



## Building Through Cycles

Construction Industry Market Update

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A timely update on key trends shaping the industry – from interest rates and financing to labor, material costs, and regional demand.

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### Today's Agenda

01

#### Macro & Markets: The Big Picture

Slower growth, cooling inflation, and renewed geopolitical shocks reshaped market expectations.

02

#### Interest Rates & Financing Landscape

Fed policy, credit conditions, and project finance.

03

#### Labor Market Dynamics

Workforce availability, wages, and productivity.

04

#### Material Costs & Supply Chain

Commodity pricing, lead times, and risk management.

05

#### Regional Demand & Sector Trends

Where capital is flowing and growth sectors.

06

#### Strategies for Resilience & Growth

Actionable insights to position your business.

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SECTION 01

## Macro & Markets: The Big Picture

Slower growth, cooling inflation, and renewed geopolitical shocks reshaped market expectations.

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## Global Markets Backdrop




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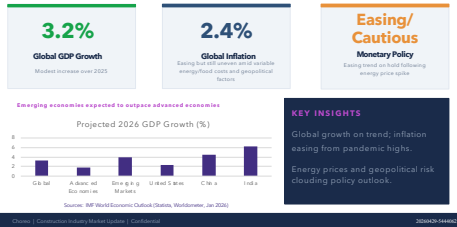
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## Global Macro Backdrop




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## Crude Oil Market Overview




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## U.S. Gasoline Price Trends

**\$4.52**

Avg. Gas Price  
National avg. 5/17/2024

**+60%**

YTD Increase  
From \$2.83 on Jan. 1

**\$4.56**

2024 Peak  
Highest since summer 2022

U.S. AVG. GASOLINE PRICE (\$/GAL)



### KEY INSIGHTS

At \$4.52/gal, prices are approaching 2022 highs and triggering consumer budgets and project-transport costs.  
Rising fuel costs add 2-4% to construction logistics, diesel and equipment operating expenses climbing in parallel.

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## Key U.S. Economic Indicators

**2.0%**

GDP Growth  
Q4 2023

**4.3%**

Unemployment  
Stabilizing

**2.4%**

CPI Inflation  
Moderating but above Fed target

U.S. QUARTERLY GDP GROWTH (%)



### KEY INSIGHTS

GDP growth at 2.0% signals a soft landing, but tariff uncertainty clouds the near-term outlook.  
Unemployment at 4.3% reflects a cooling labor market – easing wage pressure while raising recessionary watch.  
Inflation at 2.4% nears the Fed's target, but energy and trade policy risks could reignite price pressures.

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## Macro & Markets: Construction Industry

Varied pace of growth, costs and inflation depending on construction sub-sector.

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## Construction Sector: What Is Moving the Needle

Economic data and industry-specific catalysts shaping construction demand, spending, and growth trajectories into 2025.



**KEY TRENDS & CATALYSTS**

- Federal infrastructure is the primary engine.** 10%+ CAGR for four years.
- Data centers are the fastest-growing segment.** Spent more than doubled in 2023, driven by AI demand.
- Total spending growth normalizing to 2-3%** after five years of 4-6% gains.
- Residential under pressure:** Affordability and lending constraints limiting new starts.
- Tariff risk could add 5-10% to costs:** Copper, steel, and other materials. Reciprocity, trading critical.
- Cost inflation running 2-4% annually:** Equipment costs rising faster at 4-6%.

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### TRIVIA

Which U.S. metro area has been the fastest-growing over the past five years?

- A. Phoenix, AZ
- B. Austin, TX
- C. Nashville, TN
- D. Raleigh, NC

**Answer: B - Austin, TX**

The Austin-Based Riski Group's research shows growth in 2019-2023, fueled by tech relocation, housing construction, and population migration from higher-cost states.

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## The Construction Cycle: The Good, the Bad, & the Opportunities

Understanding macroeconomic signals and cycle positioning to make informed strategic decisions.

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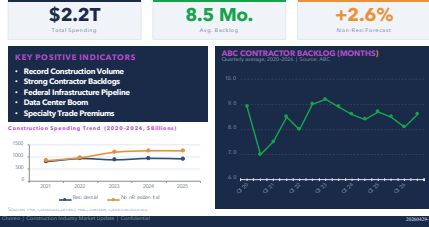
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## Construction Sector: The Good




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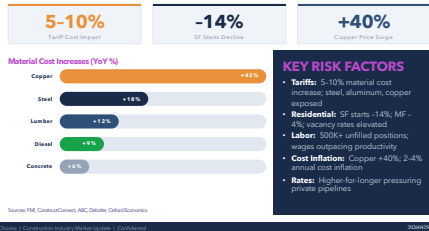
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## Construction Sector: The Bad




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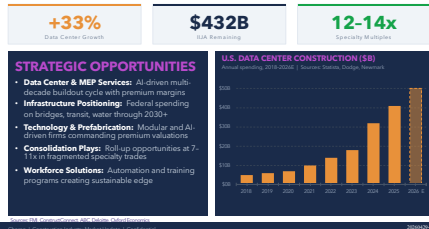
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## Construction Sector: The Opportunities




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SECTION 02

## Interest Rates & Financing Landscape

Fed policy, credit conditions, and what it means for project finance and deal economics.

