Q2 2023 SWINERTON Quarterly Market Analysis

County of Orange Civic Center, County Administration North, Santa Ana, CA

Public-Private Partnerships (PPP)

Over the last year, Swinerton has been keenly focused on the rise of Public-Private Partnerships, known as PPP or P3, in the civic and energy markets. Public-Private Partnerships offer counties, cities, and other government jurisdictions comprehensive solutions for the design, planning and development, construction, and operations of public projects, as well as access to alternative financing options, greater cost certainty for stakeholders, developer staff expertise, and value creation.

Griffin Swinerton is leading the development, financing, construction, and management of public facilities utilizing the PPP development method nationwide. The team's expertise has led to several high-profile social infrastructure successes, from the recently awarded Downtown East, a 29-acre development in Texas for the City of Pflugerville, and the McKinney National Airport Expansion in McKinney, TX, to the recently completed County Administration North, a new six-story civic center for the County of Orange in Santa Ana, CA.

GRIFFIN SWINERTON

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Market Analysis

The economic, financial, and political landscapes have remained relatively unchanged since the beginning of 2023.

In the United States, the seasonally adjusted Gross Domestic Product (GDP) grew by 1.1% in the first quarter, while inflation dropped significantly and the headline Consumer Price Index (CPI) rate fell below 5%. Meanwhile, the conflict in Ukraine continues to occupy world news headlines.

As detailed on page two of this publication, major construction indexes suggest improvements. Swinerton's internal material lead time research indicates that procurement durations decreased or remained steady in 79% of monitored items. This trend correlates with ENR's seasonally adjusted Building Cost Index, which is now half of what it was in the first quarter. It's fair to believe that this trend reflects the slight increase in construction confidence as the economy seeks to find equilibrium.

Swinerton Primed for Growth in Dallas

Swinerton's Dallas team recently relocated to its new office space in the up-and-coming East Quarter neighborhood. This move demonstrates our commitment to investing in and expanding the Dallas market. The city drives a strong and diversified economy, which is propelling job growth and construction starts. In a 2022 Dodge Data & Analytics study, the Dallas-Fort Worth area ranked second in commercial and multi-family construction starts.

Building on the solid momentum of the region, our Dallas office is poised for continued growth through 2024 with its healthy backlog. Currently, Swinerton is engaged in preconstruction work on a hangar at the McKinney National Airport. In addition to recently completing its new office space, the Dallas team is working within the technology, luxury, high-rise, office, and residential markets.

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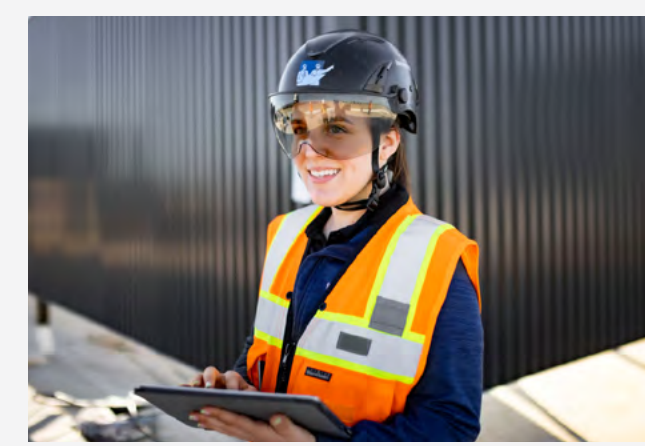
Facility Solutions: No Job is Too Small

Born from client demand for a reliable full-service partner, Facility Solutions delivers cost-effective and scalable service programs to maximize the quality of commercial real estate assets. From simple facility enhancements and repairs to minor renovations, our highly trained service technicians collaborate with owners and property managers to customize our services for each unique need. We partner on single renovations and establish ongoing building maintenance programs on a variety of corporate offices, retail spaces, distribution centers, critical facilities, and airports to ensure our clients' buildings stay up to date, are code compliant, and remain operationally efficient.

Facility Solutions provides a seamless transition between initial construction, building improvements, renovations, and maintenance. No job is too small; the Facility Solutions team supports our clients' service needs for the full life cycle of their building.



