GLOBAL OCCUPIER SERVICES

CONSTRUCTION INSIGHTS

FOR GLOBAL OCCUPIERS

FALL 2024

Better never settles

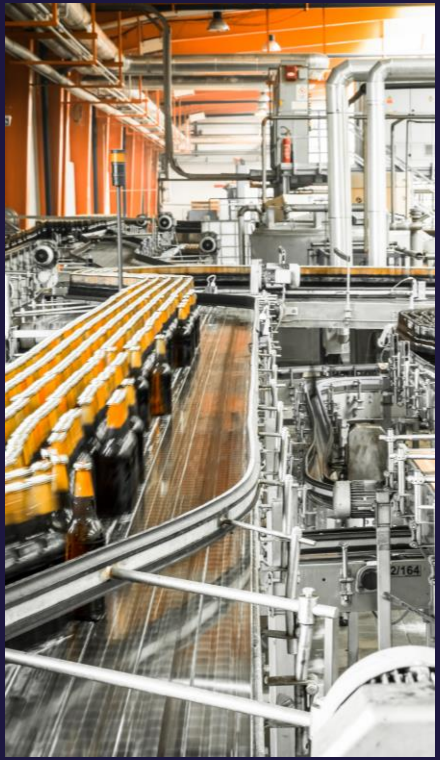
CONTENTS

INTRODUCTION

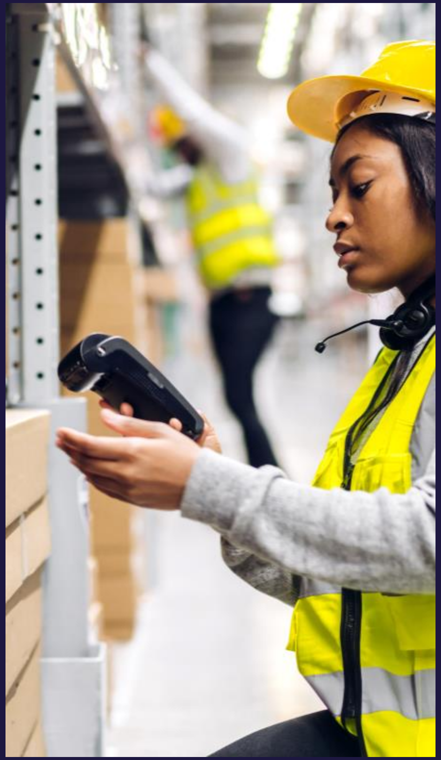
Sentiment in the construction sector appears to range from neutral to positive. While most countries are experiencing decreasing inflation and lower interest rates, many headwinds remain.

Construction costs are increasing more slowly as commodities and energy prices remain subdued. However, labor constraint remains a pain point in the sector.

Uncertainty abounds, and geopolitical tensions continue to pose risks to the global supply chain and construction projects globally.



Global supply chain stress has ticked up as geopolitical tensions grow and apply upward pressure across regions.



Companies continue to be concerned about the availability of labor, particularly skilled labor.

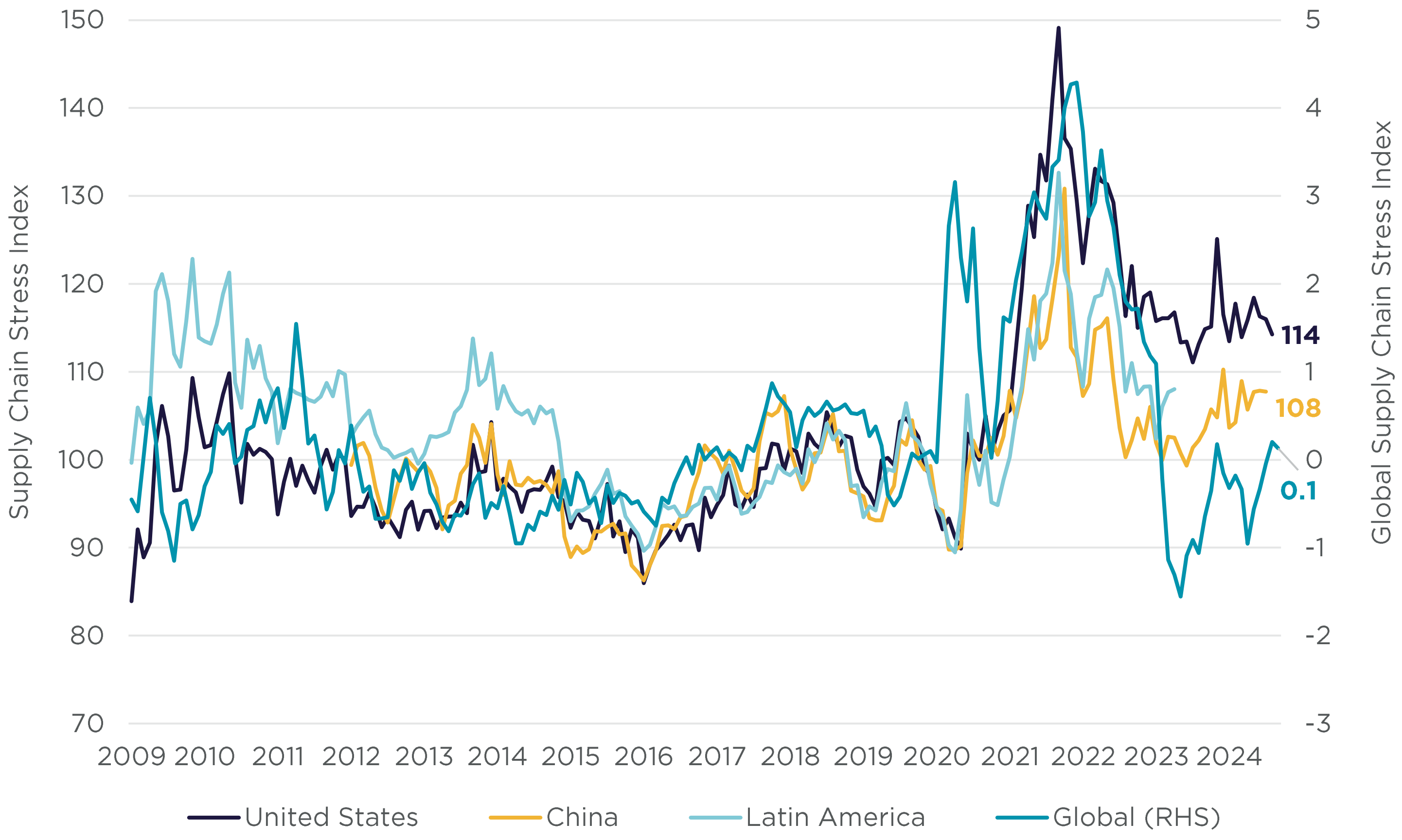
Construction pipelines for industrial and office construction have fallen from peak levels, but regional differences exist.

01

ECONOMIC DRIVERS

GLOBAL STRESS TICKS UP

Rising global tensions strain supply chains, but overall stress remains below long-term averages

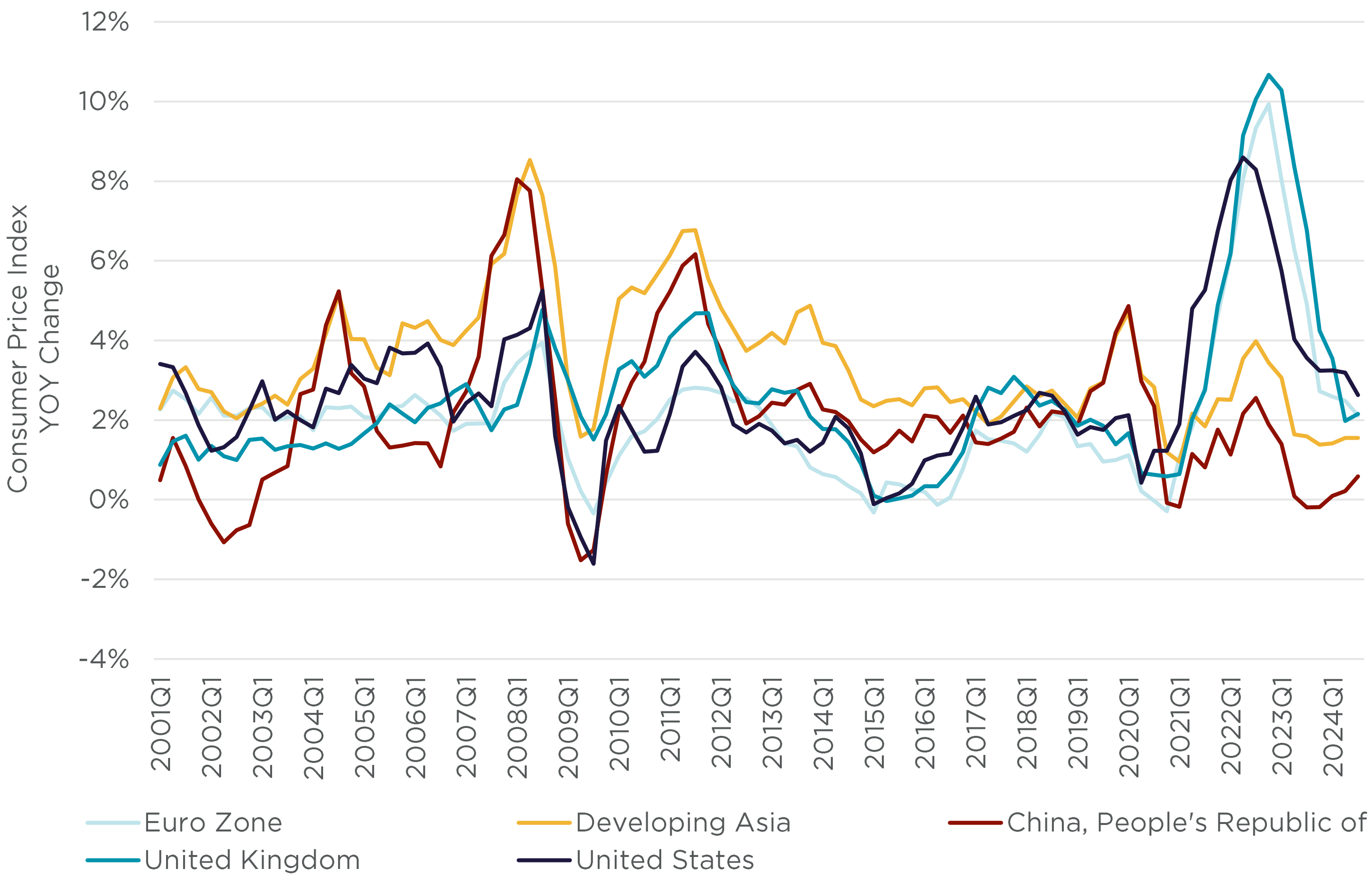


Source: Federal Reserve Bank of New York

- Increasing global tensions continue to impact global supply chains. In August, global supply chain stress crossed into positive territory for the first time since February 2023. Despite the recent increase, stress levels remain significantly lower than peak pandemic levels. As of September 2024, the reading of 0.1 was significantly higher on a year-over-year (YOY) basis but remains below the five-year average of 1.2 and the 10-year average of 0.6.
- Ongoing geopolitical tensions continue to impact China's supply chain. July's reading of 108 was 6.3% higher YOY and above its five-year average of 105.
- Stress in the U.S. has fallen from a recent spike in November 2023, falling to 114 as of August 2024. This latest reading is up 1% YOY but below the five-year average of 116.

