chronic concern in the Mid-Atlantic region. Talent shortages have been worsening as workers are leaving the job market at a faster rate than new employees are entering it. However, work in Philadelphia has been slowing in the past three to six months, providing some relief.

In New Jersey, owner environmental goals have pushed natural gas generators over diesel generators. This trend has been limiting the pool of manufacturers that can meet project specifications. Lead times may increase as the preference for natural gas generators becomes more widespread. Due to current state tax incentives, film studio and sound stage projects are experiencing a boom in the New Jersey market. Opportunities in the healthcare market also remain plentiful, while higher education work is slowing. Meanwhile, the markets in D.C. and Maryland are busy in multiple areas, including K-12, healthcare, and higher education. There has also been some interest in office-to-residential conversions. Lead times for mechanical, electrical, and plumbing equipment continue to drive project schedules.

Southeast:

In the Southeast, lead times for electrical gear and equipment remain a challenge. Additionally, many electrical firms have full backlogs due to high demand from data center projects located in the region.

As more data center and manufacturing projects come to fruition, skilled labor shortages are expected to tighten into 2025. The biggest concern is the availability of mechanical, electrical, and plumbing labor. Meanwhile, material availability and prices have been holding steady.

Construction Market Overview: Geographic Insights

Midwest:

Construction demand has been healthy in the Midwest. Corporate, K-12, hospitality, and healthcare are among the most active markets in the western part of the region.

Life sciences, corrections facilities, and higher education are the most prominent projects in the eastern Midwest, although demand is expected to slow slightly in 2025. Despite the recent port strike and natural disasters, material delivery times have remained stable. As is the case with other regions, labor shortages remain a key issue.

New England:

In New England, lead times remain long for key pieces of equipment, particularly in the electrical category. Suppliers do not anticipate these lead times will decrease any time soon.

Rhode Island is experiencing an unprecedented boom in construction demand. Overall, the construction market here has slowed in 2024 compared to recent years. The life science and commercial markets continue to be sluggish, with a glut of available office space and life sciences facilities in some geographies.

Fortunately, the New England market is afloat with an abundance of "Meds and Eds", and spending there has been consistent, yet a bit slower. Investments in the industrial market are helping sustain construction activity as well.

Southwest:

In Texas, labor availability has improved since previous quarters. Trade contractors have been seeing stable prices and lead times, although material prices remain high.

Similarly, market conditions in Mexico have been stable but are subject to change following the recent election of the new president.

West:

Labor shortages continue to be a challenge in the West region. However, there are signs that shortages may begin to ease. Many trade contractors are seeking backlogs for 2025 and 2026 and employment has been on the rise in the region. Infrastructure, energy, and transportation are among the best-performing segments.

