

ADVICE FOR BUILDING OWNERS

The overall outlook for non-residential construction remains positive, despite persistent challenges and uncertainty regarding the overall economy, as the sector works to find its footing in 2023. According to [Dodge Construction Network](#), construction starts in 2022 ended on a positive note, with a year-over-year increase of 15% compared to 2021. Dodge notes particular strength in manufacturing and infrastructure.

Headwinds remain, however, as higher interest rates continue to weigh on the economy and construction overall. Labor availability also remains challenging due to worker shortages and currently strong activity, which continue to affect different levels of the construction labor workforce and supply chain, from collecting and processing raw materials, to production, manufacturing, and transportation.

Input prices for materials based on the commodity market continued to level off in Q4 or even experienced decreases, although product lead times and material shortages remained persistent. The logistics of transporting materials will likely remain a challenge due to driver shortages, especially for construction sites in more remote areas of the country. Cement shortages or allocations are starting to affect several markets, increasing the price of concrete related project scopes.

The regional markets with an overall observed increase in Q4 include Denver (+0.07%); Seattle (+0.02%); Portland (+0.65%); Chicago (+0.3%); and Phoenix (+1.23%). Geographic markets showing slight decreases in Q4 included Minneapolis (-0.32%) and Milwaukee (-0.81%). **The yearly percentage change in construction costs for 2022 averaged +6.7% across all markets tracked by Mortenson.**

Our construction cost index indicates that the increases experienced over the last two years are slowing. Based on market data and our insights, we remain cautiously optimistic while looking ahead to gauge further impacts from changes to the national economy and construction in 2023. We recommend customers maintain resiliency as we believe Q1 could provide greater clarity on industry direction for the remainder of the year.

For a more specific update or questions regarding this report, please contact:



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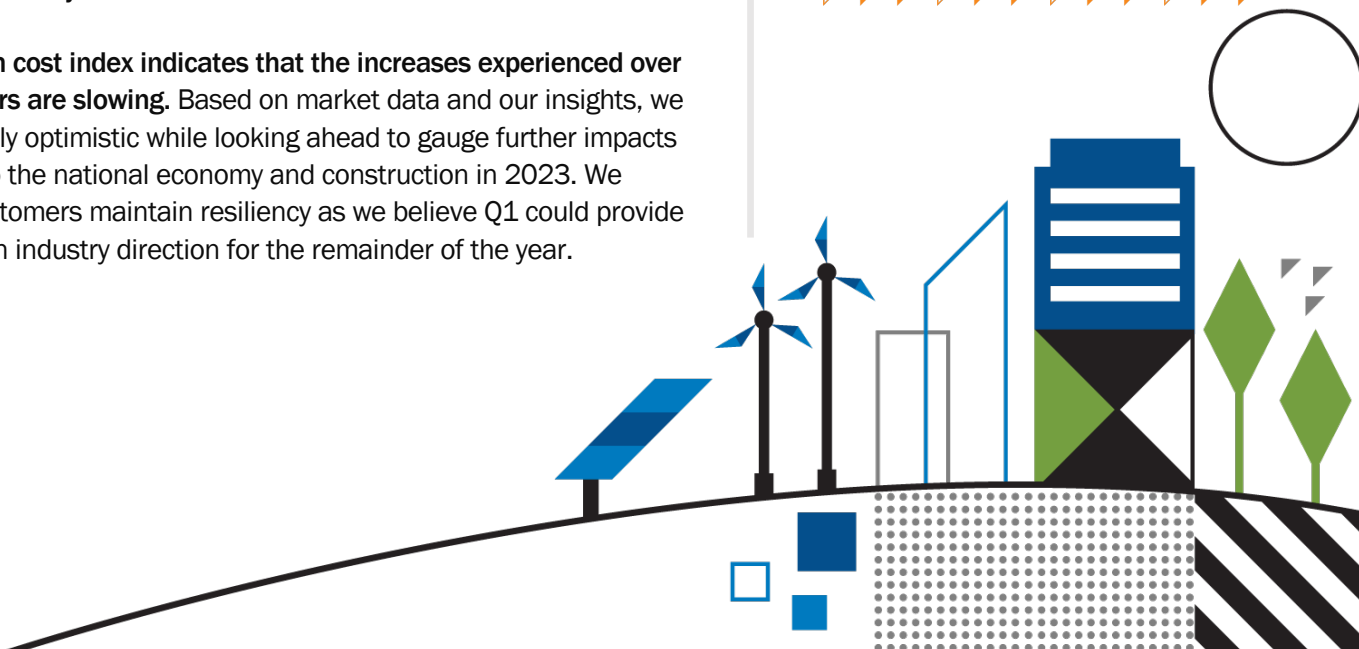


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VIEW THE FULL
CONSTRUCTION COST INDEX