GLOBAL DISINFLATION CONTINUES

Inflation approaches target levels



Source: The World Bank; Moody's Analytics

- Inflation continues to normalize across the globe. The latest outlook from the International Monetary Fund (IMF) expects global inflation to fall further, dropping to 4.3% in 2025 from 5.8% in 2024. Inflation rates in the UK, Euro Zone and U.S. have fallen significantly in the last two years and are currently closer to target levels.
- The IMF expects advanced economies to hit their targets faster than emerging and developing economies.
- The disinflation process may face additional risks from continued price growth in services and potential increases in commodity prices. Additionally, potential trade tariffs would result in escalations.

INTEREST RATES BEGIN TO FALL

Falling rates are expected to spur investment activity

Source: The World Bank; Moody's Analytics

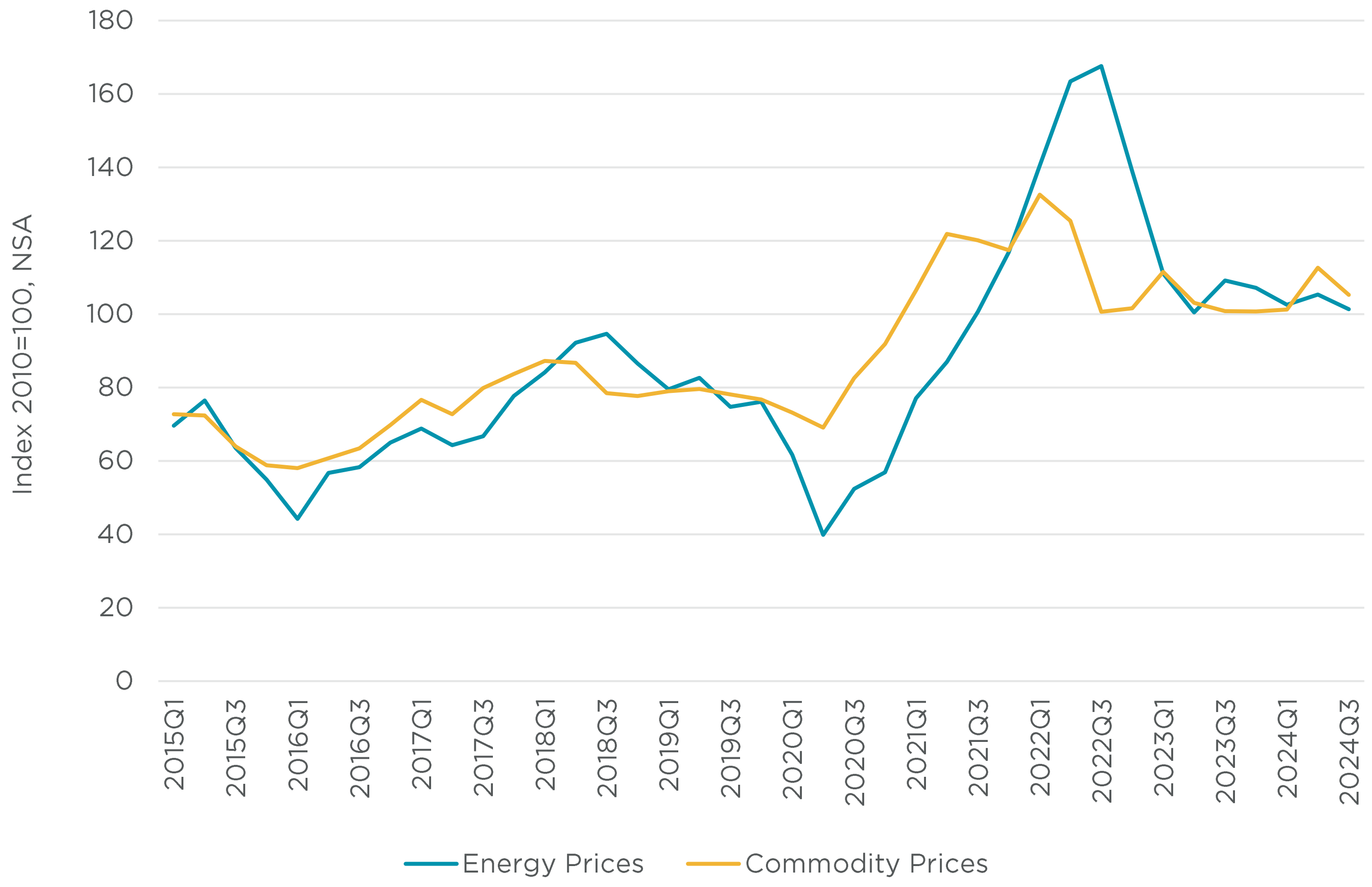
- Central banks around the world have continued to implement an easing in monetary policy with falling inflation. Monetary policy will need to balance easing with continued risks that could potentially trigger additional increases in inflation. These risks include geopolitical tensions that could impact energy and commodity prices.
- Construction sentiment has improved with falling interest rates. As financing costs decrease globally, deals that may have been put on hold could move forward in the coming year. Overall, falling interest rates in 2025 are likely to spur additional construction activity globally.

02

CONSTRUCTION COSTS

ENERGY AND COMMODITIES

Prices ticked down in the third quarter

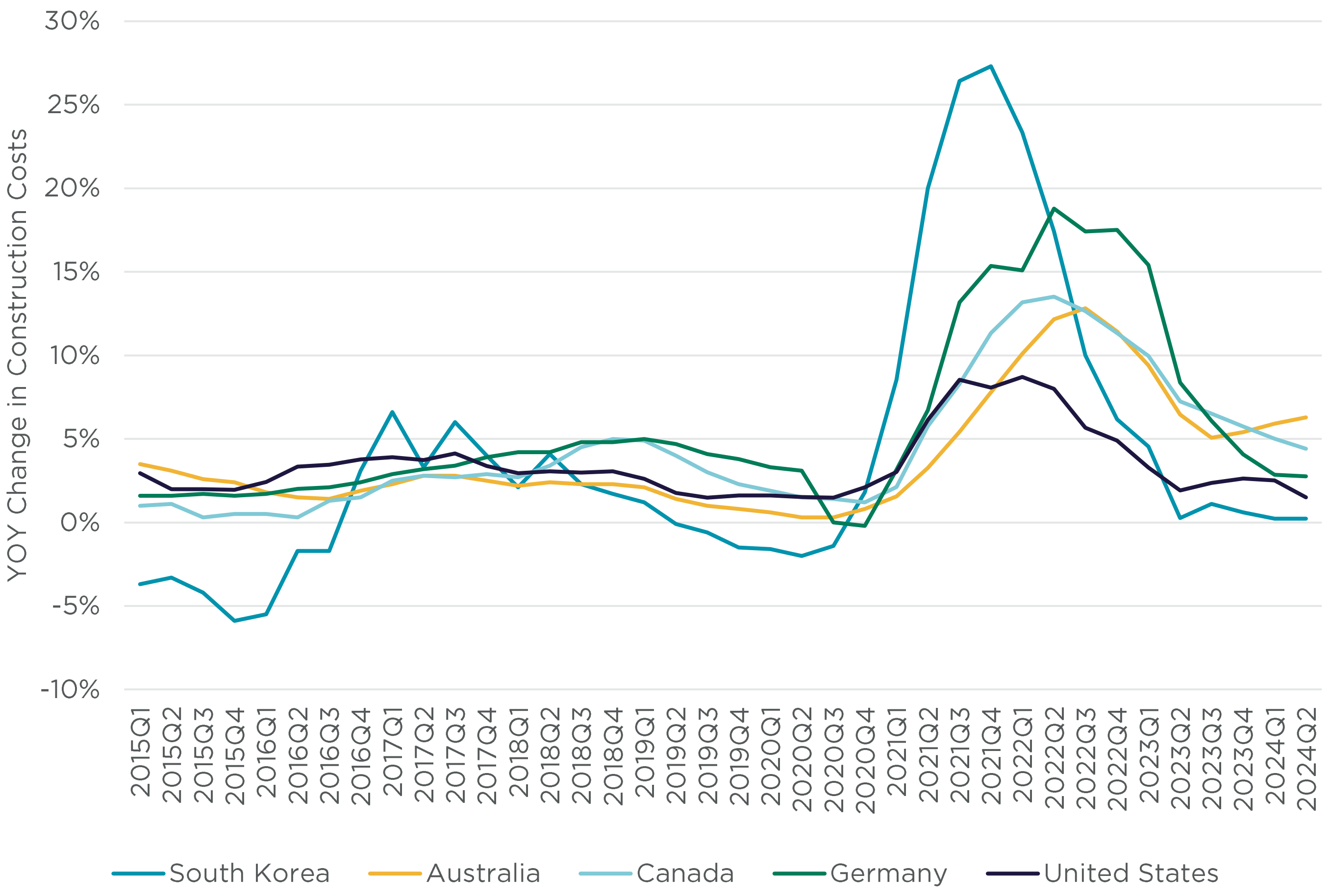


Source: The World Bank; Moody's Analytics

- Despite increasing geopolitical tensions, global energy and commodity prices retreated slightly in the third quarter after a midyear uptick.
- Energy prices fell 3.8% quarter-over-quarter (QOQ) and were down 7.1% on a YOY basis. According to the International Energy Agency (IEA), softer global demand for oil helped keep prices low. The IEA has decreased its forecast for crude oil prices in 2025, from $85 to $78 per barrel, based on its expectation of continued weakening demand
- Commodity prices also fell on a QOQ basis, down 6.5%, but up 4.4% YOY. Demand for commodities focused on electrification is expected to continue to increase based on the IEA's outlook. Concerns around the supply of some of these commodities are increasing as the world continues to move toward electrification.