Architectural Billings Report

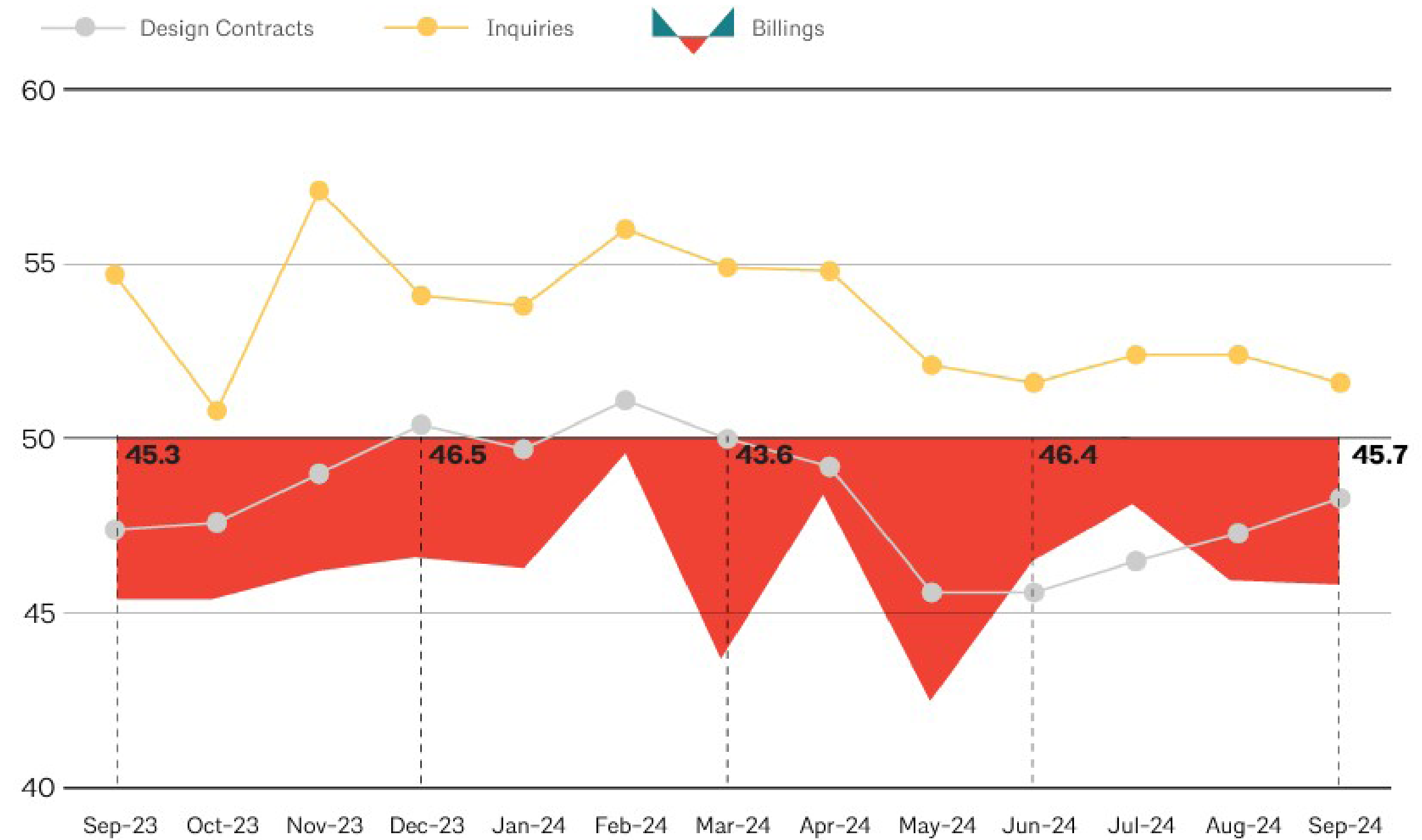
National

Architecture firm billings remain soft in September

Graphs represent data from September 2023–September 2024.