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Q2 2023

SWINERTON

Quarterly Market Analysis

Material Price Adjustments 2020 to 2023

SOURCES: IHS GLOBAL INSIGHTS, ENR, & BLS

NOTE: ESCALATIONS ARE ANNUAL AVERAGES

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				YEAR TO DATE
	2020	2021	2022	2023
ASPHALT PAVING	-3.1	3.6	16.9	12.0
CEMENT	1.1	4.0	9.7	5.9
REINFORCING BARS	-10.2	54.3	15.8	-8.7
CONSTRUCTION MACHINERY	1.8	4.5	10.5	3.9
FABRICATED PIPE	-0.3	17.7	15.4	4.0
GYPSUM PRODUCTS	0.3	15.9	17.9	0.4
LUMBER, SOFTWOOD	30.1	41.9	-5.4	-1.7
PLYWOOD	13.0	46.2	-1.9	-2.5
AGGREGATES	4.5	4.0	10.1	5.4
SHEET-METAL WORK	-0.3	11.7	9.5	-0.3
STRUCTURAL STEEL	-2.3	26.7	7.3	0.2

Total Construction Spending SOURCE: U.S. CENSUS BUREAU, MAY 1, 2023

Seasonally Adjusted Annual Rate (SAAR) Millions of Dollars

- TOTAL
- PRIVATE
- PUBLIC

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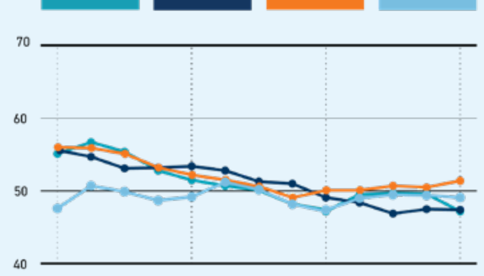
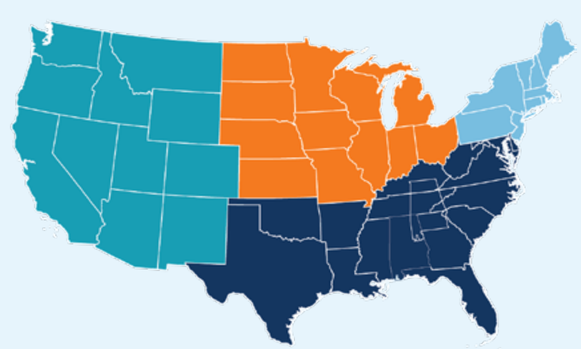
AIA Architectural Billings Index (ABI) SOURCE: AIA

West	South	Midwest	Northeast
47.2	47.4	51.4	49.1





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The Architecture Billings Index (ABI) is a leading economic indicator that leads nonresidential construction activity by approximately 9–12 months. A score of 50 equals no change from the previous month. Above 50 shows increase; below 50 shows decrease. 3-month moving average.

Construction Confidence SOURCE: ENR/BNP MEDIA

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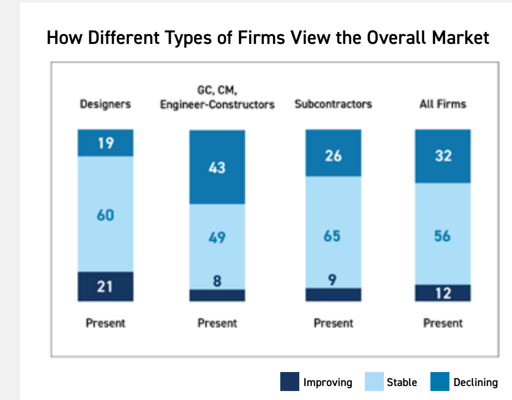

Building Cost Index SOURCE: ENR

ANNUAL INFLATION RATE
+3.5%
MAY 2023

1913=100	INDEX VALUE	MONTH	YEAR
BUILDING COST	8054.43	+0.7%	+3.5%
SKILLED LABOR	11662.68	+1.9%	+4.8%
WAGE $/HR.	64.46	+1.9%	+4.8%

The Building Cost Index was up 3.5% on an annual basis, while the monthly component rose 0.7%.

HOW ENR BUILDS THE INDEX

68.38 hours of skilled labor at the 20-city average of bricklayer, carpenter, and structural ironworker rates, plus 25 cwt of standard structural steel shapes at the mill price prior to 1996 and the fabricated 20-city price from 1996, plus 1.128 tons of portland cement at the 20-city price, plus 1,088 board feet of 2 × 4 lumber at the 20-city price.