CONSTRUCTION COSTS MODERATE

Cost increases continue to decelerate across most countries

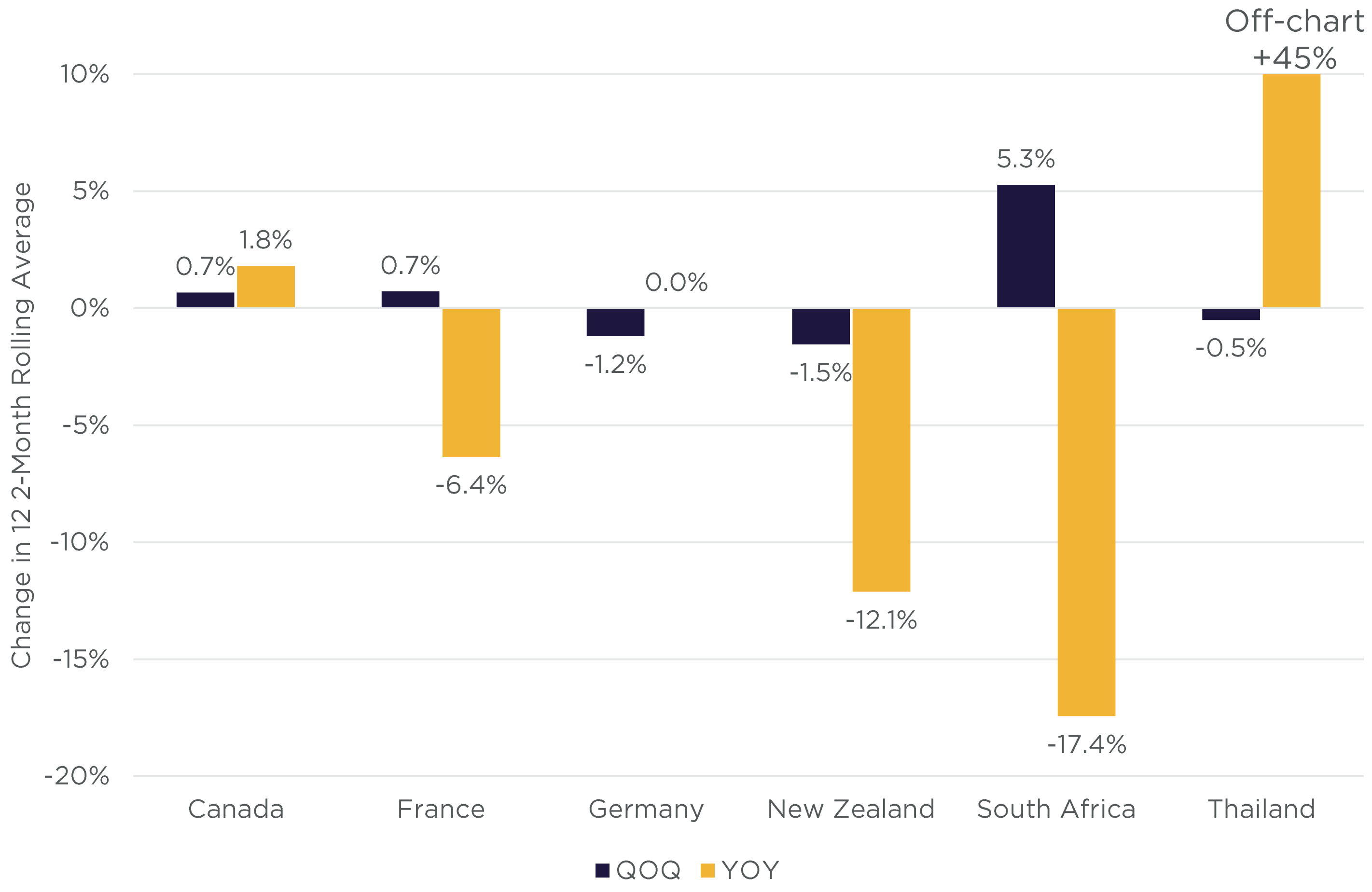


Source: Moody's Analytics

- Easing in global supply chain stress and disinflation have resulted in construction cost increases decelerating further across most countries.
- As of Q2 2024, costs across these representative countries rose an average of 3.0% YOY. This was a 180-basis point (bp) drop from cost increases during Q2 2023.
- Construction cost increases fell QOQ in most countries, except for Australia, where construction costs rose 6.3% in Q2 2024. Increased demand for housing and a shortage of skilled construction labor are impacting costs in this market.

NONRESIDENTIAL PERMITTING

A mixed picture across the globe



- Permitting over the past 12 months presents a mixed picture across different countries.
- In Canada, nonresidential permitting was up on a quarterly and annual basis, reflecting increased construction activity. Likewise, Thailand posted robust increased activity on a YOY basis but permits slipped 0.5% on a QOQ basis.
- Permitting activity was down QOQ in both Germany and New Zealand. However, on a YOY basis, only New Zealand experienced a dramatic drop, while Germany's activity was flat.
- France saw a quarterly uptick of 0.7% in the third quarter, but permitting activity was down 6.4% YOY. South Africa posted a more pronounced quarterly increase of 5.3% in the third quarter but a significant drop of 17.4% YOY.
- Local market dynamics drive permitting activity across the globe. As inflation continues to recede and interest rates drop, permitting activity should increase across most markets in 2025.

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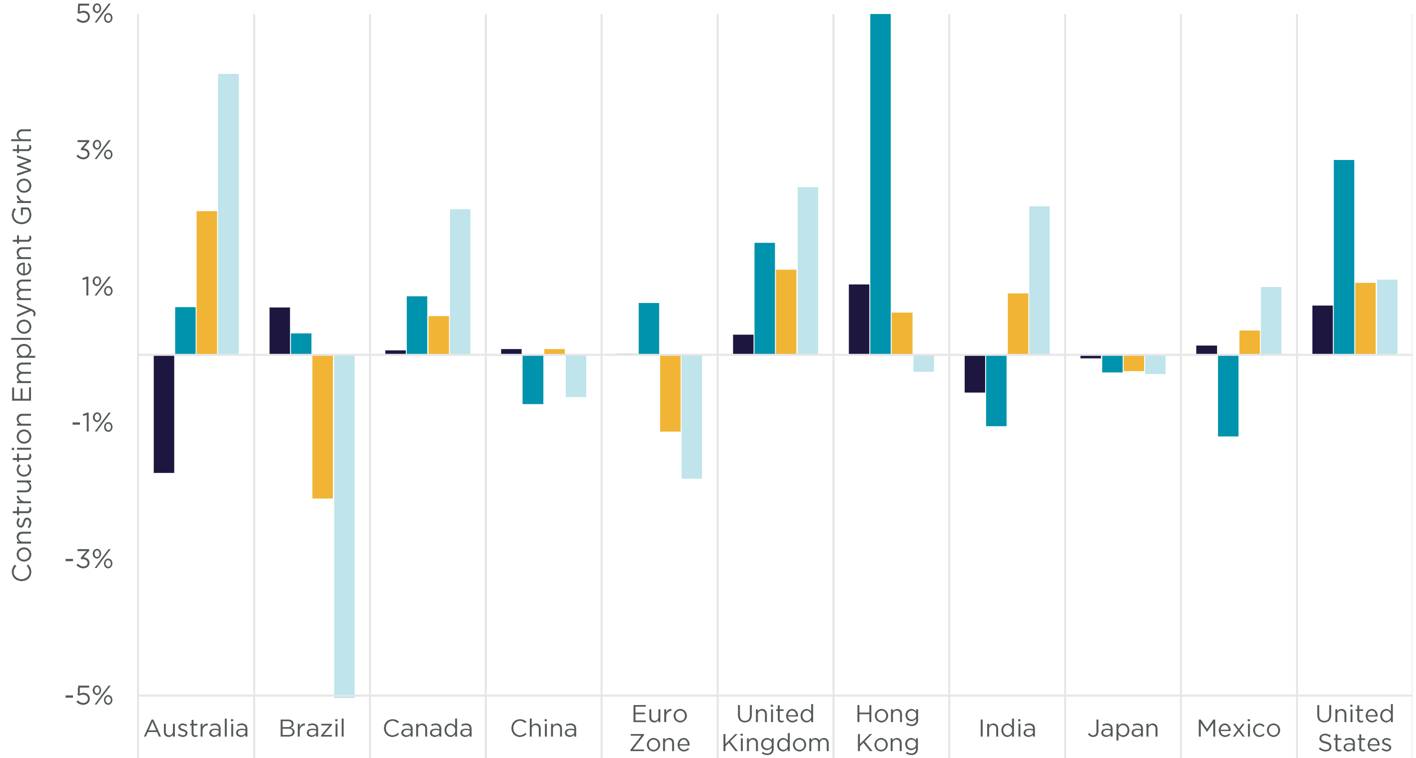
CONSTRUCTION EMPLOYMENT

MIXED EMPLOYMENT PICTURE

Labor constraints continue to impact global firms



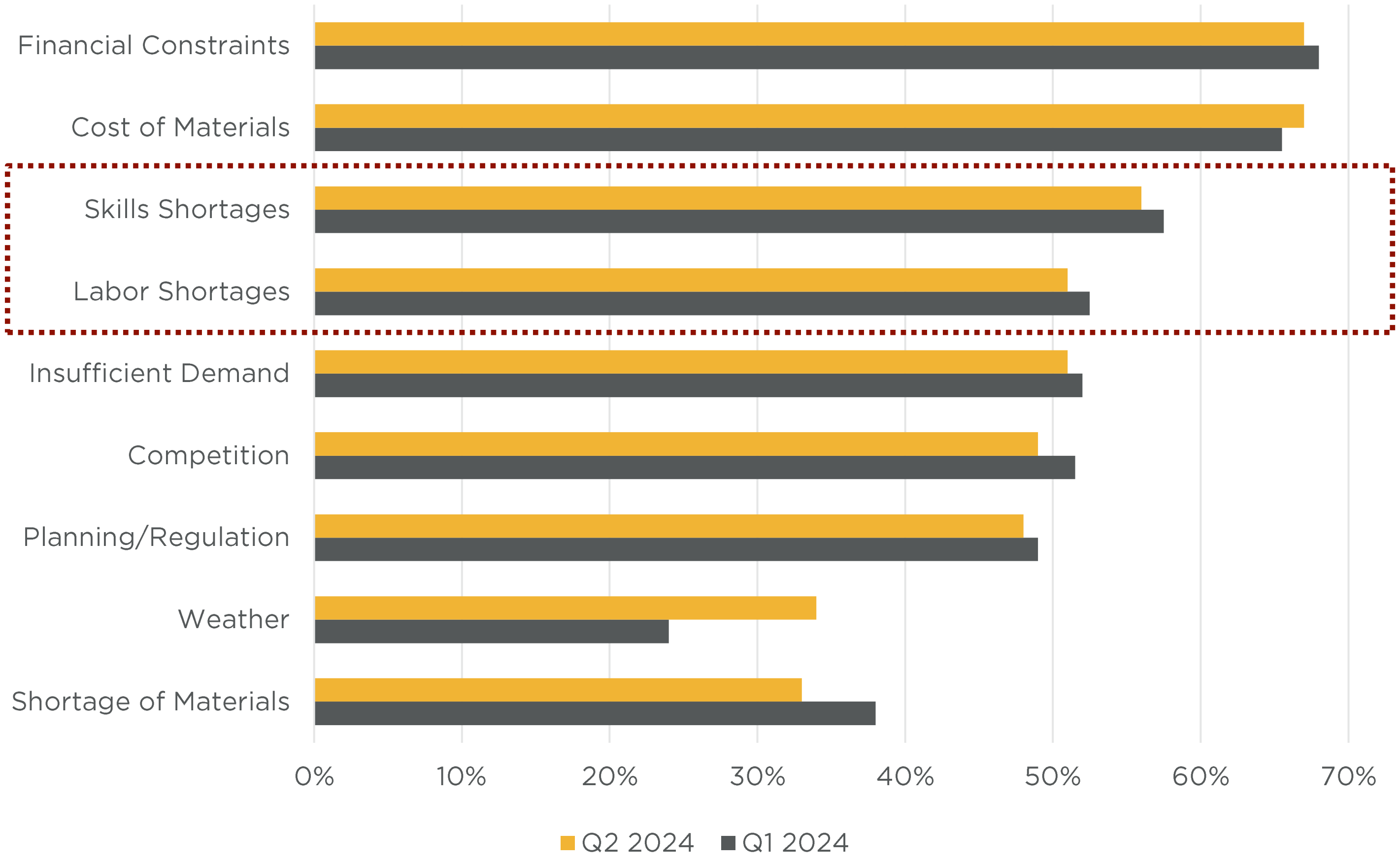
	Australia	Brazil	Canada	China	Euro Zone	United Kingdom	Hong Kong	India	Japan	Mexico	United States
QOQ	-1.7%	0.7%	0.1%	0.1%	0.0%	0.3%	1.0%	-0.6%	-0.1%	0.1%	0.7%
YOY	0.7%	0.3%	0.9%	-0.7%	0.8%	1.6%	11.8%	-1.0%	-0.3%	-1.2%	2.9%
1-yr F	2.1%	-2.1%	0.6%	0.1%	-1.1%	1.2%	0.6%	0.9%	-0.2%	0.4%	1.1%
2-yr F	4.1%	-5.2%	2.1%	-0.6%	-1.8%	2.5%	-0.2%	2.2%	-0.3%	1.0%	1.1%

Source: Moody's Analytics

- Construction employment grew an average of 1.4% on a YOY basis across the countries represented in this chart. That growth is expected to slow to 0.3% next year.
- While employment is expected to grow next year in anticipation of improvements in construction activity, select markets are facing headwinds. Brazil continues to grapple with a high interest-rate environment, above 10%, that restrains construction activity. Rates are not expected to decrease until the second half of 2025, and even then, they are expected to remain at double digits.
- Based on the Royal Institution of Chartered Surveyors (RICS) Q3 2024 survey, 84% of the 32 countries represented in their survey expect to increase their construction employment headcount in the next 12 months. However, despite expectations of growth and companies' plans to increase headcount, finding skilled labor continues to be challenging.

