

THE WEITZ COMPANY: CONSTRUCTION MARKET REPORT

SUMMER 2021



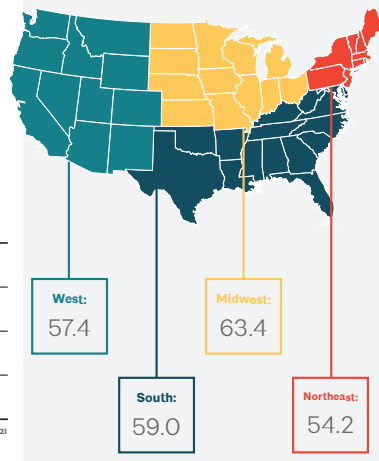
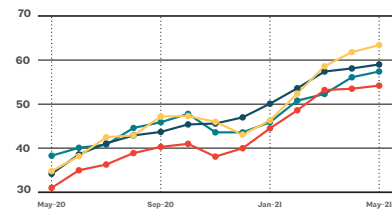
NATIONAL METRICS

ARCHITECTURAL BILLING INDEX

Regional

Business conditions remain strongest at firms in the Midwest

Graphs represent data from May 2020-May 2021 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.



The Architectural Billing Index is a leading indicator for construction activity, with a lead time of 9-12 months. Meaning Contractors will feel the impact following this period.

An index of 50 or higher indicates a growth market. While an index below 50 indicates a slowing market.

SOURCE: THE AMERICAN INSTITUTE OF ARCHITECTS (AIA)

ENR INDUSTRY CONFIDENCE INDEX

INDUSTRY CONFIDENCE INDEX

68

UP 17 POINTS

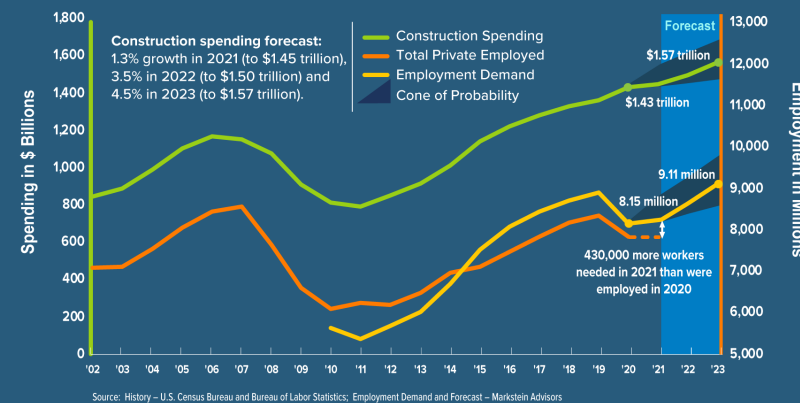
The Industry Confidence Index jumped 17 points, its highest quarterly jump in twelve years.

The Index measures the executive sentiment about where the current market will be in the next 3-6 months and over a 12-18 month period. A rating over 50 shows a growing market.

SOURCE: ENGINEERING NEWS RECORD

430,000
CONSTRUCTION
WORKERS NEEDED
IN 2021

CONSTRUCTION: \$1 BILLION IN EXTRA SPENDING CREATES 5,700 JOBS



Source: History - U.S. Census Bureau and Bureau of Labor Statistics; Employment Demand and Forecast - Markstein Advisors

CONTRIBUTORS

LARRY GRAEVE
Senior Vice President
Certified Professional Estimator with 35+ years of construction experience
larry.graeve@weitz.com



KYLE WEGNER
Director of Supply Chain Procurement leader with 20 years of construction experience
kyle.wegner@weitz.com



LABOR

CONSTRUCTION UNEMPLOYMENT RATE

NATIONAL UNEMPLOYMENT RATE

Feb 2021	March 2021	April 2021	May 2021
9.6%	8.6%	7.7%	6.7%

STATE UNEMPLOYMENT RATES

	JANUARY 2021	MAY 2021	DELTA
ARIZONA	6.7	6.7	-
CALIFORNIA	9.0	7.9	(1.1)
COLORADO	6.6	6.2	(0.4)
WASHINGTON D.C.	8.4	7.2	(1.2)
FLORIDA	4.8	4.9	0.1
IOWA	3.6	3.9	0.3
MINNESOTA	4.5	4.0	(0.5)
NEBRASKA	3.2	2.6	(0.6)
TEXAS	6.8	6.5	(0.3)
VIRGINIA	5.3	4.5	(0.8)
WASHINGTON	6.0	5.3	(0.7)