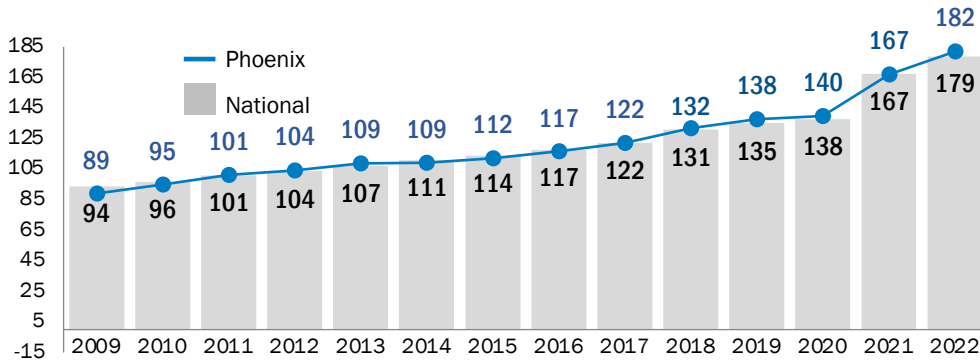
COST INDEX

PHOENIX Q4 2022



CONSTRUCTION COST INDEX

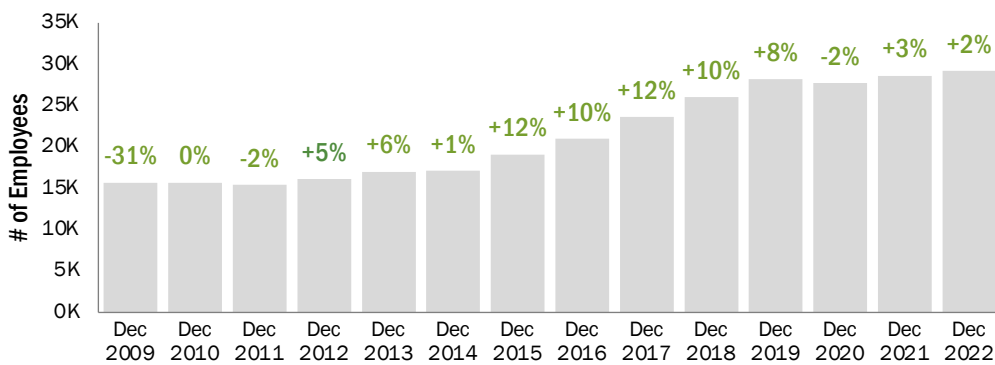
(January 2009 = 100)



The *Mortenson Cost Index* is showing a single quarter increase of 0.2% nationally and 1.2% in Phoenix. Over the last twelve months, costs increased 6.7% nationally and 9.0% in Phoenix.

PHOENIX CONSTRUCTION EMPLOYMENT

(Number of Employees and 12-Month Change)

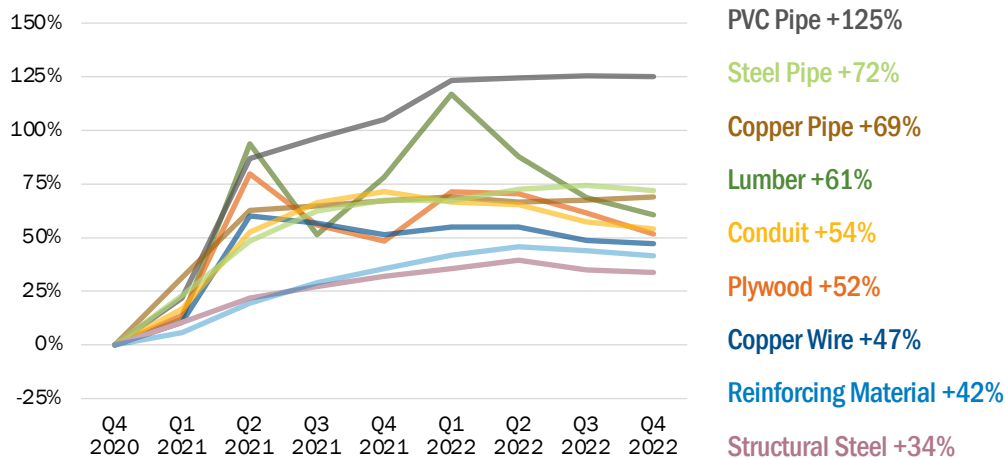


Building construction employment in the Phoenix metro region totaled 29,200 in December 2022. This is an increase of 2% (600 jobs) compared to December 2021. Labor availability remains a challenge for the industry.

Source: Bureau of Labor Statistics

MATERIAL PRICING CHANGES

(Cumulative Q4 2020 to Q4 2022)



Prices for commodity-based materials are beginning to level off, but challenges have persisted with product lead times, material shortages, and transportation logistics.