No change from previous period



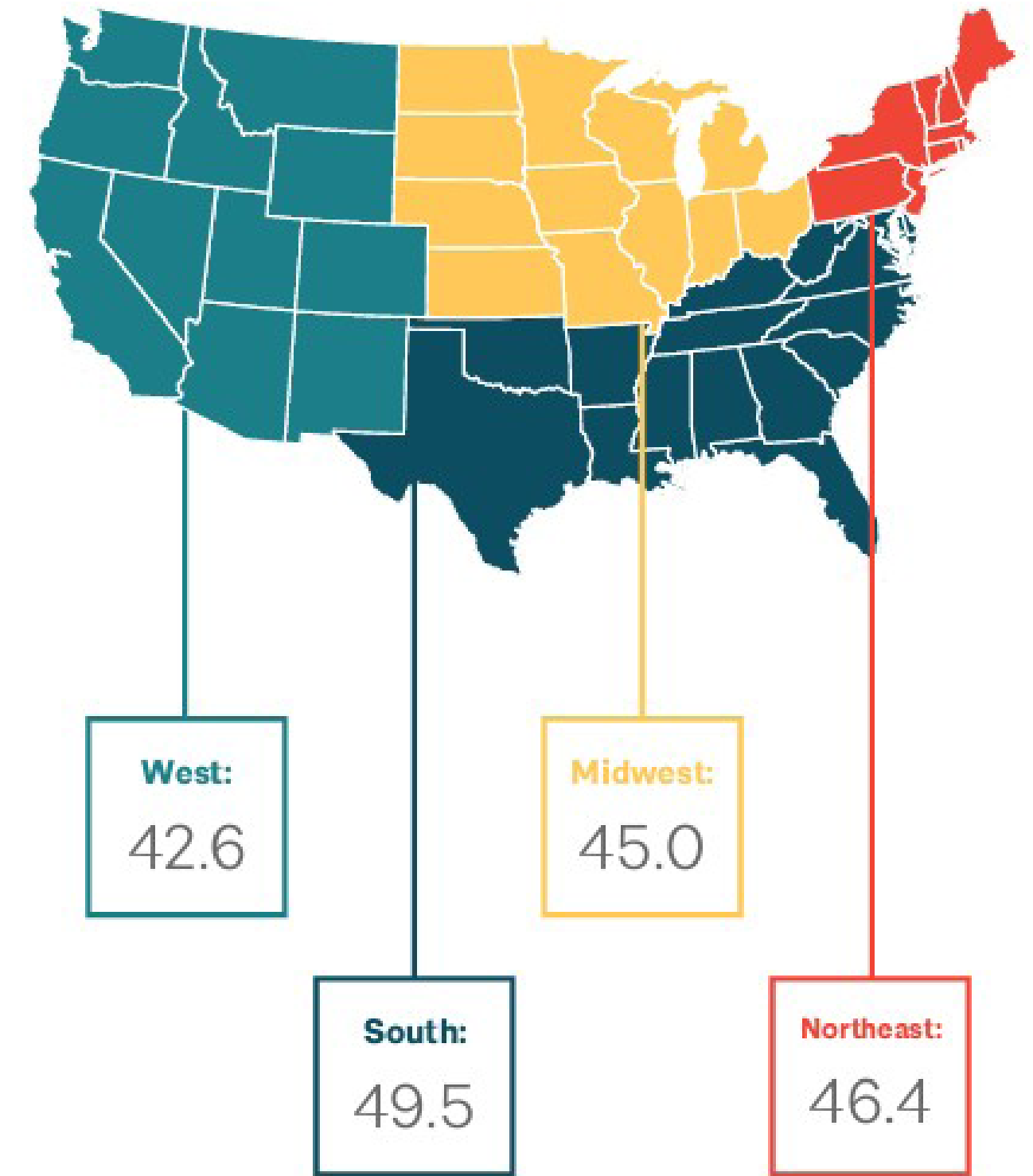
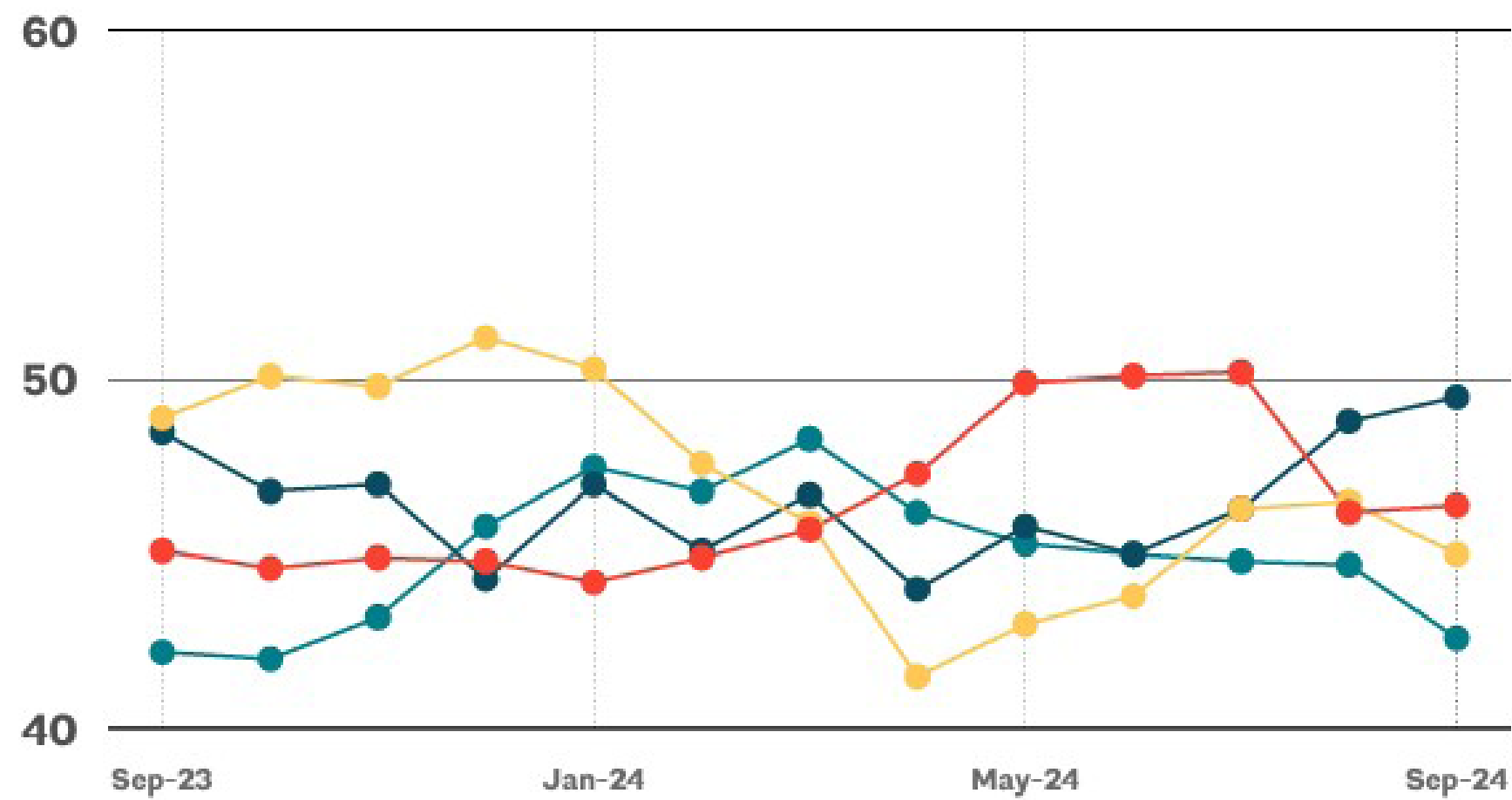
Source: American Institute of Architects (AIA)/Deltek, Architecture Billings Index (ABI), Oct 2024.

