

# Turner MARKET CONDITIONS

FOR QUESTIONS OR MORE INFORMATION:

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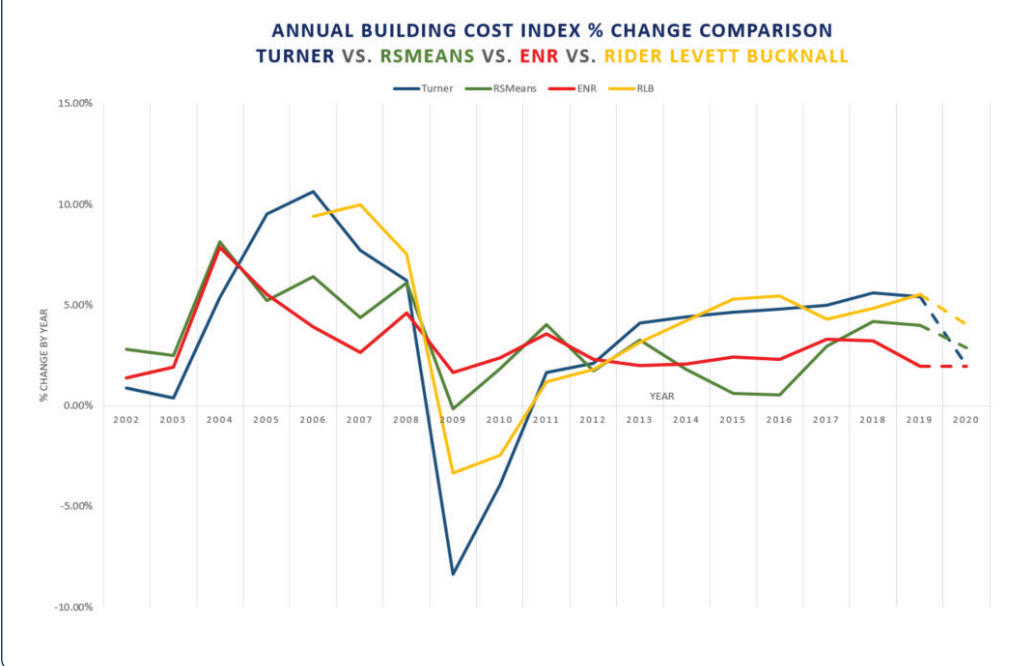
## National Trends + Local Impact

Nationally, the third quarter 2020 Turner Building Cost Index, which measures costs in the non-residential building construction market in the United States, has decreased from 1177 to a value of 1171. This represents a -0.51% quarterly reduction from the second quarter of 2020. In Q2, we saw a -1.01% quarterly reduction compared to Q1 (twice as much as this Q3 reduction). Are we starting to rise out of a market depression? It is too soon to tell for certain, but we are beginning to see projects ramp back up after being paused or slowed earlier this year. We are also witnessing minor increases for fabricated materials, which continues to be offset by subcontractor competitiveness in their efforts to secure backlog.

In Des Moines, we feel the market did not decrease in Q3 compared to Q2. It has remained steady at about a 0.16% increase from Q2, which is a sign of stability for the local design and construction economy. Still, we are well below the 1.15% quarterly increases we saw on average in the region over the last 5 years. The charts on the following page show graphically and numerically the national and local information that went into establishing our quarterly cost index. Increased land acquisition by Amazon in Altoona and Microsoft in West Des Moines, the recent ground breaking for Des Moines University, and the opening of the Hwy 141 flyover at the Urban Loop provide signs that we will see an increase in the market for Q4 2020 and into 2021.

### CONSTRUCTION ESCALATION INDICES COMPARISON

Please note the ENR and RSMeans indices are input indices that only measure certain labor and materials used in building construction. The Turner and Rider Levett Bucknall indices are output, or market price indices, that track labor, material, and the competitive condition of the marketplace.



## Market Segments

Fortunately, most construction continues as essential business and is a strong employment sector during this time. Our four-state region (MO, KS, IA, NE) has large projects and some busier market segments that help to sustain commercial construction. This includes projects such as aviation, data centers, and logistics spaces (warehouse / distribution centers). Healthcare is focused on non-elective care improvements, while also exploring new designs and strategies to better prepare for the future. Public safety improvements and multi-family residential continue to be active. Federal and life sciences work are on the rise. Spec office, entertainment/retail, hotel, and non-critical public sector markets continue to be in a lull during the pandemic.

There is potential for a resurgence in construction activity in late 2021. Projects that have been delayed due to the pandemic, or the fact that this is a presidential election year, are positioned to launch if we can develop and deploy an effective vaccine, or other method of virus suppression.

As always, if you have any questions, comments, or input that could help the construction community, please do not hesitate to contact us. Please stay safe out there, and stay healthy.