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## The Rate Environment

After a historic hiking cycle, the Fed has begun cutting. But the path down matters as much as the destination.

### Federal Funds Rate



**Outlook:** Market expectations for the Fed rate path shifted dramatically amid the U.S./Israel conflict with Iran. The next rate cut is not likely until next summer. Expect rates to remain rangebound, thus providing more clarity for project financing.

Source: Federal Reserve (FRED), H1A, MBE, SPM, CBE, Deloitte, Bloomberg market data and public disclosure as of 01-02-2024

### Construction Loan Rate

**7.5-12%**  
Stable and near long-term averages but still elevated vs pre-2022 norms

### Cap Rates

**5-8%**  
Expanded significantly, compressing valuations

### Risk/Return Spreads

**+150-500 bps**  
Lenders in antitrust wider spreads erode opportunity

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## Financing Conditions: Tighter but Thawing

### Bank Lending

OUTLOOK

Regional banks selective post-2023 stress; CRE under scrutiny

### Equity Markets

SELECTIVE

Institutional equity cautious; preferred structures bridging gaps

### Private Credit

ACTIVE

Non-bank lenders filling gaps at premium pricing; bridge loans available

### Bond Markets

IMPROVING

Multi-issuer recovery; public financing more attractive

### Agency / GSE

STABLE

MF financing accessible via Fannie/Freddie; affordable housing loans enhanced

### Foreign Capital

MIXED

Some returning to gateway markets; currency and geopolitical headwinds

Source: Federal Reserve (FRED), H1A, MBE, SPM, CBE, Deloitte, Bloomberg market data and public disclosure as of 01-02-2024

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**TRIVIA**

**Which state had the biggest increase in construction spending last year?**

A. Texas

B. Ohio

C. Arizona

D. Georgia

**Answer: B. Ohio (+72.5% YoY)**

Ohio's nonresidential construction spending rose 72.5% in 2023, up from 1.1% in 2022, by massive data center investments from AWS. Ohio's total construction rose 102.5% in 2023, up from 4.1% in 2022.

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**SECTION 03**

## Labor Market Dynamics

Workforce availability, wages, productivity, and the long-term skilled trades challenge.

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### Construction Labor: Tight at the Top, Challenged Beneath

<b>8.0M</b> <small>Construction Jobs</small> <small>All-time high</small>	<b>7.0%</b> <small>Industry Unemployment</small> <small>Above 50yr average</small>	<b>+3.6%</b> <small>Avg Wage Growth YoY</small> <small>Outpacing Inflation</small>	<b>400K</b> <small>Projected Shortage by 2026</small> <small>AEC estimate</small>
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**Structural Challenges**

- 1 in 5 workers over 55
- Apprenticeship enrollment lagging
- Cross-sector competition for young workers
- Immigration uncertainty limiting supply
- Skilled trades gap widening

**Strategies to Win the Labor War**

- Invest in apprenticeship
- Use modular/prefab to cut field labor
- Adopt tech to boost productivity
- Build culture to retain talent
- Partner with trade schools

Wage pressure uneven: specialized trades (electricians, pipe, equipment) command significantly higher wages than general labor.  
Source: BLS, FHFI, AEC Industry Survey and government discharge (10-02-2024)

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## Let's Talk About Your Business

Whether you're a contractor managing project risk, a developer navigating deal economics, or an owner planning for the future - Chorco is here to help you build through every cycle.

**CONNECT WITH US**

**Ready to get started?**

[ChorcoAdvisors.com](https://chorcoadvisors.com)

Construction Industry Practice

Wealth | Retirement | Risk

Business Succession Planning

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Members advisory services offered through Chorco, LLC.

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## How Choreo Supports Construction Industry Clients

### Your Trusted Financial Partner

Deep expertise serving contractors, developers, and owners – financial planning with sector-specific insight.

[choreoadvisors.com](http://choreoadvisors.com)

#### Wealth Planning

Compensation, retirement, estate, and asset planning for owners.

#### Business Succession

Family succession, ESOP, or third-party sale planning.

#### Risk Management

Insurance, key-man, and D&O analysis for all firm sizes.

#### Investment Management

Portfolio diversification for owners building wealth alongside the business.

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### TRIVIA

Which Mid-Atlantic state is forecast to have the most construction growth over the next three years?

A. New York

B. New Jersey

C. Virginia

D. Pennsylvania

#### Answer: C - Virginia

Virginia leads the nation in data center construction – the industry's fastest-growing segment – with Richmond emerging as a key market and driving its new projects pipeline through 2028.

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