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Construction Cost Index SOURCE: ENR

ANNUAL INFLATION RATE
+2.2%
MAY 2023

1913=100	INDEX VALUE	MONTH	YEAR
CONSTRUCTION COST	13288.27	+0.4%	+2.2%
COMMON LABOR	25030.16	+0.9%	+2.1%
WAGE $/HR.	48.18	+0.9%	+2.1%

The Construction Cost Index was up 2.2% on an annual basis, while the monthly component rose 0.4%.

HOW ENR BUILDS THE INDEX

200 hours of common labor at the 20-city average of common labor rates, plus 25 cwt of standard structural steel shapes at the mill price prior to 1996 and the fabricated 20-city price from 1996, plus 1.128 tons of portland cement at the 20-city price, plus 1,088 board feet of 2 × 4 lumber at the 20-city price.

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Lead Times

TREND: UP DOWN NO CHANGE

B SHELL		
B10 Superstructure		
Typical Wide-Flange	up to 12 weeks	NO CHANGE
Metal Decking	up to 10 weeks	DOWN
B20 Exterior Vertical Enclosures		
CMU	up to 12 weeks	NO CHANGE
Window Wall	up to 20 weeks	UP
Curtain Wall	up to 24 weeks	UP
Glass Handrail	up to 10 weeks	NO CHANGE
Metal Panel, Custom Color	up to 10 weeks	NO CHANGE
B30 Exterior Horizontal Enclosures		
Roofing	up to 32 weeks	NO CHANGE
PolyIso Insulation	up to 48 weeks	NO CHANGE
C INTERIORS		
C10 Interior Construction		
Insulation, Mineral Wool	up to 33 weeks	DOWN
C20 Interior Finishes		
Acoustical Tile	up to 10 weeks	NO CHANGE
Acoustical Grid	up to 12 weeks	NO CHANGE
D SERVICES		
D10 Conveying		
Traction Elevators	up to 38 weeks	UP
Hydraulic Elevators	up to 22 weeks	NO CHANGE
D30 HVAC		
Cooling Towers	up to 29 weeks	NO CHANGE
Air-Cooled Chillers	19–46 weeks	DOWN
Centrifugal Chillers	18–35 weeks	DOWN
Air Handling Units	16–40 weeks	DOWN
Package A/C Units	4–46 weeks	DOWN
Boilers	3–32 weeks	NO CHANGE
VRF Systems	6–24 weeks	UP
Humidifiers	6–18 weeks	DOWN
Pumps	up to 12 weeks	NO CHANGE
VAVs	up to 12 weeks	NO CHANGE
FCUs	9–16 weeks	DOWN
FSDs	up to 10 weeks	DOWN
High Plume Lab Fans	up to 30 weeks	UP
Utility Set Fans	up to 26 weeks	NO CHANGE
Inline Fans	5–26 weeks	NO CHANGE
VFDs	3–32 weeks	DOWN
Inline Pumps	up to 8 weeks	NO CHANGE
End Suction Pumps	up to 16 weeks	NO CHANGE
Split Case Pumps	up to 16 weeks	NO CHANGE
D50 Electrical		
Generators	35–70 weeks	DOWN
MV Switchgear	48–82 weeks	UP
LV Switchboards	30–85 weeks	DOWN
Substations	40–75 weeks	NO CHANGE
Distributions Panelboards	13–54 weeks	DOWN
Wall Mounted Panelboards	14–40 weeks	UP
MV Liquid-filled Transformers	42–85 weeks	UP
MV Dry Type Transformers	20–40 weeks	UP
LV Transformers	8–36 weeks	UP
Uninterruptible Power Supply, up to 1MW	4–50 weeks	DOWN
Uninterruptible Power Supply, 1.2–2MW	24–70 weeks	DOWN
E EQUIPMENT AND FINISHING		
E10 Equipment		
Appliances	up to 50 weeks	DOWN
G SITEWORK		
G30 Site Utilities		
DI Pipe	up to 24 weeks	DOWN
DI Fittings	up to 4 weeks	DOWN
Valves	up to 8 weeks	NO CHANGE
Hydrants	up to 18 weeks	NO CHANGE
DD Checks	up to 8 weeks	DOWN
RCP	up to 4 weeks	DOWN
Site Energy & Fuel	up to 16 weeks	NO CHANGE

NOTE: LEAD TIMES VARY DEPENDING ON THE MANUFACTURER