Architectural Billings Report

Regional

Business conditions generally remain weak across the country

Graphs represent data from September 2023–September 2024 across the four regions. 50 represents the diffusion center. A score of 50 equals no change from the previous month. Above 50 shows increase; Below 50 shows decrease. 3-month moving average.



Source: American Institute of Architects (AIA)/Deltek, Architecture Billings Index (ABI), Oct 2024.

Commodity/Input Cost Insights

Material Price Index

- › The Materials Price Index (MPI) by S&P Global Market Intelligence fell 1 percent in the fourth week of October 2024, with seven of the 10 subcomponents falling. The MPI sits 5.5 percent lower than the same week in 2023.
- › Declining rubber prices drove the decrease in the MPI during this week. Rubber prices fell 4.9 percent, the largest decline since January 2021. Fears of oversupply in Thailand, coupled with an increase in anti-dumping duties on Thai truck and bus radial tires were behind the decline.
- › Falling ferrous metal prices also contributed to this decrease in the MPI. Iron ore demand has remained weak despite the new stimulus measures in China. The MPI is a weighted average of weekly spot prices for a key collection of globally traded manufacturing inputs.

Materials Price Index by S&P Global Market Intelligence
(week 1 2002 = 1.00)



Date Compiled: Oct 28, 2024
Source: S&P Global Market Intelligence
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Commodity/Input Cost Insights

Producer Price Index – Inputs to Construction

- › The PPI – Inputs to Construction came in at 149.7 in September 2024, 0.5 percent lower than in June 2024, as reported by the U.S. Bureau of Labor Statistics.
- › The index has also decreased 0.9 percent year-over-year from September 2023. The index is down 4.7 percent since its peak in May 2022.
- › Prices for construction materials have dipped alongside a decrease in oil prices, according to Associated Builders and Contractors.

Producer Price Index - Inputs to Construction



Source: Chart Derived from Bureau of Labor Statistics Data

Commodity/Input Cost Insights

Construction Materials

The following chart illustrates year-to-date through September 2024 percent (%) changes for select materials.

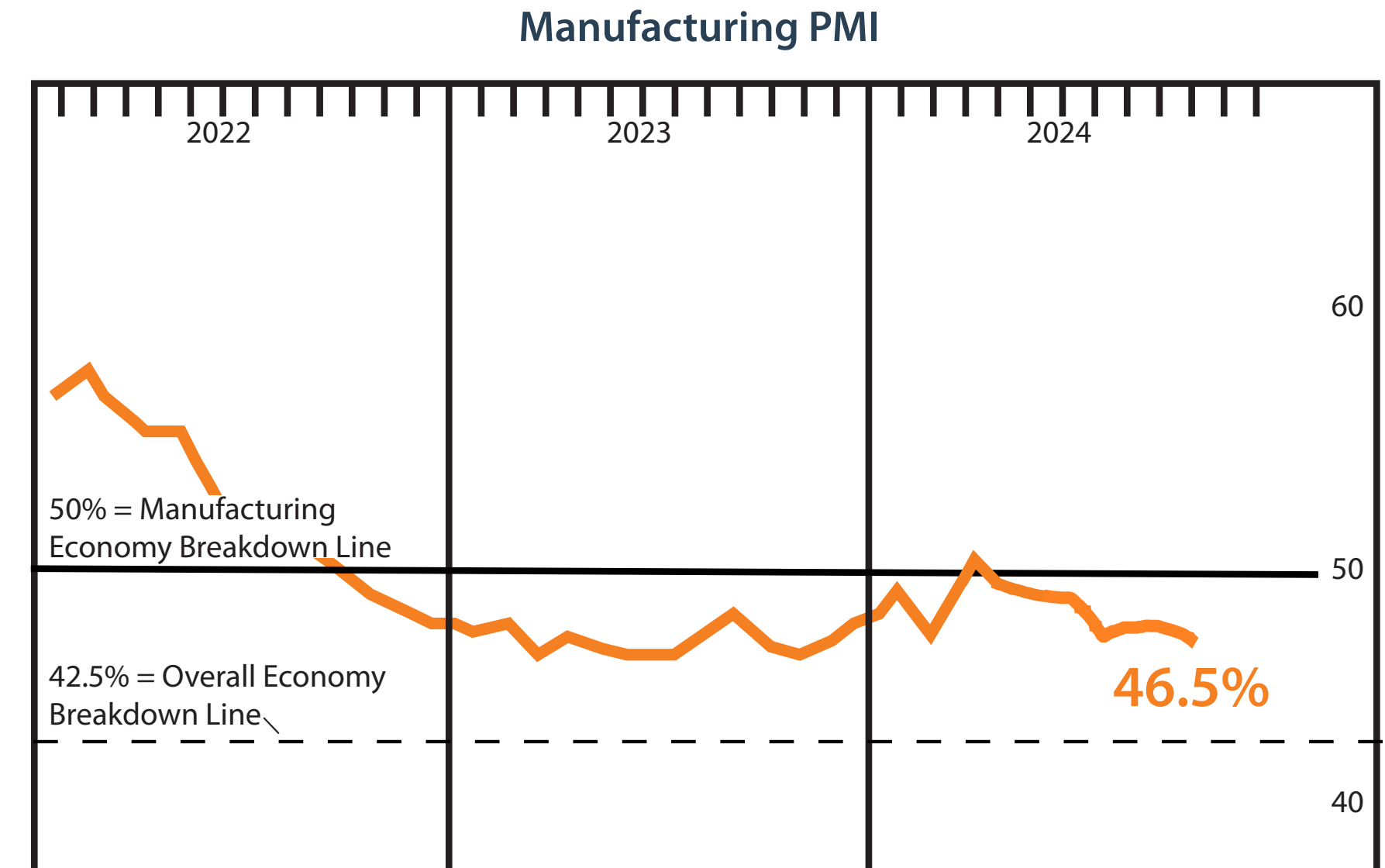
Material	% Change from last quarter	% Change Sep 2023 - Sep 2024	Material	% Change from last quarter	% Change Sep 2023 - Sep 2024
Ready Mix Concrete	1.6	4.5	#2 Diesel Fuel	-6.9	-36.1
Concrete Pipe	0.0	4.4	Aluminum Shapes	-2.5	2.7
Paving Mixtures and Blocks	0.0	2.6	Copper and Brass Shapes	-2.3	10.9
Lumber and Plywood	1.0	-1.6	Flat Glass	1.7	3.1
Steel Mill Products	-6.9	-12.3	Gypsum Products	0.1	5.1
Fabricated Structural Steel	0.5	-9.5	Steel Pipe and Tube	-2.8	-6.1

