**Construction Industry 2022**

**Challenges Will Moderate 2022 Construction Spending**

The FMI Q1 2022 North America Construction Industry Overview forecasts a 5% increase in construction spending for 2022, compared to 8% for 2021 and 6% for 2020. The decline is attributable to continued labor and building supplies issues and inflation.

Despite these and other challenges, Associated General Contractors of America (AGC) reports the 11.2% YOY increase in February 2022 construction spending was the 12th consecutive positive month.

The private-residential subsector increased the most at 16.6% YOY and 1.1% from January. Private nonresidential spending increased 9.7% YOY and 0.2% from January while public construction increased 1.5% YOY, but decreased 0.4% from January.

**Five Construction Sectors Poised for Major 2022 Growth**

|  |  |
| --- | --- |
| Sector | Drivers |
| Distribution centers/warehouses | Strong e-commerce sales, more need near transportation hubs and corridors |
| Data centers | Strong e-commerce sales, larger projects, cryptocurrency |
| Port projects | Continuing supply chain issues, federal infrastructure dollars |
| Life sciences (laboratories) | Faster R&D and production of more drugs, new emerging US markets |
| Infrastructure | First distribution of funds to states from federal infrastructure bill |

Construction Dive, January 2022

**Labor and Building Materials Issues**

According to the US Bureau of Labor Statistics, February 2022 construction jobs increased by 19,000 and the 7.6 million total jobs exceeded the pre-pandemic total. The AGC estimated the 364,000 job openings at the end of February were the most for any February.

The Farnsworth Group, in its 2022 Builder Products Customer Guide, reported 30% of surveyed builders said product or materials costs were much more expensive and 43% stated they were somewhat more expensive.

Not only are products and materials’ costs increasing, but also availability is a challenge. 11% of builders said this was a very frequent issue and 27% frequently. Most of the surveyed builders (38%) waited for deliveries, causing project delays.

**Retail Stores Where Builders Purchased Products or Materials, 2021**

|  |  |  |  |
| --- | --- | --- | --- |
| Store or Type | Percent | Store or Type | Percent |
| Hardware store | 60% | Mass retailer | 51% |
| Lowes | 58% | Building materials distributors/lumberyard | 50% |
| Home Depot | 57% | Menards | 45% |
| Farm and ranch | 53% | Product-specific supplier | 42% |

The Farnsworth Group, December 2021

**Housing Sector Demand Will Drive More Construction**

Housing starts started 2022 with a 12.2% increase during the first two months of 2022. February 2022 privately-owned housing completions decreased 2.8% YOY on a seasonally adjusted annual rate, but single-housing completions increased 12.1% from January.

FMI expects single-family residential construction spending to moderate during 2023 and 2024 with a 3% increase for both years, but spending will increase by 5% during 2025.

Multifamily and home improvements will follow a similar pattern with good increases of 7% and 6%, respectively, for 2022, but less of an increase for 2023 and 2024 in the 3%–4% range, respectively, while 2025 will rebound with 6% and 5% increases, respectively.

**Housing Sectors Forecasts, 2022–2025**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Year | Single-Family Residential | | Multifamily Residential | | Home Improvements | |
|  | YOY Change | Total Spending | YOY Change | Total Spending | YOY Change | Total Spending |
| 2022 | +6% | $404 B | +7% | $119 B | +6% | $296 B |
| 2023 | +3% | $415 B | +4% | $123 B | +3% | $305 B |
| 2024 | +3% | $429 B | +4% | $129 B | +4% | $318 B |
| 2025 | +5% | $449 B | +6% | $136 B | +5% | $333 B |

FMI, January 2022

**Nonresidential Sector Still Affected by Pandemic**

FMI’s Q1 2022 Nonresidential Construction Index (NRCI) increased one point from December to 54.8, which is still in positive territory, however, the Q3 2021 index was 60. The Q1 2022 index was significantly better than Q1 2021, which was approximately 48.

Although many of the 11 nonresidential subsectors are forecast to increase significantly by 2025, lodging, because of the pandemic’s disastrous effect on leisure & hospitality, and religious, because of declining church membership, will decrease during 2022.

Manufacturing will be the big winner during 2022 with a 12% increase. Lodging will rebound by 2025 by 11% and infrastructure spending is likely the driver of transportation’s 13% increase for 2025.

**Nonresidential Sectors Forecast, 2022 and 2025**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Sector | 2022 | 2025 | Sector | 2022 | 2025 |
| Lodging | -10% | +11% | Public Safety | -5% | +7% |
| Office | 0% | +6% | Amusement and Recreation | 0% | +5% |
| Commercial | +5% | +6% | Transportation | +2% | +13% |
| Health Care | +6% | +3% | Communication | +4% | +9% |
| Educational | +1% | +6% | Manufacturing | +12% | +1% |
| Religious | -8% | +5% |  |  |  |

FMI, January 2022

**Nonbuilding Sector Will Improve with Infrastructure Spending**

The FMI overview forecasts significant 2022 increases for all five of the nonbuilding structures sectors: power +6%, highway and street +7%, sewage and waste disposal +8%, water supply +7% and conservation and development +7%.

