

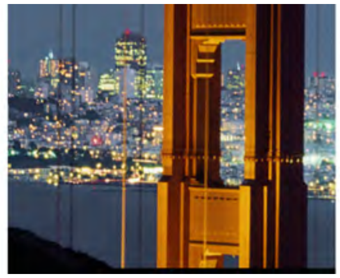
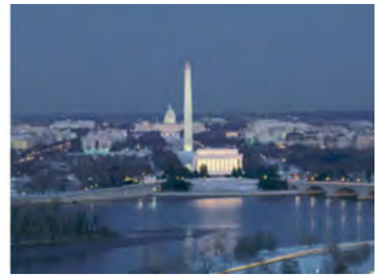

TBD MARKET REPORT

Fall 2021

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In this Edition:

General Market Update

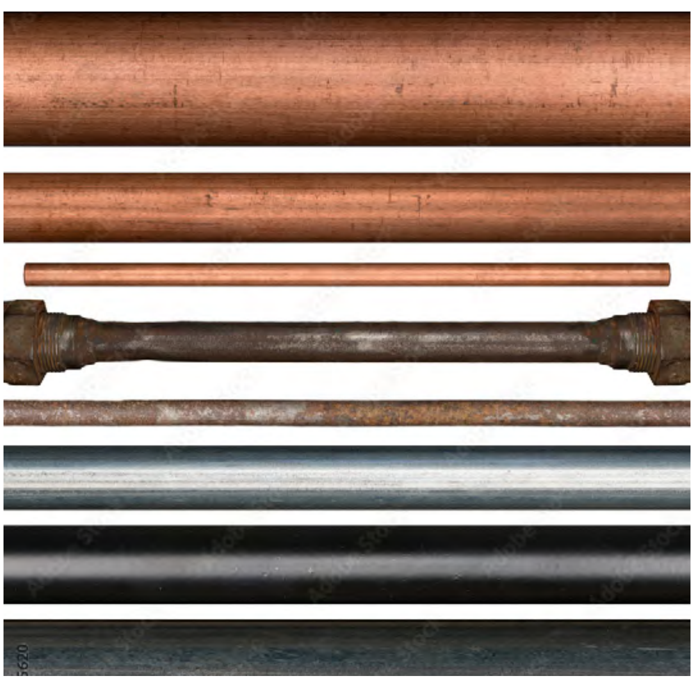
Covid 19 continues to dominate the news but there are definite signs of relaxation in certain sectors. Cross country travel to Canada and Mexico and parts of Europe will be possible soon, albeit with vaccination and testing as part of the procedure.

With some exceptions, returning to the office for design teams and engineers is still projected to be adopted in early 2022. However, many professionals have changed their attitude to work life balance and it is very questionable how many days per week they will be back in the office, if any. (Working to live not living to work).

The construction industry is coming out of a robust period of recovery in the Spring of 2021 and is experiencing headwinds. There are now ongoing pressures of elevated material costs, extended material delivery times, labor shortages and reduction in demand for selected types of real estate.

Although there is a healthy pipeline of nonresidential projects starting or in design, fewer projects are breaking ground - a trend that may continue for the balance of the year. The Dodge Momentum Index has fallen for the last three months showing the momentum this spring has now tapered down. No doubt the current market factors are dampening down activity and optimism.

Steel prices have been climbing all year with current spot pricing for sheet steel about four times as much as during the summer of 2020. Prices for other raw materials like copper, nickel and aluminum together with petrochemicals used to make plastics and other construction materials, have all shown substantial increases this year. Only good news is that lumber pricing has retreated by 75% from the high price earlier this year.



There are pockets of strength in some sectors. These sectors include Biotech, data centers, medical, education and warehouse projects (partly to support more industrial projects and online shopping). On the other side, the trend to online shopping, remote working, and less travel has a negative effect on the office, hospitality and retail sectors.

Despite the flurry of construction activity many projects are experiencing delays due to material price increases and supply problems while other projects have gone through radical redesign because of shifting demands in certain sectors.

The recent AGC study showed that 88% of respondents reported that projects have experienced delays due to shortage of materials or delivery delays. 93% reported that material prices have affected their projects and more than a third reported being unable to pass those costs onto project owners.

As the industry is looking ahead to the remainder of 2021 and beginning of 2022, the expectation is first half of 2022 will not be as robust as 2021 partly due to the lingering construction material pricing volatility.

However, as factories return to normal levels of productivity and logistical bottlenecks at US ports ease, the overall inflationary pressures may ease. This should support and sustain a higher demand for construction activity in the second half of 2022.

Labor and Material Pricing

In last 12 months, to the end of September 2021, the Covid and supply chain factors have had significant effect on lead times and the cost of materials. Added factors include oil price increases (headed towards $90/Barrel), some natural weather-related disasters e.g., Texas winter storms, and the cost of transportation and lack thereof. In many ways, we have the perfect storm to create a volatile market mix.

A sample list of common raw products and the reported price escalation in the last 12 months could be summarized as follows:

Item	Percentage Increase
Steel Mill products	115%
Copper, Brass	45%
Aluminum	35%
Plastic products	30%
Gypsum Products	23%
Lumber, plywood	16%

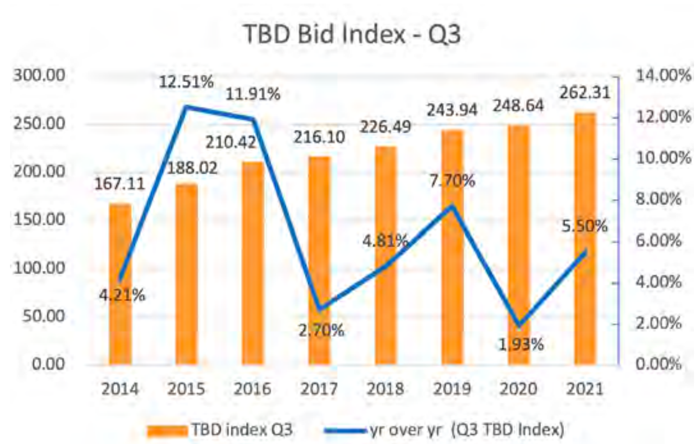
Lumber/Plywood is the only material above where costs have dropped dramatically in the last three months

Many of the supply chain constraints make life very difficult for suppliers to quote material prices more than a few days in advance of orders. Supply warehouses stock levels are very bare, especially within the electrical trade. Expect qualifications added to bids to cover for future price increases from time of bidding.

Although every trade is different, the labor increases in 2021 should be in the range of 3-4% which is typical with each wage agreement (typically agreed for multiple years).

Escalation

Prior to COVID escalation the TBD Bid Index averaged 7-8% for the previous 5-6 years (Jan 2014 - Jan 2020). The year 2020 carried modest escalation due to the COVID outbreak, the uncertainty, and the need to fill order books.



Looking forward to the coming years we are anticipating the following rates of escalation (compounded) to be above historical norms (typically in the range of 3.5-4.0%)

Year	Range
2021	5-6%
2022	4.5-5.5%
2023	4.5-5.0%
2024	4.5-5.0%
Further years	4.5-5.0%