LABOR CONCERNS PERSIST

Labor and skills shortages among the top factors limiting construction activity



Source: Royal Institution of Chartered Surveyors (RICS) Q2 2024 Global Construction Monitor

- Labor and skills shortages continue to plague the global construction sector. Based on the recent RICS survey of over 2,500 companies across the globe, labor concerns continue to be among the primary concerns limiting construction activity around the world.
- Although labor is a top concern, the survey shows a slight QOQ easing in Q2 2024. However, labor concerns will continue, especially in the Americas and Europe, where large portions of the population are nearing retirement age, and skill gaps persist.

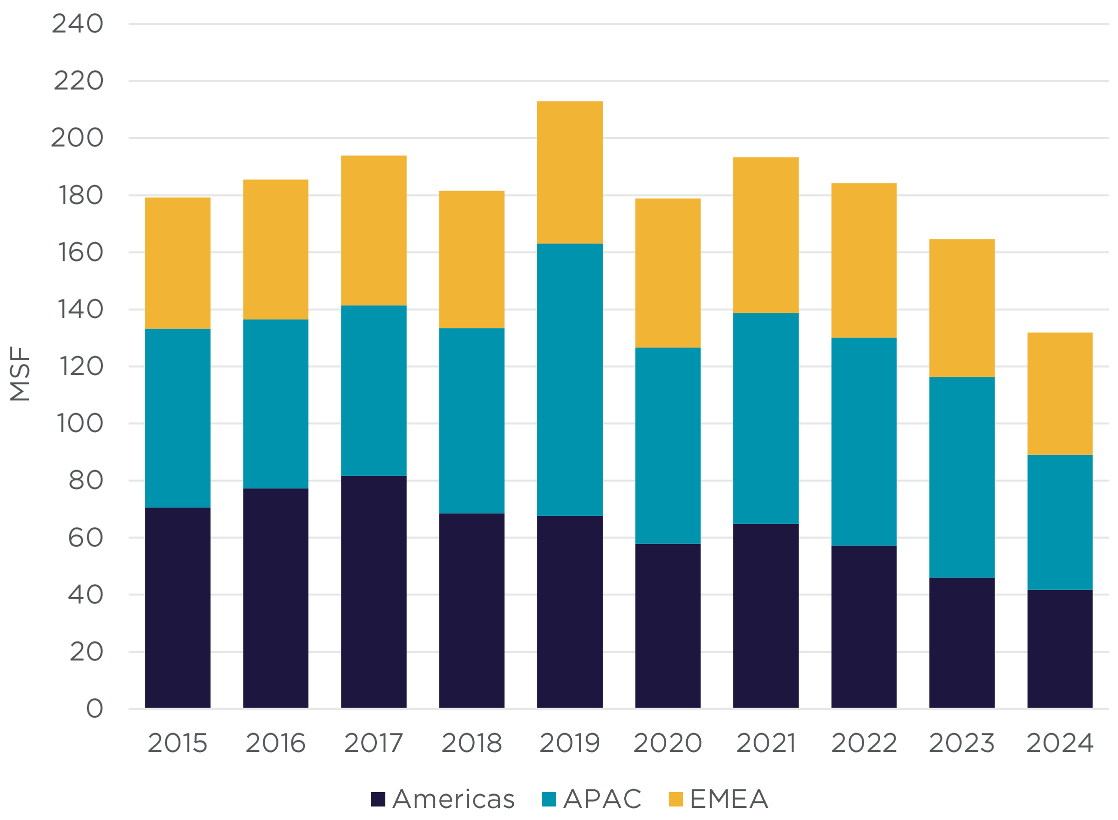
04

SECTOR SPOTLIGHTS

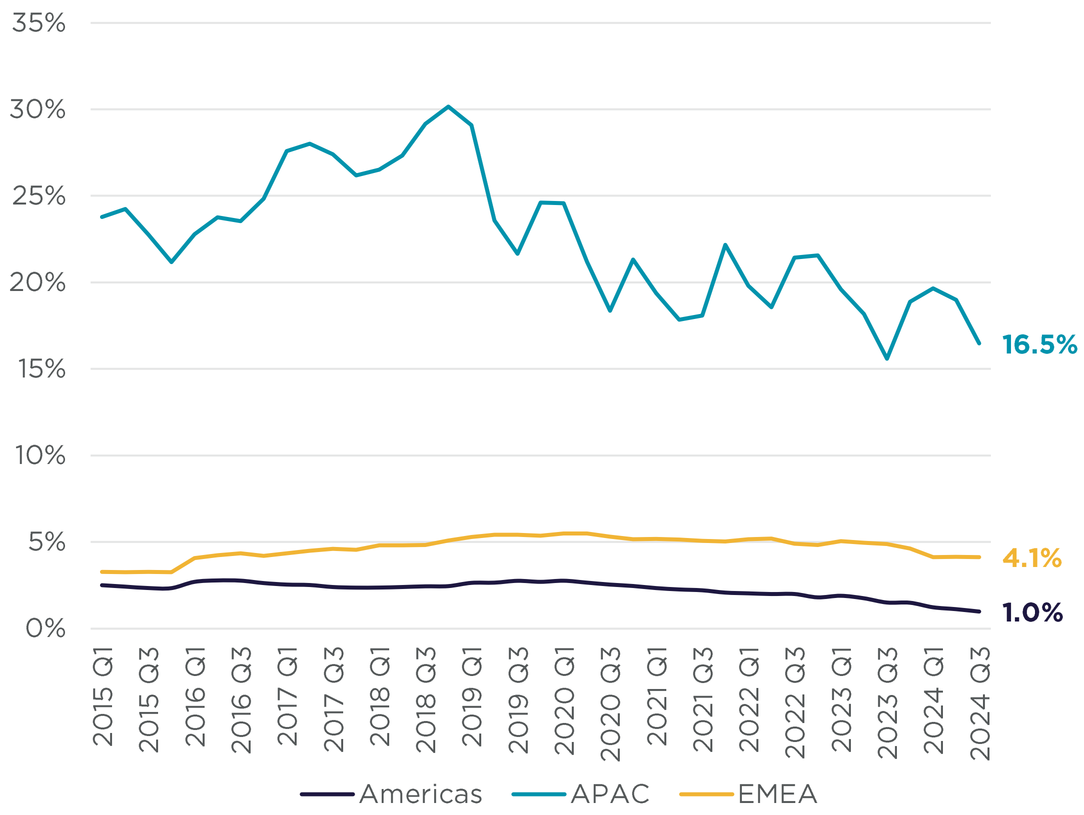
OFFICE DELIVERIES HAVE FALLEN 38% SINCE 2019

The construction pipeline has shrunk, as leasing, costs and labor challenges continue to impact global markets