Source: Select data taken from AGC PPI Tables, Updated 10/10/2024 (compiled from www.bls.gov/ppi)

Supply Chain and Labor

Purchasing Managers' Index®

- › The U.S. manufacturing sector contracted in October for the seventh consecutive month and the 23rd time in the past 24 months. The Manufacturing Purchasing Managers' Index (PMI®) registered 46.5 percent in October, the lowest reading in 2024. This is reported by the Manufacturing ISM® Report On Business®.
- › While the New Orders Index grew 1 percentage point from 46.1 percent in September to 47.1 percent in October, it remains in contraction territory.
- › The delivery speed of suppliers to manufacturing organizations was slower in October, as the Supplier Deliveries Index registered 52 percent, 0.2 percentage points lower than the 52.2 percent recorded in September.



Source: Institute for Supply Management Report On Business, Oct 2024

Supply Chain and Labor

Purchasing Managers' Index®

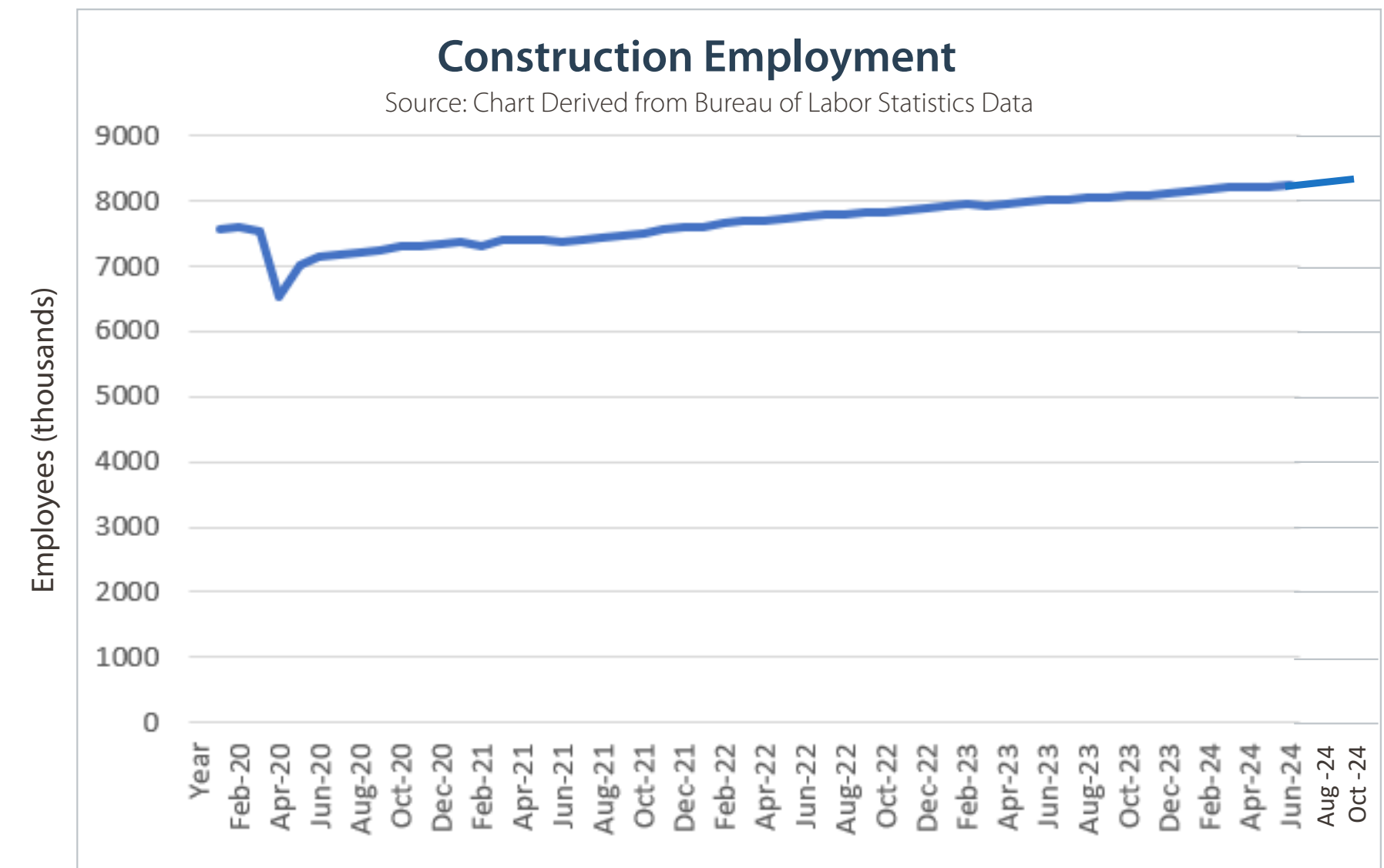
- › The Inventories Index registered 42.6 percent in October, 1.3 percentage points lower than the September reading of 43.9 percent. Contracting inventories make on-time deliveries more difficult, decreasing the accuracy of revenue projections and hindering customer service.
- › The Backlog of Orders Index decreased in October, registering at 42.3 percent, down 1.8 percentage points from the 44.1 percent recorded in September. Declines in production have been contributing to decreases in backlogs.
- › Electrical Components and Electronic Components are the materials and commodities most reported as in short supply by the purchasing executives responding to the ISM® Report on Business® survey.