## TURNER AROUND THE METRO

THIS QUARTER

**DES MOINES UNIVERSITY**  
 Groundbreaking  
 West Des Moines  
 September 2020



**DES MOINES FLYING SERVICE**  
 Des Moines  
 International Airport



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# DES MOINES

Q3  
2020

# NATIONAL

## SUPPLY CHAIN OVERVIEW

The most recent Supply Chain Forecast indicates that the impacts of COVID-19 on the industry results in neutral to declining cost projections for most trades as we deal with outbreak hotspots in many parts of the country (and globally) with hopefully short-lived demand decreases, fabrication slow-downs, and interruptions.

As we move into the fall, many impacted manufacturers have adopted and adapted to increased social distancing, worker screening, disinfecting, and in some cases modified work shifts to account for reduction in available crews due to illness and quarantine of suspected cases. Most manufacturers report a return to at least 80% of their pre-COVID-19 capacity, though these impacts and the "new normal" have led to increased lead times at many facilities.

### MATERIAL

**Material Producer Price Index \***. The selling price in processed goods used or bought for construction.

In August 2020, total material inputs to construction had increased +1.4% since May 2020 and increased +2.2% since Aug 2019.

Material PPI - 8/20	Qtr	Yr
<b>Inputs to Construction</b>	<b>+1.4%</b>	<b>+2.2%</b>
Ready Mix Concrete	-0.2%	+0.9%
Steel Mill Products	-3.3%	-10.7%
Flat Glass	+0.1%	+1.0%
Aluminum Mill Shapes	+3.2%	-9.8%
Sheet Metal Products	-0.1%	-0.5%
Gypsum Products	-0.1%	+0.5%
Diesel Fuel	+77.4%	-7.3%
Construction Machinery	+0.0%	+1.6%

### LABOR

**Construction Employment Cost Index \***. The cost to employers for wages and salaries, employer share of benefits, and legally required payments such as unemployment and workers' compensation.

Through Aug 2020, construction wages and salaries had increased +1.4% from May 2020 and +3.9% since Aug 2019.

Construction Employment Cost Index	Qtr	Yr
Total Compensation	+1.1%	+3.3%
<b>Wages &amp; Salary</b>	<b>+1.4%</b>	<b>+3.9%</b>

**Construction Employment \***. The employment rate in construction, not seasonally adjusted.

Through August 2020, construction employment had decreased by 407,800 jobs (-5.3%) since the peak in February 2020.

Construction Employment	Jobs	%
6-month change	-407,800	-5.3%

### CONSTRUCTION PRICE

**Construction Producer Price Index \***. Change in Producer Price Index for Final Demand Construction for all non-residential construction and key sub-categories. Includes material costs, labor costs, and contractor overhead and profits.

In Aug 2020, final demand pricing for all new non-residential construction increased +0.2% from May 2020 and +2.0% since Aug 2019.

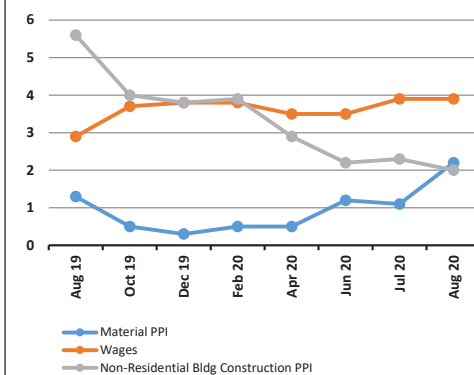
Construction PPI - 8/20	Qtr	Yr
<b>Non-Residential</b>	<b>+0.2%</b>	<b>+2.0%</b>
Office Building	-0.1%	+1.7%
School Building	+0.2%	+2.2%
Healthcare Building	-0.1%	+1.5%

### MATERIAL, LABOR & CONSTRUCTION PRICING

Graphic representation of tables to the left:

- MATERIAL** - Total Inputs to Construction Material PPI
- LABOR** - Construction Employment Cost Index
- CONSTRUCTION PRICE** - Final Demand Construction PPI

Over the 12 month period from Aug 2019 to Aug 2020, the Total Inputs to Construction Material PPI increased +2.2%, the Employment Cost Index increased +3.9%, and the Final Demand Construction PPI increased +2.0%.

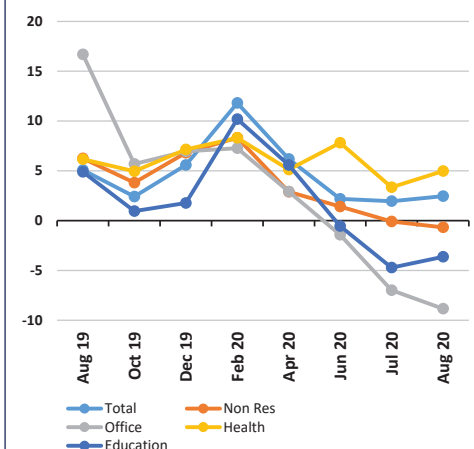


### CONSTRUCTION SPENDING

**Construction Spending - Value of Work in Place.** <sup>3</sup> Percentage change in private, non-Residential work in place in the last 1-month and 12-month periods.