Office Deliveries by Region



Under Construction as a % of Inventory

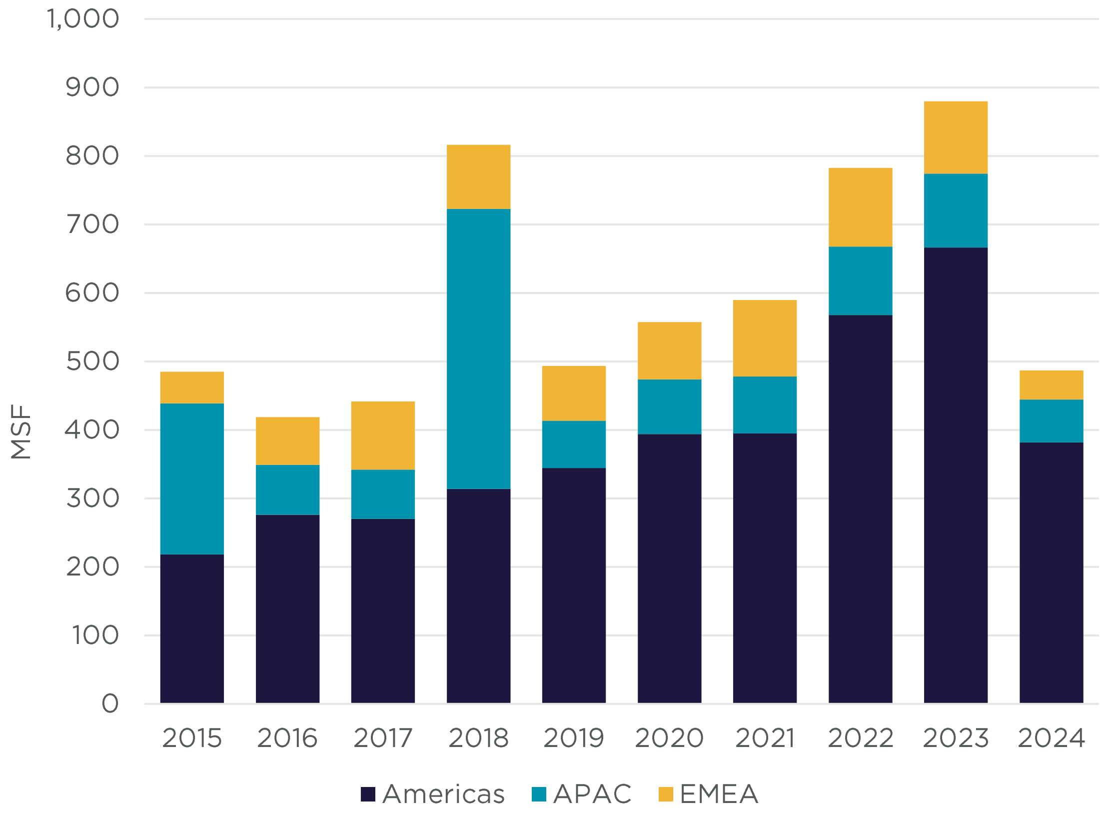


Source: Cushman & Wakefield Research

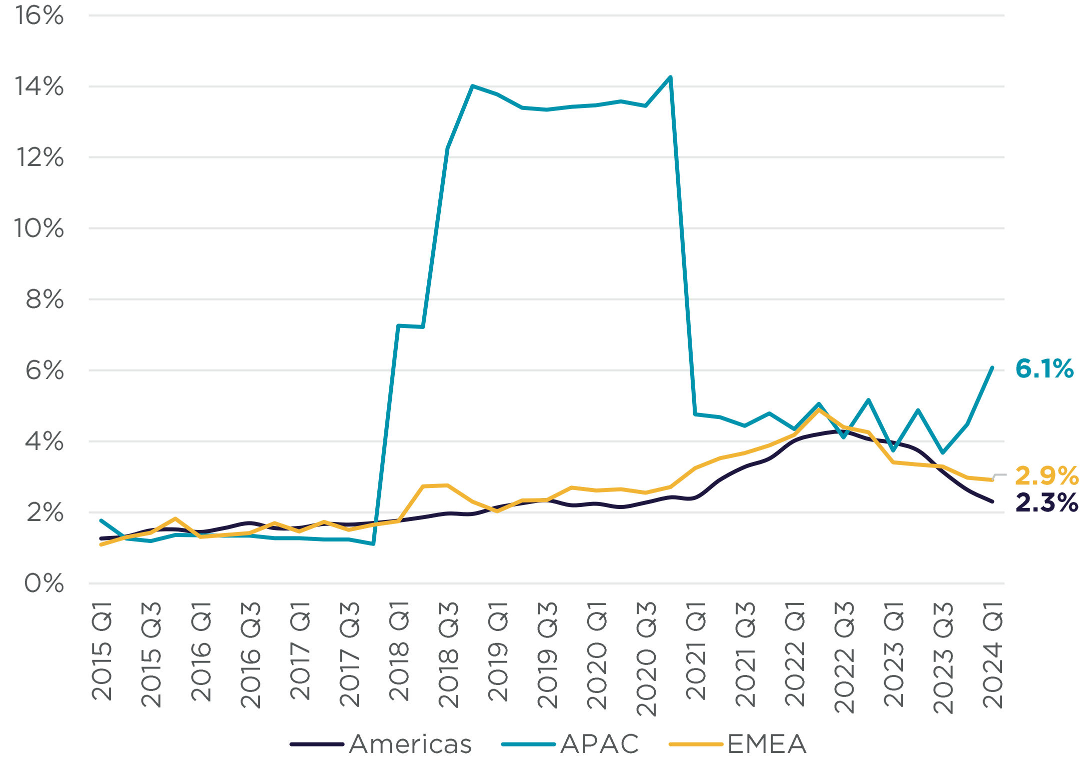
INDUSTRIAL DELIVERIES REACHED A NEW PEAK IN 2023

The construction pipeline shrank in the Americas and EMEA in response to shifting market fundamentals but has increased in APAC with rising demand

Industrial Deliveries by Region



Under Construction as a % of Inventory



Source: Cushman & Wakefield Research

05

COUNTRY DEEP DIVE

UNITED STATES

CONSTRUCTION COSTS

The construction industry is still facing a high-cost environment, but the rate of increase in costs has slowed down due to falling inflation. Anticipated cuts in interest rates are expected to enhance financing options and lead to more activity in 2025. However, the rising demand may also create upward pressure on prices.

STRUCTURE PRICES INCREASED IN SEPTEMBER

Prices faced upward pressure, but the magnitude continues to decelerate

Nonresidential structure prices were up 1.2% YOY, but this increase was significantly lower than the prior year's increase of 3.7%.

Average structure prices were 0.8% higher YOY, while the one-month change increased nominally at 0.1%.

Contractor prices were up 2.1% YOY but flat on a one-month basis.

Prices for services increased the most at 3.7%, driven by a 5.5% increase in janitorial. Services prices were, on average, higher than a year ago when energy prices fell from previous highs.

	1-Month % Change	YOY % Change	Prior Year % Change	% Change Jan-2020
STRUCTURES				
Nonresidential	0.1%	1.2%	3.7%	37.9%
Office	0.3%	2.3%	5.4%	43.9%
Industrial	0.1%	0.2%	3.2%	39.7%
Warehouse	0.0%	0.1%	1.1%	43.7%
Healthcare	-0.1%	0.3%	4.3%	34.0%
Average Change	**0.1%**	**0.8%**	**3.6%**	**39.8%**
CONTRACTORS				
Concrete Contractors	0.0%	3.1%	-2.1%	30.0%
Roofing Contractors	-0.1%	2.2%	11.1%	50.4%
Electrical Contractors	0.1%	2.3%	4.1%	31.8%
Plumbing; HVAC Contractors	-0.1%	0.9%	7.0%	28.1%
Average Change	**0.0%**	**2.1%**	**5.0%**	**35.1%**
SERVICES				
Utilities	2.0%	0.5%	-14.3%	39.2%
Janitorial	0.0%	5.5%	-0.4%	15.1%
Waste Collection	1.2%	4.1%	9.9%	31.0%
Nonresidential Bldg. Maintenance & Repair	0.1%	4.6%	3.9%	26.2%
Average Change	**0.8%**	**3.7%**	**-0.2%**	**27.9%**

Source(s): United States Bureau of Labor Statistics (www.bls.giv/ppis); Prior year represents September 2023 YOY price change

DEMAND PRESSURES IMPACT COMMODITY PRICING

September prices were higher on average

Commodity prices increased 4.2% on a YOY basis, which was higher than price increases of 0.9% the prior year. Lumber, hot rolled bars, plates and structural, and steel pipe and tube prices fell significantly in 2023 from their peak 2022 levels.

Despite continued price drops for some commodities, price increases for in-demand commodities rose significantly in September. Aluminum and copper prices continued to increase YOY by double-digit growth for the second year in a row.

Looking ahead, prices are expected to increase for most commodities. However, rising risks to the global supply chain could impact commodity pricing next year. Recent turmoil from the East and Gulf Ports strike by the Longshoremen Association (ILA) dissipated quickly. Negotiations rescheduled for January 2025 could result in another strike and add uncertainty to the forecast.

On average, costs are projected to be:

⬆ 0.2% from current prices to December 2024

⬆ 0.6% from current prices to March 2025

	1-Month % Change	YOY % Change	Prior Year % Change	3-Month Forecast* (Dec-2024)	6-Month Forecast* (Mar-2025)
Lumber	-0.4%	-1.9%	-7.2%	-0.3%	0.9%
Hot rolled bars; plates & structural	0.1%	-5.6%	-11.3%	0.6%	0.1%
Steel pipe and tube	0.3%	-3.4%	-22.2%	0.7%	0.9%
Nonferrous metals	0.1%	8.2%	0.5%	1.2%	1.2%
Nonferrous wire and cable	-0.1%	5.7%	1.3%	1.7%	1.5%
Fabricated structural metal	0.2%	-9.2%	-1.2%	-0.9%	-1.1%
Fabricated steel plate	1.2%	20.0%	-1.8%	-3.9%	-3.2%
Prefabricated metal buildings	-0.1%	-1.3%	3.7%	0.5%	0.1%
Miscellaneous metal products	0.4%	3.4%	2.2%	1.1%	2.0%
Glass	0.1%	2.3%	2.8%	0.3%	0.9%
Concrete and related products	-0.2%	6.9%	8.7%	0.1%	2.3%
Concrete products	0.0%	3.8%	8.7%	0.5%	1.9%
Asphalt felts and coatings	-0.4%	-0.1%	3.1%	-1.6%	-1.3%
Other nonmetallic minerals	0.0%	3.9%	2.1%	-0.4%	0.6%
Copper Base Scrap	-0.2%	10.7%	13.1%	2.1%	1.1%
Aluminum Base Scrap	0.2%	24.3%	11.2%	1.4%	1.0%
Average Change	**0.1%**	**4.2%**	**0.9%**	**0.2%**	**0.6%**

Source(s): United States Bureau of Labor Statistics (www.bls.giv/ppis); Prior year represents September 2023 YOY price change

EQUIPMENT PRICE INCREASES DECELERATE

Prices for most equipment increased less in September than a year ago

September equipment prices increased 3.7% YOY, slower than the 4.8% growth from the prior year. Generator motors experienced the largest easing in September 2024, up 1.7% YOY compared to a 6.4% increase the prior year.

Prices for switchgear continued to rise, increasing 7.5% YOY. Transformers and power regulators also experienced a significant increase of 3.1% YOY, after only rising 0.5% the prior year.

On average, equipment prices are projected to be:

- ⬆ 0.6% from current prices to December 2024
- ⬆ 1.2% from current prices to March 2025

	1-Month % Change	YOY % Change	Prior Year % Change	3-Month Forecast* (Dec-2024)	6-Month Forecast* (Mar-2025)
Switchgear; switchboard; etc. equipment	0.3%	7.5%	6.9%	0.3%	1.0%
Metalworking machinery and equipment	0.2%	3.9%	5.5%	0.6%	1.1%
Pumps; compressors; and equipment	0.3%	4.0%	7.8%	0.7%	1.4%
Fans and blowers; except portable	0.3%	1.6%	3.1%	1.1%	1.9%
Electrical machinery and equipment	0.1%	2.0%	2.3%	0.5%	0.8%
Motors; generators; motor generator sets	0.1%	1.7%	6.4%	0.6%	1.1%
Transformers and power regulators	0.3%	3.1%	0.5%	0.8%	1.6%
Process control instruments	0.2%	5.4%	5.6%	0.6%	1.2%
Average Change	**0.2%**	**3.7%**	**4.8%**	**0.6%**	**1.2%**

Source(s): United States Bureau of Labor Statistics (www.bls.giv/ppis); Prior year represents September 2023 YOY price change

CONSTRUCTION COSTS CONTINUE TO MODERATE

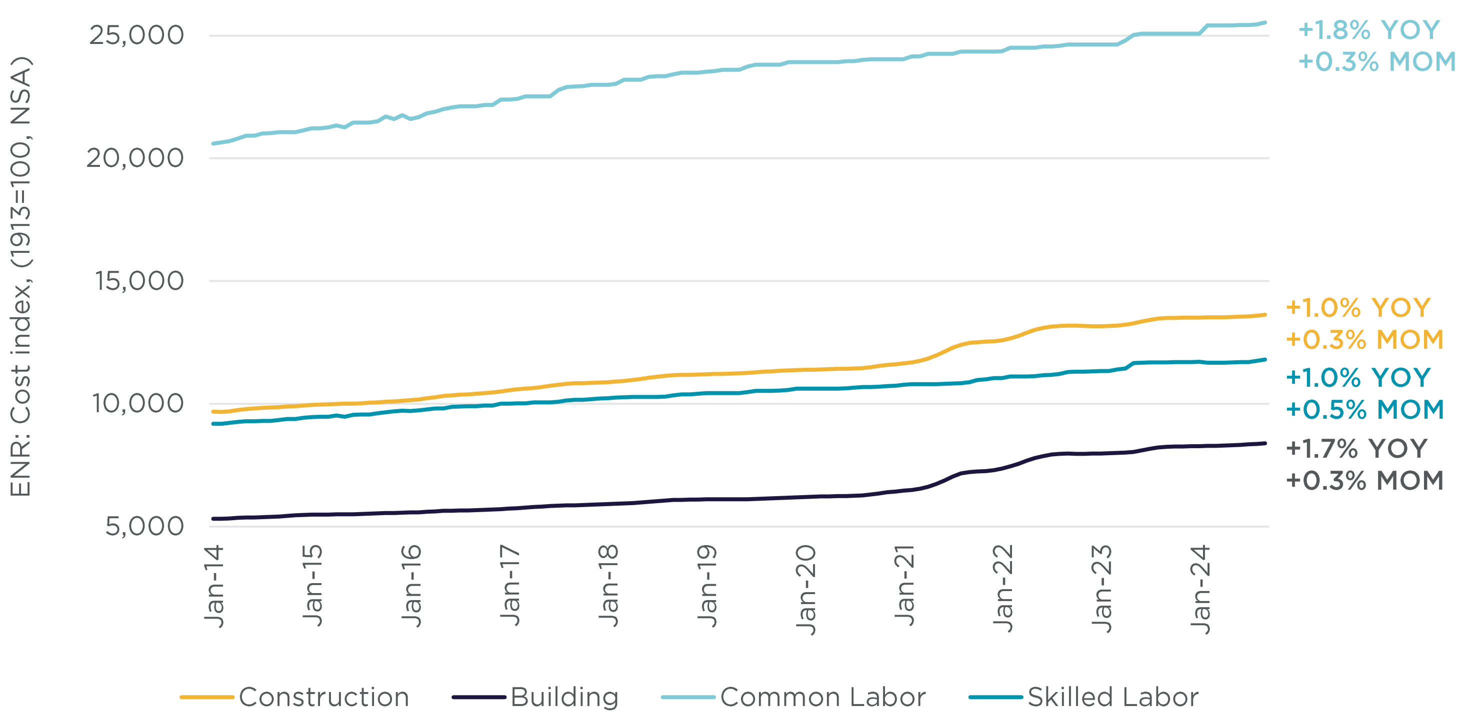
September costs increased nominally month-over-month