SOURCE: BUREAU OF LABOR AND STATISTICS

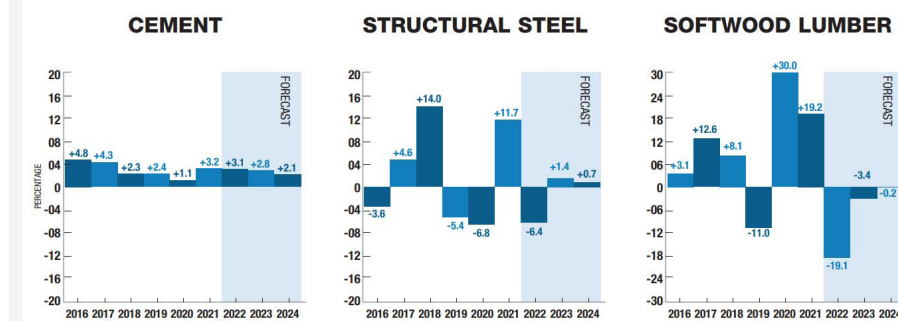
TRENDS & RECOMMENDATIONS

Optimism is growing in the construction as momentum picks up after essentially a year long pause. Both the Architectural Billing Index and Construction Confidence Index have risen significantly in Q2 2021, proof of the growth that is occurring.

Owners and Contractors have been dealing with the challenges of hyperinflation on commodities and longer lead times on a variety of products. However, we see signs that 2022 may yield some relief as supply catches up with demand and lead times get back to normal...or at least a new normal.

We expect the labor shortage to continue for the foreseeable future as the industry competes to bring more tradespeople to the field to meet the demand of increase active projects. In this tight labor market, our Core Values – Respect for People, Honest and Integrity, Long-Term Perspective, Nurturing Personal Growth, Performance with Absolute Reliability – are essential to our firm and retaining our talented workforce.

As the pandemic gets behind us, we expect to see a normalized inflation rate as manufacturing and production catches up to pre-pandemic levels. Below are some predictions by the ENR that illustrate this idea, showing decreases in Lumber and Steel and only minor increase in cement.