Supply Chain and Labor

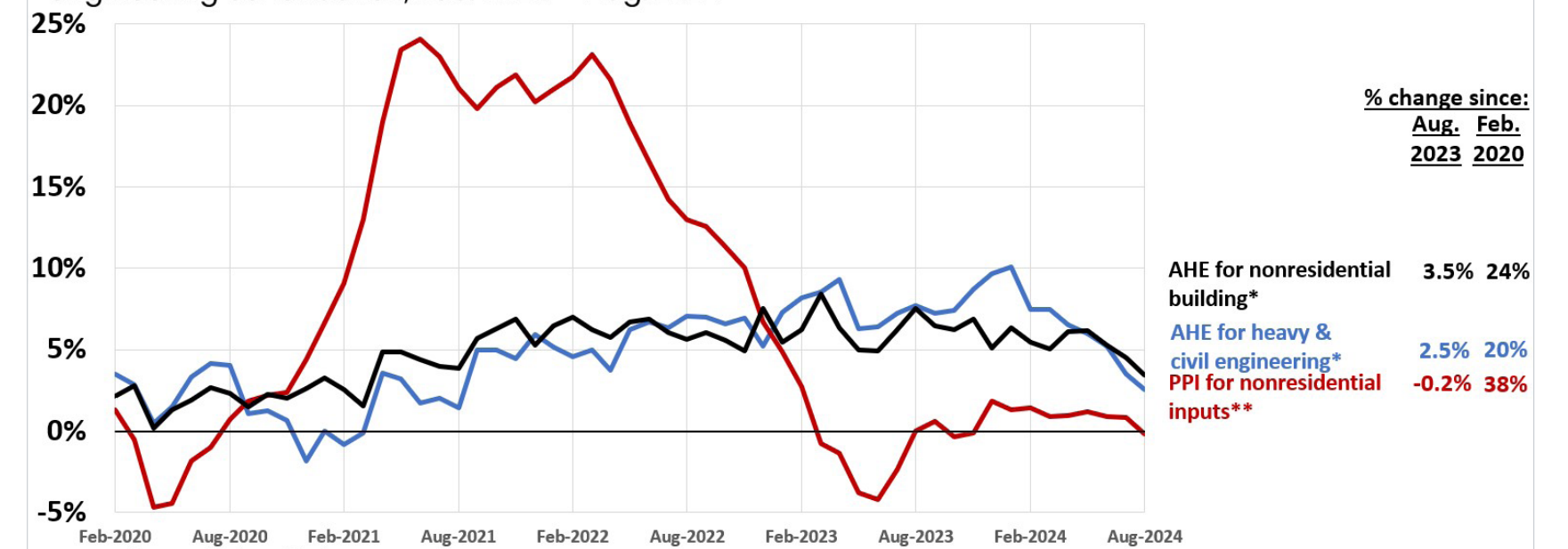
Labor Outlook

- › According to the U.S. Bureau of Labor Statistics, the unemployment rate for construction workers registered 4.2 percent in October 2024, 0.9 percentage point higher than it was in June.
- › The Bureau of Labor Statistics also reported an increase of 8,000 construction jobs in October.
- › Labor demand will likely ease somewhat beginning in 2025 as projects tied to the Inflation Reduction Act, Infrastructure Investment and Jobs Act, and CHIPS Act approach completion.
- › However, skilled construction wages are expected to rise around 3 percent in 2025 despite softening demand, according to S&P Global Market Intelligence.



Change in construction materials and labor costs, 2020-2024

Year-over-year change in producer price index (PPI) for nonresidential inputs and average hourly earnings (AHE) for nonresidential building and heavy & civil engineering construction, Feb. 2020 – Aug. 2024



9 | Source: Bureau of Labor Statistics, PPI, www.bls.gov/ppi/; AHE, <https://www.bls.gov/ces/>

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Supply Chain and Labor

Employment Cost Index

The following chart illustrates year-to-date through September 2024 percent (%) changes in the Employment Cost Index (ECI) for total compensation in select labor categories.

Labor Category	% Change Jun 2024 – Sep 2024	% Change Sep 2023 - Sep 2024	Labor Category	% Change Jun 2024 – Sep 2024	% Change Sep 2023 - Sep 2024
Private Industry Workers – All	0.6	3.6	Private Industry Workers – Construction	0.8	2.8
Private Industry Workers – All Union	0.7	5.8	Private Industry Workers – Mining, Construction, & Manufacturing – Union	0.8	4.7
Private Industry Workers – All Nonunion	0.6	3.4	Private Industry Workers – Mining, Construction, & Manufacturing – Nonunion	0.6	3.2

Source: U.S. Bureau of Labor Statistics (BLS) Employment Cost Index (ECI), Oct 2024

Supply Chain and Labor

Selected Equipment and Material: General Lead Times (from Internal Survey Results and Supplier/MFG data)*

Material	Lead Time	Cost	Explanation
Switchboards	35-65 weeks (longer for larger/complex)	Slightly Increasing	Manufacturers' schedules have become more reliable. Slight upward price pressure remains. Additional manufacturing capacity continues to come online.
Panelboards	12-30 weeks (longer for larger/complex)	Slightly Increasing	
Pad Mounted Transformers	35-104 weeks (basic transformer lead times are improving)	Slightly Increasing	
Switchgear LV	40-65 weeks	Slightly Increasing	
Switchgear MV	52-70 weeks (steady)	Slightly Increasing	
Generators	40-72 weeks (longer for larger generators)	Slightly Increasing	
Chillers (Water Cooled, <500 tons)	23-38 weeks	Stable	Demand remains strong. The backlog is steady. Price increases should be small.
Chillers (Water Cooled, >500 tons)	23-39 weeks	Slightly Increasing	
Chillers (Air Cooled)	23-38 weeks	Stable	
AHUs (Commercial Grade)	17-29 weeks	Stable	
AHUs (Custom)	28-46 weeks	Slightly Increasing	
RTUs (<50 ton)	17-29 weeks	Stable	
RTUs (>50 ton)	25-42 weeks	Stable	
Packaged Rooftop Heat Pumps	17-29 weeks	Stable	Decarbonization efforts are increasing demand. However, more manufacturers are entering the market, boosting supply and competition.
Modular Air-to-Water Heat Pumps	19-32 weeks	Slightly Increasing	

Supply Chain and Labor

Selected Equipment and Material: General Lead Times (from Internal Survey Results and Supplier/MFG data)*

Material	Lead Time	Cost	Explanation
Computer Room A/C units - Air	15-20 weeks	Stable	
Cooling Towers	13-21 weeks	Stable	
Lab Exhaust Fans	14-24 weeks	Stable	
Energy Recovery Units	13-22 weeks	Stable	
Exhaust AHUs	12-16 weeks	Stable	
Heat Recovery Skids	20-24 weeks	Stable	
Millwork	9-15 weeks	Slightly Increasing	
Elevators	25-41 weeks (up to 56 weeks for high rise)	Slightly Increasing	
Curtainwall	22-37 weeks	Slightly Increasing	
Roofing	12-20 weeks	Stable	
Steel	12-19 weeks (shorter for mill cycle)	Stable	Steel prices are moving according to global economic conditions, supply chain disruptions, and fluctuating demand.