Over the 12 month period from Aug 2019 to Aug 2020, Total Private Construction Spending increased 2.5%

Private - 8/20	Mo	Yr
Total	+1.4%	+2.5%
Non-Residential	-0.1%	-0.7%
Office Building	-1.0%	-8.8%
Education	+0.4%	-3.6%
Healthcare	-0.9%	+5.0%



### TURNER BUILDING COST INDEX <sup>1</sup>

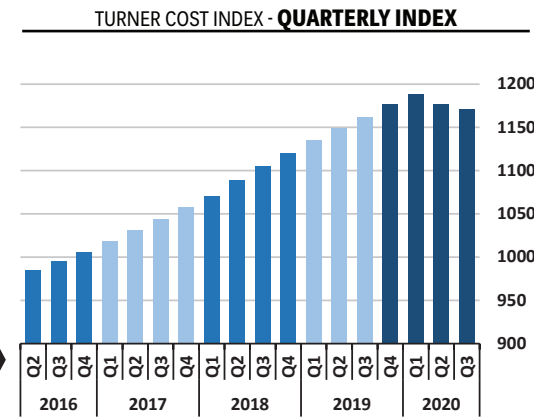
**The Turner Building Cost Index.** Determined by the following factors considered on a nationwide basis: labor rates and productivity, material prices and the competitive condition of the marketplace.

The 3rd Qtr index value of 1171 is a -0.51% decrease from the 2nd Qtr. The last four quarters indicate a cumulative 0.79% increase.

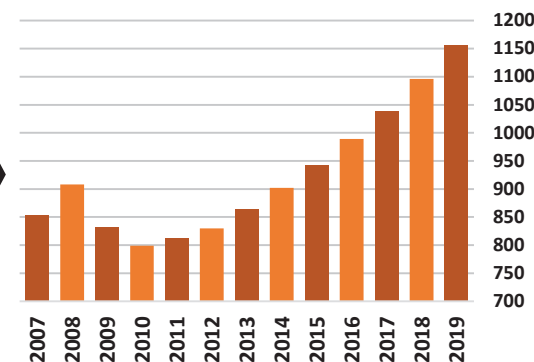
Last 4 Quarters	Index	Δ%
3rd Quarter 2020	1171	-0.51
2nd Quarter 2020	1177	-1.01
1st Quarter 2020	1189	1.02
4th Quarter 2019	1177	1.29

Year	Avg Index	Δ%
2019	1156	5.5
2018	1096	5.6
2017	1038	5.0
2016	989	4.9
2015	943	4.6
2014	902	4.4
2013	864	4.1
2012	830	2.2
2011	812	1.6
2010	799	-4.0
2009	832	-8.4
2008	908	6.3
2007	854	7.7