Cost increases in September continued to fall below their 10-year averages, as measured by the two cost indices produced by Engineering News-Record, Construction and Building. This means prices are rising at a slower pace.

On a YOY basis, construction costs rose 1.0%, and building costs increased 1.7%. The primary difference between indices are skilled and common labor assumptions.

While labor costs continue to increase, September increases were nominal when compared to past months. On a YOY basis, common labor costs grew 1.8%, and skilled labor increased 1.0%.

Core and shell commodities, including structural and fabricated metals, glass, switchgear and mechanical, continue to increase.



Source: Engineering News-Record (ENR) (McGraw-Hill)

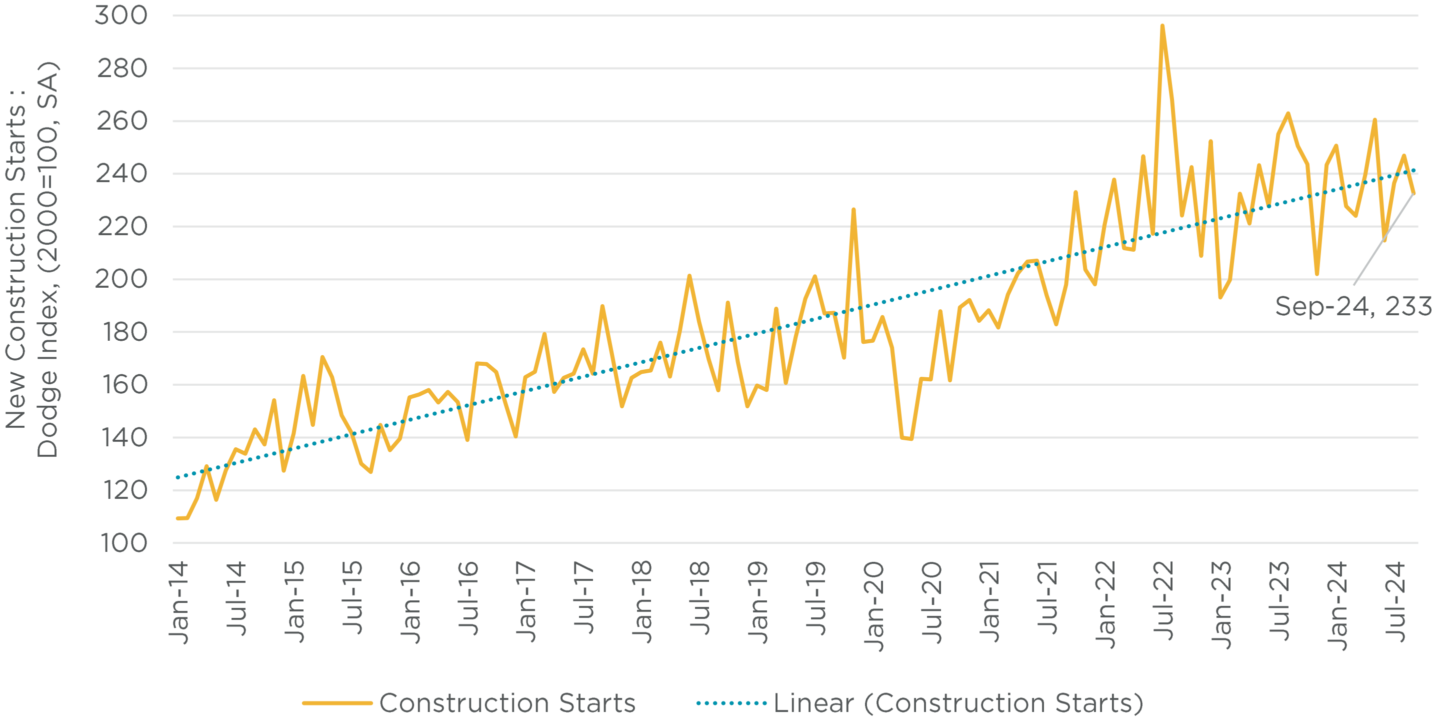
NEW CONSTRUCTION STARTS FALL

Data centers and warehouse demand increased commercial construction starts

New construction starts fell 5.8% month-over-month (MOM) and were 7.2% lower YOY, slightly below their long-term trend.

Nonresidential building starts decreased by 6% MOM and were flat YOY. The decline was largely due to a 30% drop in manufacturing construction and a 10% decrease in institutional projects. Increased warehouse and data center activity drove commercial starts up 9% MOM in September.

New construction starts are expected to increase in the near term as the Fed begins a new cycle of cutting high interest rates that have impacted financing. The first 50-bp cut happened in September, and there are expectations of further rate cuts before year-end, with additional cuts throughout 2025. As construction financing availability improves and becomes more affordable, more projects are expected to break ground in 2025.



Source: Dodge Data & Analytics

METRO LEVEL COST INCREASES HAVE DECELERATED

Annual construction cost increases have slowed across most metros

On a QOQ basis, construction costs increased an average of 1.1% across these 12 metros. On a YOY basis, costs increased an average of 4.9% in Q3 2024, which decelerated from the 6.5% increase a year ago.

YOY costs increased the most in Chicago at 6.7% and Boston at 5.9%. Denver and San Francisco had the smallest cost increase, at 4.0% and 4.1%, respectively.

Cost increases in most metro areas slowed down compared to the previous 12-month period, with the exceptions in Chicago and Honolulu. In Chicago, costs increased by 6.7% YOY as of Q3 2024, up from 5.3% the previous year. Similarly, costs in Honolulu increased by 5.3% YOY in Q3 2024, compared to a 4.8% increase in the previous year.

The cost to build has increased the most in Seattle and Boston, up 35% from Q1 2020 levels for both.

Metro	QOQ % Change	YOY % Change (Q3 2024 vs. Q3 2023)	Prior Year % Change (Q3 2023 vs. Q3 2022)	% Change Q1 2020
Boston	1.3%	5.9%	7.8%	34.7%
Chicago	0.8%	6.7%	5.3%	33.6%
Denver	1.4%	4.0%	6.0%	25.1%
Honolulu	1.2%	5.3%	4.8%	19.5%
Las Vegas	0.9%	4.3%	6.5%	26.0%
Los Angeles	1.0%	4.7%	5.9%	28.4%
New York	1.2%	4.6%	6.2%	30.4%
Phoenix	1.0%	3.9%	6.5%	27.2%
Portland	1.1%	5.1%	8.4%	30.7%
San Francisco	0.7%	4.1%	5.4%	24.5%
Seattle	1.2%	4.9%	9.2%	35.2%
Washington D.C.	1.1%	5.5%	6.0%	28.9%
Average	**1.1%**	**4.9%**	**6.5%**	**28.7%**

Source: Rider Levett Bucknall

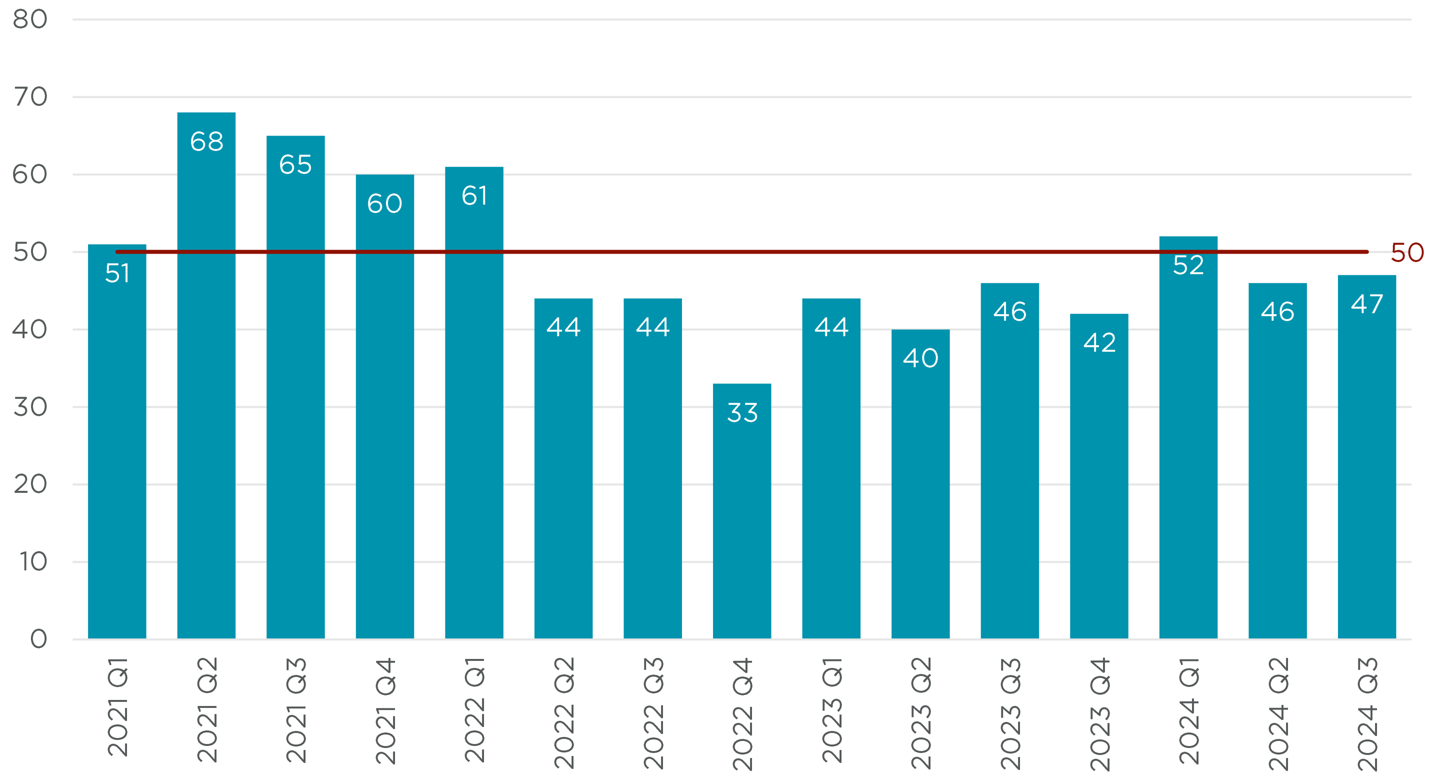
EXECUTIVE CONFIDENCE REMAINS BELOW 50

Uncertainty dampens confidence

The quarterly survey results from ENR, conducted among U.S. executives of leading general contractors, subcontractors and design firms, were relatively flat in the third quarter of 2024.