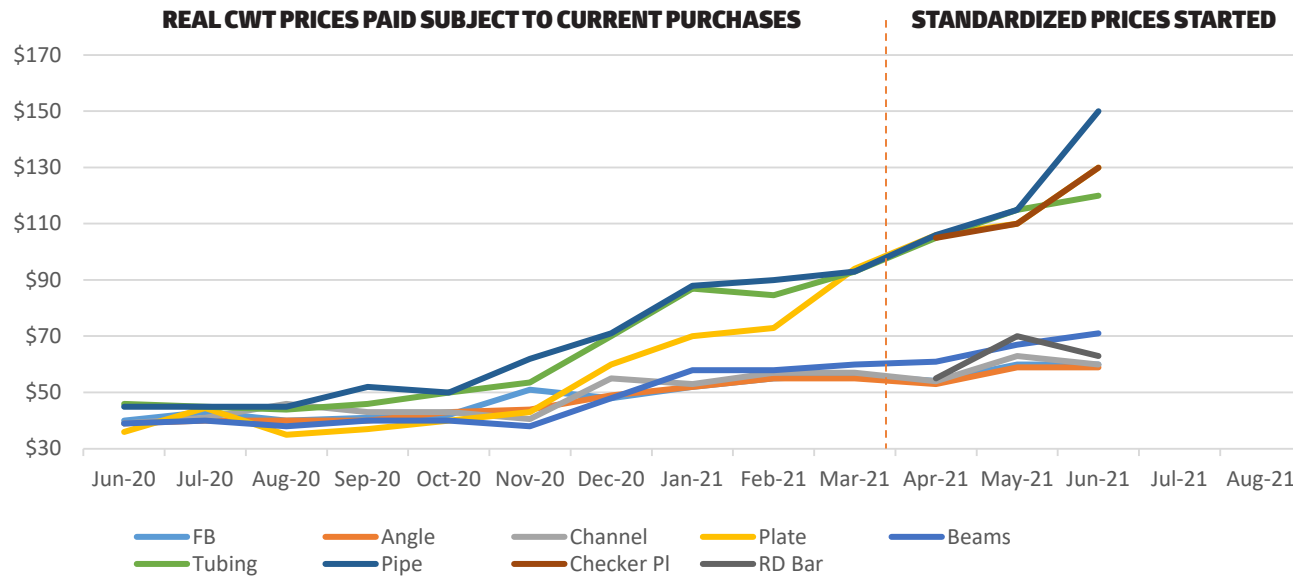


SOURCE: IHS GLOBAL INSIGHT

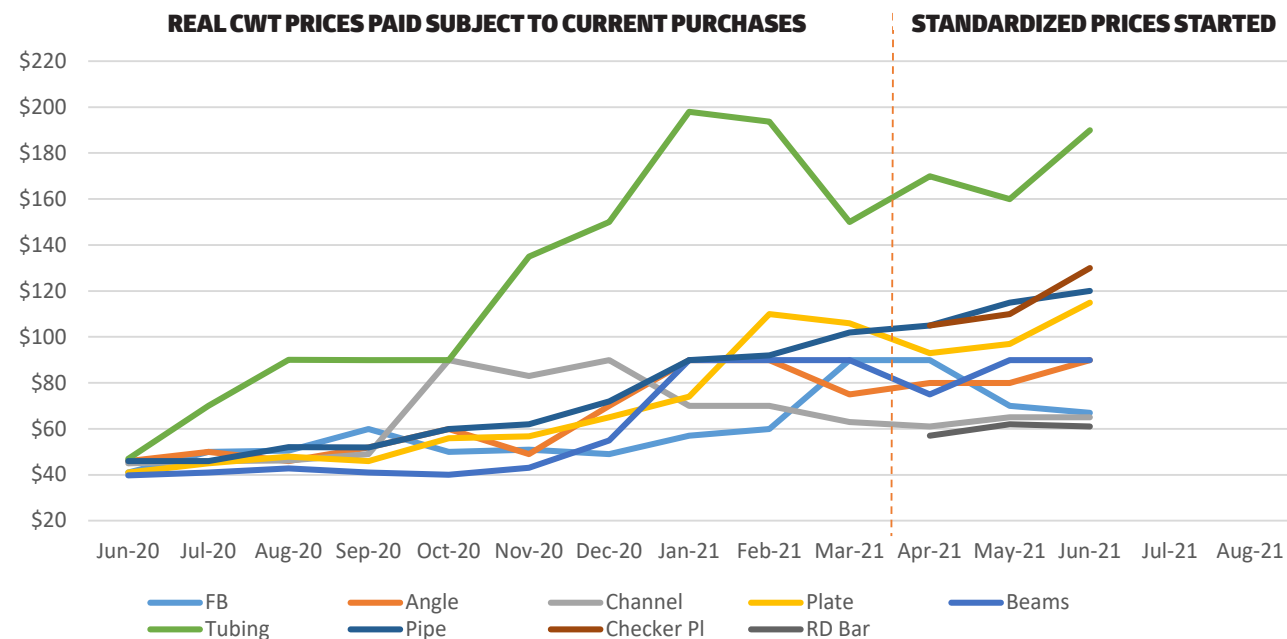
MATERIAL

STEEL PRICING

SMALL MEMBER STEEL CWT PRICES



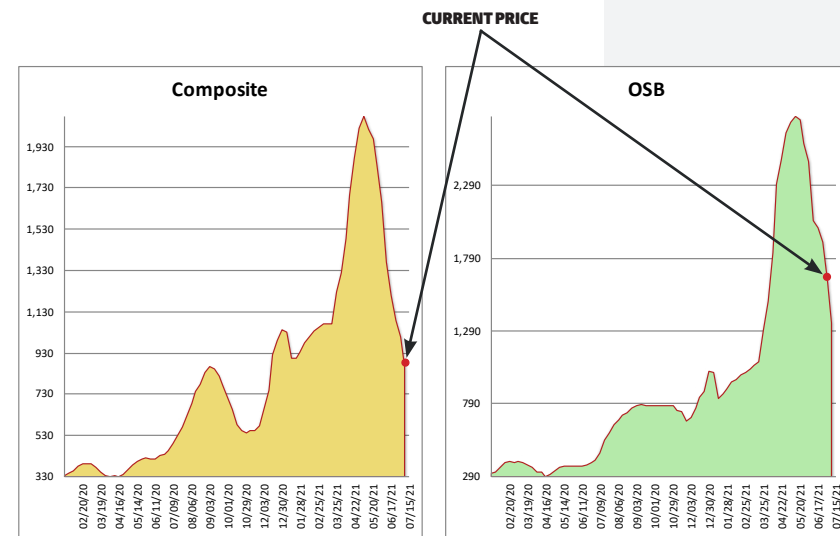
LARGE MEMBER STEEL CWT PRICES



SOURCE: THE WEITZ COMPANY - SUPPLY CHAIN - DATA AS OF JUNE 2021

LUMBER PRICING – MIDWEST REGION

	This Week	Weekly Change	Last Year
2X4 UTILITY SPF KD	670	-50	370
2X6 2/BTR SYP KD	590	-70	515
2X10 SYP KD	720	-150	515
2X12 SYP KD	770	-125	515
2X4 92-5/8 STUD SPF KD	625	-125	475
2X4 104-5/8 STUD SPF KD	800	-130	455
2X6 104-5/8 STUD SPF KD	880	-105	430
4X8 7/16 OSB	1066	-329	330
4X8 23/32 OSB T&G	1630	-240	480
Composite Average	861	-147	454



SOURCE: IDAPAC; IDAHO PACIFIC LUMBER COMPANY, INC. DATA AS OF 07/15/2021. ALL ITEMS PRICED AS A GENERAL MARKET GUIDE

Lumber components such as 2x4's have dropped dramatically since the peak in early May, but are still above prices from a year ago.

Sheathing prices for plywood and OSB have dropped, but are still **triple** the price from a year ago.

We anticipate prices to drop more as we continue to climb out of the pandemic.

ENGINEERING NEWS RECORD LABOR & MATERIALS INSIGHT