2023 and 2024 estimates for four of the sectors are double-digit increases: highway and street by 12%, both years; sewage and waste disposal by 10%, both years; water supply by 10% and 12%, respectively; and conservation and development by 11%, both years.

The sewage and waste disposal sector is forecast to increase by 10% for 2025, water supply by 11% and conservation and development by 10%. Highway and street’s 2025 increase of 9% is still significant, however, the power subsector’s increase will be less at 5%.

**2022 Forecast for Total Nonbuilding Structures Spending\*, by Region**

|  |  |  |  |
| --- | --- | --- | --- |
| Region | Change | Region | Change |
| New England | +14.5% | East South Central | +7.6% |
| Mid-Atlantic | +6.9% | West South Central | +5.4% |
| East North Central | +8.1% | Mountain | +7.3% |
| West North Central | +6.9% | Pacific | +2.9% |
| South Atlantic | +7.4% | US Total | +6.5% |

FMI, January 2022 \*change from 2021

**Business Construction Decision-Makers**

According to five representative 2021 consumer/market surveys conducted by The Media Audit, the average age of the business construction decision-maker was 39.1 years, which matches with Millennials over-indexing the most at an average of 161.

Unsurprisingly, men continue to represent approximately three-quarters of these decision-makers at an average of 77.7% and women at 22.3%. The average household income of $81,200 for all these decision-makers also reflects most of them are Millennials.

To reach these decision-makers, radio, newspaper and outdoor all over-indexed, on average, at 186, 177 and 174, respectively. Among digital media, podcast listening over-indexed at an average of 171, followed by audio streaming at 156 and social media at 123.

**Percentages of Adults 18+ Who Influence Business Construction**

**Decisions, by Occupation, in Selected Markets, 2021**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Occupation | Miami-Ft. Lauderdale | Cincinnati | Denver | Phoenix | Seattle-Tacoma |
| White-collar workers | * 73.1% | * 76.4% | * 47.8% | * 64.6% | 68.7% |
| Professional/Technical | * 13.6% | * 8.5% | * 5.3% | * \* | * 18.1% |
| Proprietors/Managers | * 51.1% | * 68.0% | * 41.5% | * 52.8% | * 47.9% |
| Clerical/Sales | * 8.4% | * \* | * 1.0% | * 11.8% | * 2.7% |
| Blue-collar workers | 11.0% | * 16.9% | * 29.0% | * 21.0% | * 4.5% |
| Business owner/partner/ corporate officer | * 46.4% | * 54.3% | * 28.7% | * 34.0% | * 37.7% |

Based on The Media Audit’s 2021 surveys \*insufficient data

**More Valuable Insights**

**2022 Forecast for Total Residential Construction Spending\*, by Region**

|  |  |  |  |
| --- | --- | --- | --- |
| Region | Change | Region | Change |
| New England | +8.3% | East South Central | +4.2% |
| Mid-Atlantic | +5.3% | West South Central | +7.9% |
| East North Central | +6.3% | Mountain | +7.9% |
| West North Central | +5.2% | Pacific | +2.7% |
| South Atlantic | +8.9% | US Total | +6.4% |

FMI, January 2022 \*change from 2021

**2022 Forecast for Total Nonresidential Construction Spending\*, by Region**

|  |  |  |  |
| --- | --- | --- | --- |
| Region | Change | Region | Change |
| New England | +4.5% | East South Central | +6.8% |
| Mid-Atlantic | +3.3% | West South Central | +3.3% |
| East North Central | +6.5% | Mountain | +4.1% |
| West North Central | +2.7% | Pacific | -0.03% |
| South Atlantic | +2.2% | US Total | +3.2% |

FMI, January 2022 \*change from 2021

Modular building construction for commercial structures was expected to attract the interest of builders and commercial developers and property owners, yet it represented only 5.5% of all new construction during 2021. That share has doubled since 2015 and the Modular Building Institute expects it to double during the next five years.

Learning the process can be challenging for builders and construction companies that are new to modular construction, but modular is becoming more popular with the healthcare sector since patients’ rooms are essentially identical. More modular construction is occurring in the hospitality industry and gains additional credibility when the likes of Hilton and Marriott are using it.

The mechanical trades are not champions of modular construction since most of the floors, walls, etc. already have plumbing, electrical and other systems pre-installed.

*Sources:* FMI Website, 4/22; Associated General Contractors of America Website, 4/22 Construction Dive Website, 4/22. Bureau of Labor Statistics Website The Farnsworth Group Website The Media Audit Website

*Updated*: April 2022

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**Local Market and Station Information**