While the current reading is one point higher than the previous quarter, executives are dealing with the uncertainty that arises in periods just before a presidential election. The index measures sentiment regarding future market conditions and indicates that executives are somewhat pessimistic about the economy in the next 12-18 months—with 41% of respondents see a declining economy in the next three to six months.

Sentiment varies by region. Firms in the Midwest and Southeast are more optimistic, with an overall confidence score of 52. Meanwhile, confidence among firms in the Rocky Mountain states was lowest at 40, a significant drop from 52 in the first quarter.



Source: ENR/BNP MEDIA

LABOR

Wage growth continues as companies add more construction jobs. Demographic challenges are affecting hiring and labor, and the sector is expected to remain constrained through 2025.

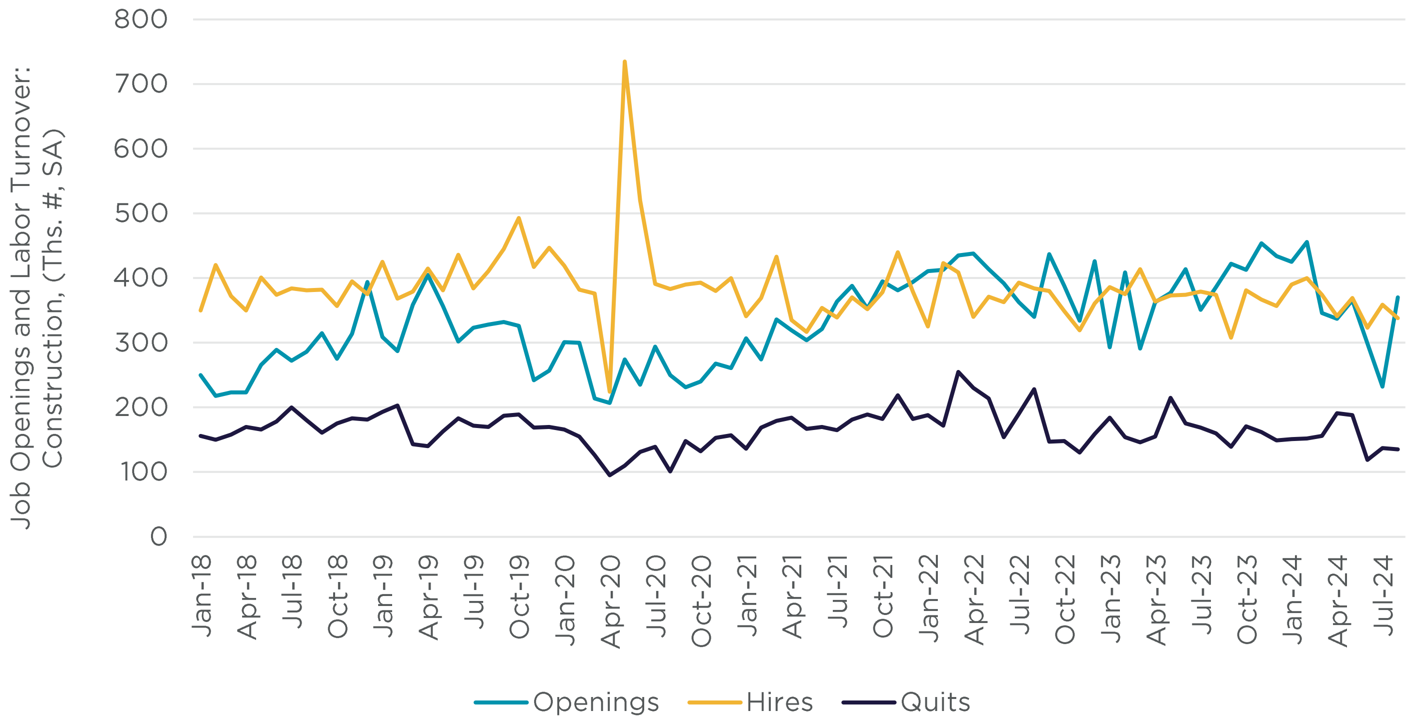
ROBUST HIRING GROWTH AS CHALLENGES PERSIST

U.S. construction firms continue to add jobs at a pace higher than the overall economy

The nonresidential construction industry added 37,100 jobs in the last 12 months through September 2024. This is a 4.2% YOY increase that exceeds the overall employment sector's growth of 1.6%.

Construction job openings dipped significantly in June and July but ticked back up in August, outpacing hiring. In the last 12 months, openings have outpaced hirings by 5.7% as the construction sector continues to grapple with labor constraints.

The unemployment rate among construction job seekers was 3.7% in October, slightly lower than the national unemployment rate of 3.9%.



Source: U.S. Bureau of Labor Statistics (BLS)

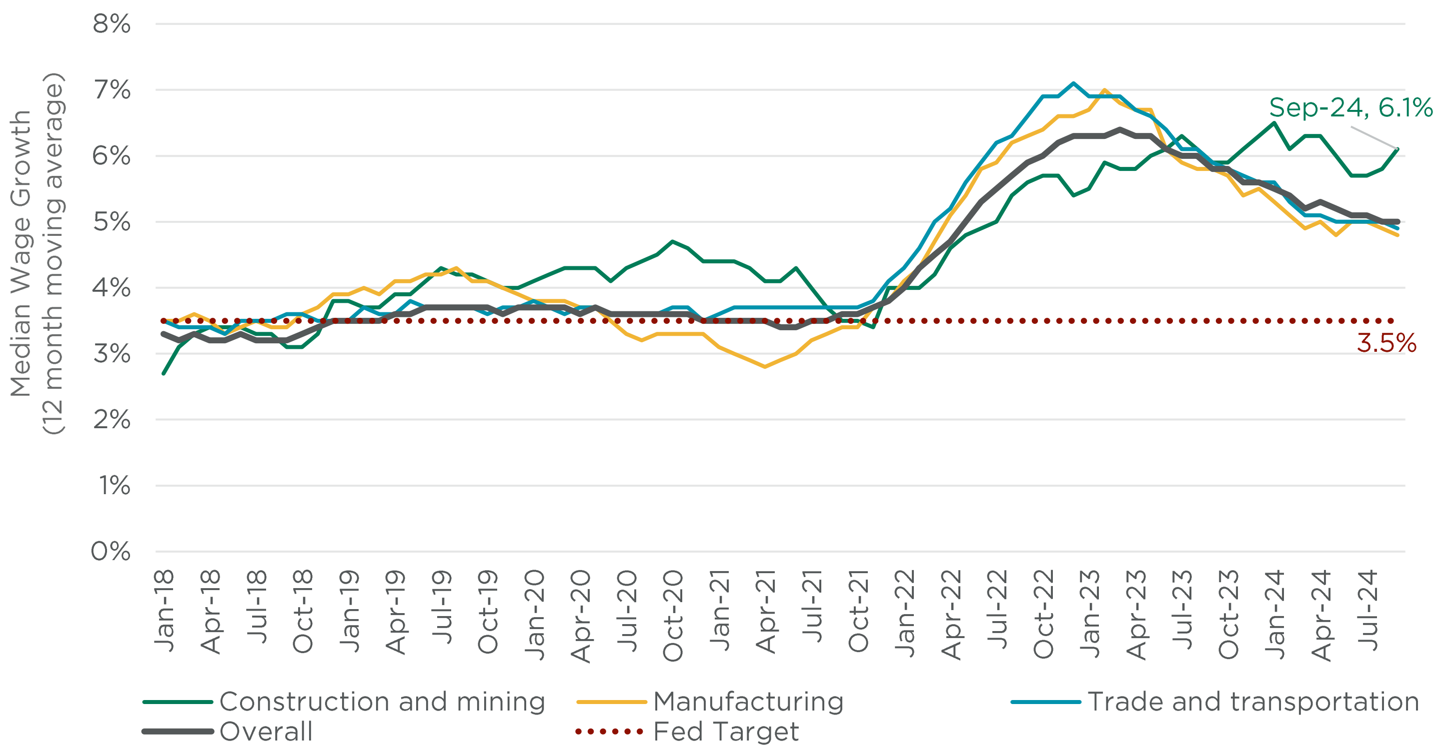
WAGE GROWTH CONTINUES TO INCREASE

Impacting construction projects

Inflationary pressure coupled with a constrained labor market led to robust wage growth through 2023. While these pressures have eased for most sectors, construction and mining wages continue to trend up.

As of September 2024, construction and mining wages grew 6.1%, while overall employment wages grew 5%. As most sectors trend down toward the 3.5% Fed target, construction wage growth remains stubbornly high due to several factors. Based on ENR's quarterly update, some of the wage growth is due to union contracts that were signed during a peak inflationary period in 2022.

Wages also continue to rise as companies seek to fill positions from a diminishing labor pool. Compensation packages need to remain attractive to compete in this labor market. Wage growth in 2025 is expected to be similar to 2024.



Source: U.S. Bureau of Labor Statistics (BLS)

SOUTHERN U.S. MARKETS DOMINATE JOB GROWTH

Texas and Florida continue to have strong YOY growth

Construction employment growth was dominated by southern markets as of the third quarter of this year. Eight of the top 10 metros are in the South. The metropolitan areas of Miami, Houston and Dallas-Fort Worth have seen the most significant YOY growth in construction jobs. Miami continues to experience a notable increase in construction projects, as companies aim to capitalize on its changing demographics.

New York, Minneapolis and Denver posted the most job losses on a YOY basis. Slower construction activity in the New York metro is largely attributed to the slower residential construction market in New York City. Despite significant demand for housing, several hurdles to construction will continue to impact activity in the region.

Total Gain/Loss as of Q3 2024

GAIN

Metro	YOY Change	%	Q1 2020 Change
Miami, FL	13,176	8.6%	16.5%
Houston, TX	12,094	5.2%	2.9%
Dallas-Fort Worth, TX	9,589	4.2%	15.2%
Las Vegas, NV	8,755	10.7%	24.6%
Baton Rouge, LA	7,179	15.2%	14.3%
Detroit, MI	7,174	8.6%	15.3%
Orlando, FL	5,524	6.1%	10.9%
Urban Honolulu, HI	4,477	16.4%	17.3%
Virginia Beach, VA-NC	4,049	9.9%	14.3%
Tampa, FL	4,036	4.3%	14.2%

LOSS

Metro	YOY Change	%	Q1 2020 Change
New York, NY-NJ-PA	-8,145	-2.0%	-6.1%
Minneapolis, MN-WI	-3,668	-4.1%	-1.0%
Denver, CO	-3,594	-3.5%	-2.0%
Portland, OR-WA	-2,757	-3.4%	3.0%
San Jose, CA	-2,716	-5.0%	-5.5%
Baltimore, MD	-1,928	-2.4%	-5.5%
Pittsburgh, PA	-925	-1.6%	-15.0%
Portland, ME	-629	-4.2%	5.6%
Duluth, MN-WI	-605	-9.4%	0.9%
Cincinnati, OH-KY-IN	-604	-1.2%	1.4%

Source: U.S. Bureau of Labor Statistics (BLS)

PROJECT TIMELINES

Lead times for some in-demand equipment have improved. However, an expected increase in construction activity in 2025 will put further pressure on these lead times as demand rises. Managing extended timelines will remain a necessary strategy.