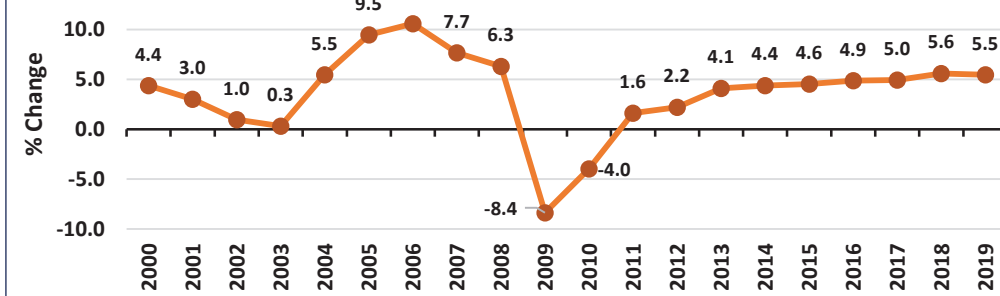
### TURNER COST INDEX - QUARTERLY INDEX



### TURNER COST INDEX - AVERAGE INDEX



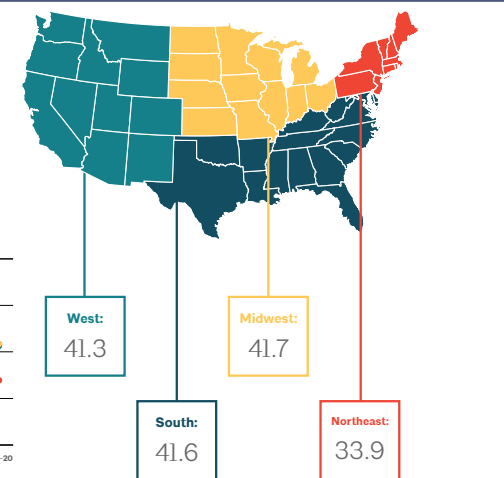
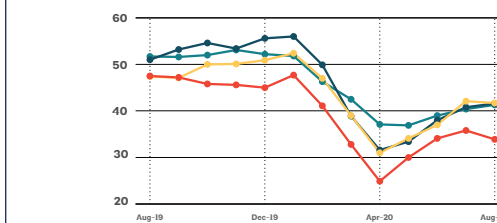
### TURNER COST INDEX - PERCENT CHANGE



### AIA ARCHITECTURAL BILLINGS INDEX

**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.

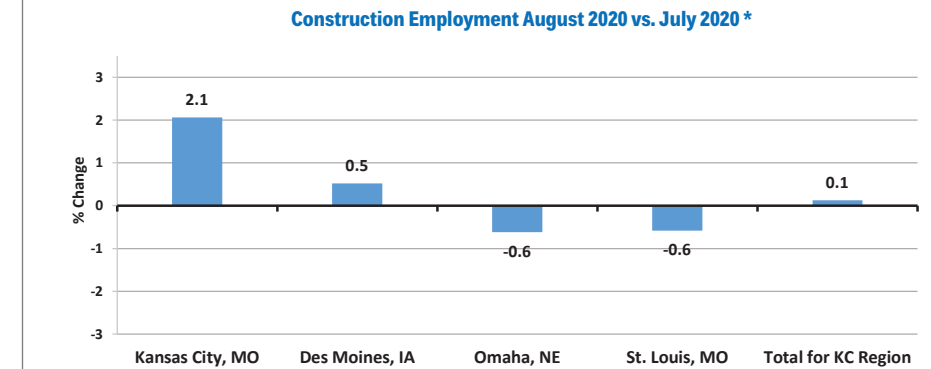
The August 2020 Architecture Billings Index remained at 40.0 for the 3rd consecutive month indicating a continued decrease in billings from the previous month.



# DES MOINES

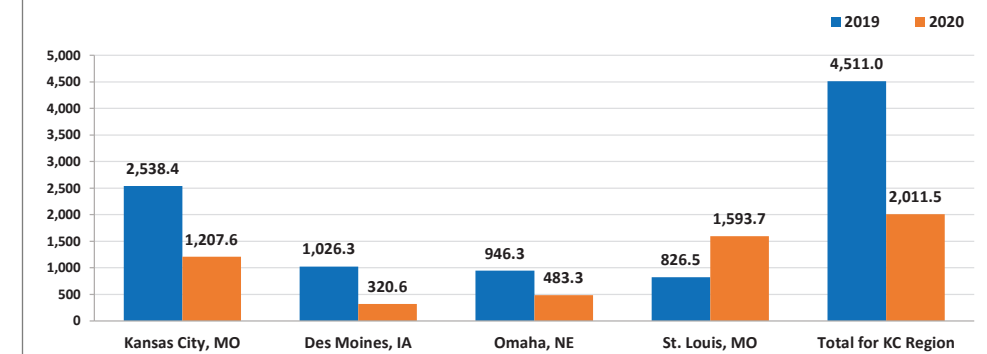
### CONSTRUCTION EMPLOYMENT

In August 2020, the Des Moines Region construction employment had increased +0.5% since July 2020.



### CONSTRUCTION ACTIVITY <sup>2</sup>

**Non-Residential Construction July 2020 vs. July 2019**



The cumulative construction contracts for new, additions and major alterations for non-residential building projects in the Des Moines Area is predicting a decrease from 2019 of 70%. This could be due to many factors including the COVID-19 constraints / economic factors, the reporting of a large airport terminal in 2019 and overall economic impact due to a presidential election year.

### QUARTERLY SUBCONTRACTOR SURVEY

	Wages	Labor Need	Material	Market	Price Impact
Concrete	↔	↔	↑	↘	↗
Steel	↔	↔	↔	↔	↔
Glass	↗	↔	↔	↘	↘
Drywall	↔	↔	↔	↘	↘
Elevator	↔	↔	↔	↘	↘
Mechanical	↑	↔	↑	↗	↑
Electrical	↔	↑	↑	↘	↔

### QUARTERLY LOCAL ESCALATION

3rd Qtr 2020 local market construction prices remained flat in comparison to the 2nd Qtr 2020.

Variance from previous quarter	
Material	↗
Labor	↔
Market Conditions	↘
Overall	↔



\* Bureau of Labor Statistics <sup>1</sup> Turner Construction Company

<sup>2</sup> Dodge Report <sup>3</sup> Census Bureau