Building Cost Index +12.0%
ANNUAL INFLATION RATE JULY 2021

1913=100	INDEX VALUE	MONTH	YEAR
BUILDING COST	7006.95	+1.9%	+12.0%
SKILLED LABOR	10826.64	+0.1%	+1.6%
WAGE \$/HR.	59.84	+0.1%	+1.6%

Materials Cost Index +4.5%
MONTHLY INFLATION RATE JULY 2021

1913=100	INDEX VALUE	MONTH	YEAR
MATERIALS COST	4634.46	+4.5%	+30.8%
CEMENT \$/TON	153.08	+0.1%	+3.4%
LUMBER \$/MBF	1068.67	+8.7%	+72.8%

SOURCE: ENGINEERING NEWS RECORD

OTHER COMMODITIES OF PRODUCT LINE INFORMATION

PRODUCTS	ANNUAL INCREASE AS OF JUNE 2021
AGGREGATES	4.3%
ALUMINUM SHEETS	27.8%
ASPHALT PAVING	2.0%
CEMENT	3.0%
COPPER PIPE	50.2%
DIESEL FUEL	199.3%
GYPSON PRODUCTS	14.2%
PVC PRODUCTS	17.5%

SOURCE: ENGINEERING NEWS RECORD

FREIGHT/LEAD TIMES

- + **Trucking costs** continue to escalate to the tune of **2 to 3 times** above pre-pandemic levels.
- + **Ocean freight** lead times have increased **4-5 weeks** on average due to a worldwide container shortage and backlogs at US ports.
- + Anticipate longer lead times and/or inflated freight rates to remote jobsites. Many carriers have been dropping scheduled loads for other loads with a more desirable destination or better rate.