PROJECT TIMELINES

Equipment lead times

While some delays remain, equipment lead times continue to improve.

- Small format CRAC unit lead times have improved from 8-35 weeks last year to 8-20 weeks this year, giving projects back at least 15 weeks on the high end.
- Fan coil unit lead times are also seeing some improvements, from 16 weeks to 12-16 weeks.
- Air handlers are also seeing times falling to 20-30 weeks, from 23-36 weeks last year.

Electric switchboards continue to experience extended lead times, but there are finally some improvements.

- 100, 200, 400 and 800 amp lead times have improved from 15-20 weeks to 8-12 weeks.
- 1200 amp lead times have improved from 17-20 weeks to 12-16 weeks.
- 1600, 2000 and 2500 amp lead times have seen the most improvement, falling from 45-60 weeks to 32-52 weeks.

EQUIPMENT	SIZE	WEEKS
CRAC Units	Small format	8-20
CRAC Units	Large format	32-40+
Supplemental AC	Supplemental AC	16
Fan Coil Units	Fan Coil Units	12-16 --16
VAV Boxes	VAV Boxes	10
FPB	FPB	10
Air Handlers	Water Cooled DX Semi-Custom	23-36
Modular Chillers	Modular Chillers	24-35
Roof Top AHUs	Roof Top AHUs	24-34+
Centrifugal Chillers	Centrifugal Chillers	30
UPS	80 kva	16-39
UPS	100-150kva	20-26
UPS	225; 300; 500 kva	24-28
PDU	80; 100-150; 225 kva	40-54
PDU	300 kva	24-28
PDU	500 kva	22-26
Switch Boards	100; 200; 400; 800 Amp	8-12
Switch Boards	1200 Amp	12-16
Switch Boards	1600; 2000; 2500 Amp	32-52
Cat Generators	100-500kw	32-34
Cat Generators	750-1250 kw	62-65
Cat Generators	1500 kw	65+
Detroit Diesel Generators	30-200 kw	35-37
Detroit Diesel Generators	230-400 kw	61-63
Detroit Diesel Generators	450-600 kw	35-37
Detroit Diesel Generators	1000-1250; 1500-1750; 2000-2500 kw	92-96

Source: Turton Bond

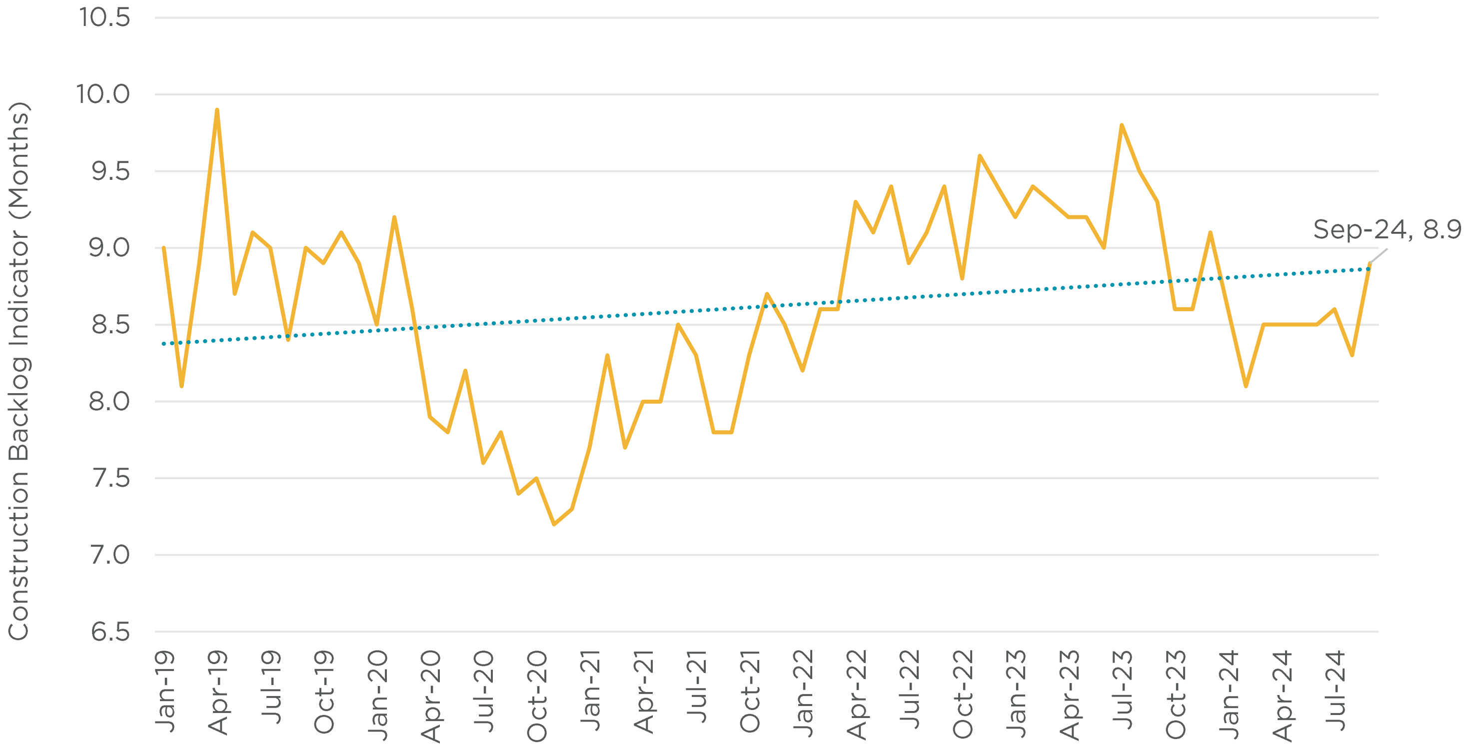
THE CONSTRUCTION BACKLOG TICKS UP

A forward look at commercial and institutional construction work under contract

The Associated Builders and Contractors (ABC) construction backlog for commercial and institutional projects totaled 8.9 months as of September 2024. This was a significant improvement from a month earlier when the backlog totaled 8.3 months. However, on a YOY basis, the backlog remains slower.

The backlog indicator has decreased from its 2023 peak but is currently at its five-year average. As of September, the South region has the longest backlog at 9.8 months, up from 9.1 in August, but this is a significant reduction from the 11.4 months reported in January 2024.

The sector's confidence improved in September, as shown by the ABC Construction Confidence Index, which averaged 55.7, above August's average of 53.1. Confidence has improved due to potential additional interest rate cuts, which are expected to spur construction activity next year.



Source: Associated Builders and Contractors

Backlog is defined as "the amount of work, measured in dollars, that construction companies are contracted to do in the future."

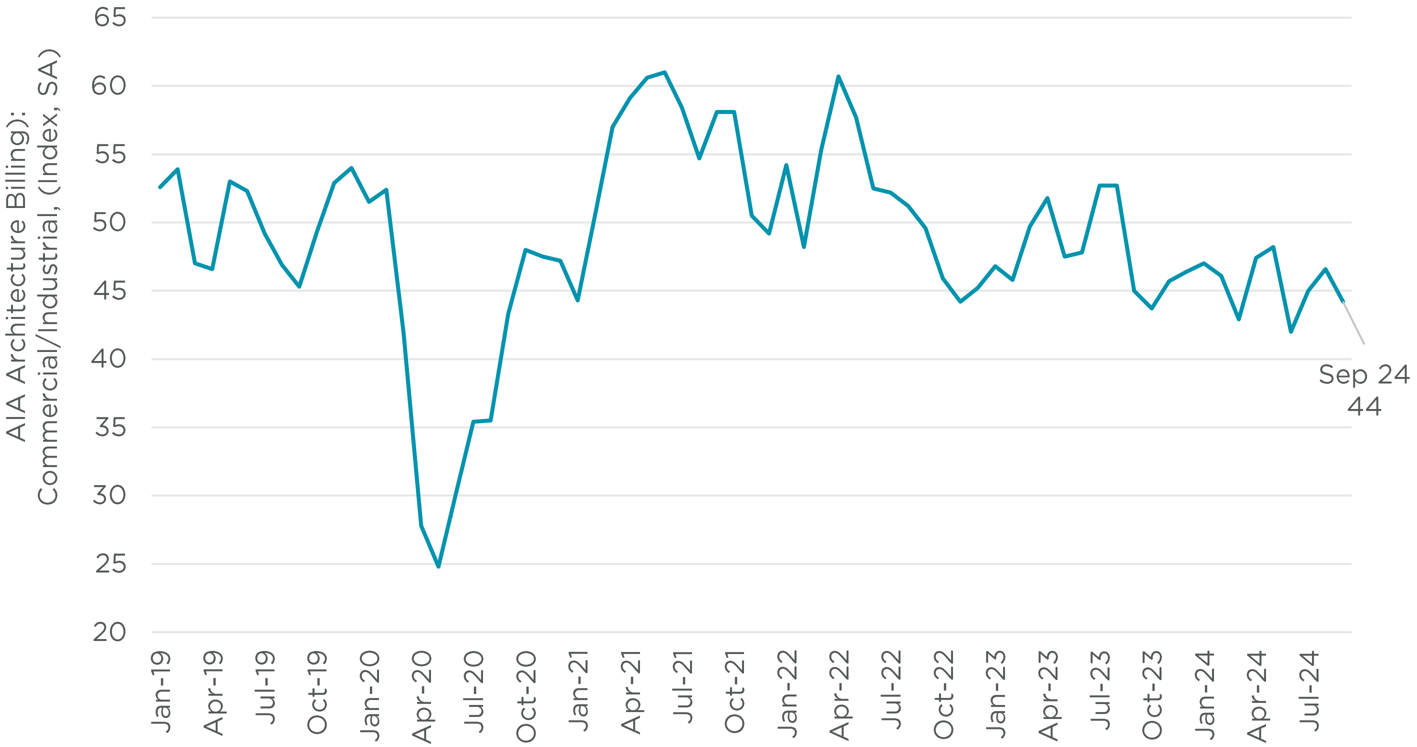
ARCHITECTURAL BILLINGS SOFTNESS CONTINUES

Commercial and Industrial billings have trended lower since 2022

Commercial and industrial architectural billings fell 5.2% in September on a MOM basis and were down just 1.8% YOY. Billings have been below 50 for all of 2024, indicating a continued decline. Since billings are forward looking, this points to softness in the construction sector over the next nine to 12 months.

Regionally, the South posted the strongest overall billings at 50, and the West posted the lowest at 43.

Despite the recent interest rate cut, firms remain cautious, according to the American Institute of Architects (AIA). While the value of projects has declined in the last six months, healthy backlogs are a reason for optimism.



Source: The American Institute of Architects (AIA)

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