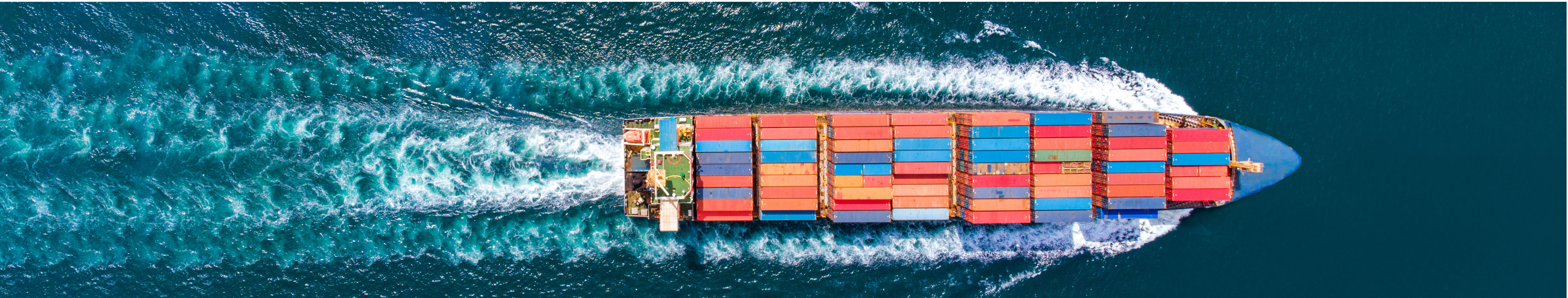
Reach out to our team of experts to support your project planning.

*Lead times are typical & indicative general ranges for each category and may differ based on specifications, requirements, manufacturer, production facility and other supply chain factors. Shorter lead times than those shown may be available for stock/quick ship catalog items and longer lead times may apply for large and more custom specifications. Lead times are after release of order or release to fabrication as applicable and does not include procurement cycle, submittals process, performance/witness tests, or transportation and these should be planned as applicable.

Supply Chain and Labor

Transportation and Logistics

- › Global container freight prices have been steadily falling since their peak in July 2024, according to Trading Economics. The Containerized Freight Index tracked by Trading Economics considers the most current freight prices for container transport from the most important ports in China.
- › Truckload capacity remains in a surplus nationally. However, the DAT Truckload Volume Index (TVI) declined seasonally in September from August for van (down 7 percent), reefer (down 7 percent), and flatbed (down 2 percent). National average spot truckload rates declined 3 cents from August to September due to lower fuel surcharges. Rates are expected to increase modestly in the coming months due to cyclical seasonal demand, according to DAT Freight & Analytics (via Business Wire).



Supply Chain Spotlight

Road Transportation

- › Flooded roads and damaged rail lines are hindering inland transportation in affected areas around the Southeast. Some routes are completely blocked by flooding, and trucking companies have been reporting major delays in moving goods from ports to their final destinations.
- › While logistics companies are rerouting shipments or turning to alternative modes of transportation, these solutions come with higher costs and longer lead times.
- › Trucking rates may also spike as Florida prioritizes using its limited capacity to transport food, water, and resources to rebuild.
- › Bulk goods like steel and chemicals that are heavily dependent on rail transportation are particularly vulnerable to these disruptions. Shipments of these goods are facing delays as track damage is assessed.
- › Manufacturers and other companies that rely on just-in-time delivery of goods may feel the impacts of these disruptions for up to three months.

Port Operations

- › Florida's ports are critical for handling imports of petroleum, construction materials, and consumer goods.
- › Hurricane Milton forced the state to close key ports, including Tampa Bay, Jacksonville, and Manatee. These port closures caused fuel shortages and shipping delays for steel and cement.
- › While the ports have since reopened, some ports, such as Port Tampa and Seaport Manatee, are maintaining restrictions on vessel size and operating hours. Specifically, vessel movements are restricted to daylight hours and one-way travel.

Manufacturing Operations

- › Many large manufacturing plants that produce key construction materials, such as electrical equipment and concrete, were either in or near the zone of impact for Hurricanes Helene and Milton.
- › Additionally, mines in Spruce Pine, North Carolina, which produce more than 80 percent of the world's supply of the quartz used to make semiconductors, solar panels, and fiber optic cables, were impacted by severe flooding. While the impacts are muted in the short term, there is concern about future shortages and price increases.
- › United States manufacturing operations have become clustered in the Southeast region of the country due to favorable tax and regulatory policies and a relatively high availability of labor.
- › The Southeast's vulnerability to extreme weather events, such as hurricanes and tornadoes, coupled with its high concentration of manufacturing facilities, poses a growing risk to supply chains as weather events become increasingly frequent and severe.

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