CONSTRUCTION DATA ANALYSIS

Q1 2024

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OPENING REMARKS

As a premier national real estate developer and project management company, CREDE operates across 27 states, overseeing and developing projects valued at over $8 billion. Our expansive footprint and significant portfolio underscore our commitment to excellence and innovation in the real estate industry.

To maximize efficiency and profitability for both our own projects and those we manage for our clients, we continuously monitor key market factors. This approach allows us to navigate the complexities of the real estate landscape, enabling us to proactively address risks and seize opportunities. Our expertise in risk mitigation and strategic planning ensures that we remain ahead of market trends, delivering exceptional value and results.

In recognition of your support for CREDE, we are pleased to share our comprehensive construction data analysis with our key partners. This gesture of appreciation reflects our gratitude and our commitment to fostering strong, collaborative relationships. By providing you with these valuable insights, we aim to enhance your understanding of the market and support your success alongside ours.

- Colby Durnin, CEO

CREDE’S MARKET OUTLOOK

Over the last few years, our industry has experienced a whirlwind of change, facing social volatility, credit illiquidity, supply chain hurdles, and labor shortages. These difficulties have certainly been significant, but I remain optimistic about what lies ahead. It's more of a 'rebirth through challenges' as our resilience becomes clear, and the outlook for the coming year is encouraging. With strategic planning, investment in workforce development, and adaptability to market conditions, we can confidently steer through the future.

The industry's resilience can be attributed to strong consumer confidence, a robust labor market, and significant public funding for manufacturing and infrastructure. As interest rates stabilize and possibly decline in the fall, the residential sector is likely to revive. The Federal Reserve’s projections indicate a gradual reduction in inflation, which is encouraging for the construction industry.

In 2025 and 2026 we forecast the pipeline of loan sales and properties that have gone through a basic reset to reinvigorate the TI and rehab market. We are starting to see our larger private clients leaning in, so it is our prediction that the construction cost will reach its lowest points this summer and material costs will start to increase with inflation in 2025.

CREDE’S MARKET OUTLOOK - CONTINUED

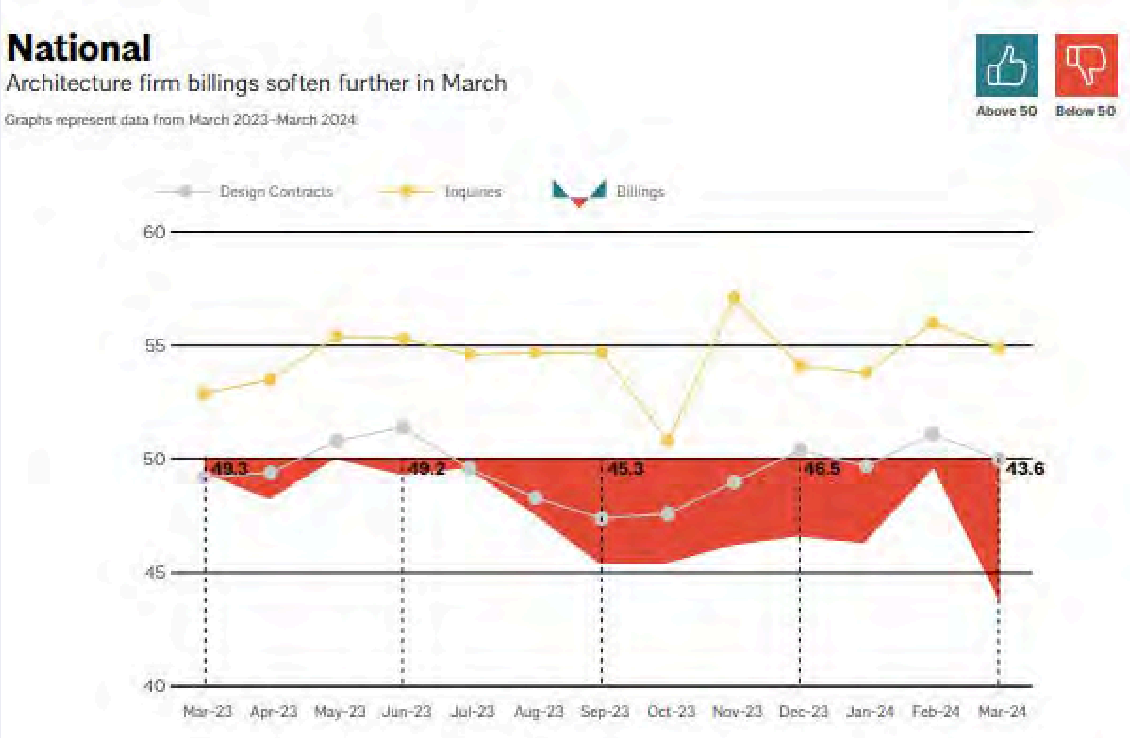
Technological advancements are set to revolutionize the construction industry. The integration of AI, drones, and advanced software enhances everything from 3D modeling and design processes to scheduling and safety compliance. These tools will continue to evolve, providing significant advantages to early adopters. By leveraging these technologies, construction companies can improve efficiency, sustainability, and readiness for future challenges.

However, significant challenges remain. The industry faces a critical shortage of skilled labor, with an estimated need for more than 330,000 new workers in 2024. Recruiting qualified workers continues to pose a challenge, as many public and infrastructure projects have absorbed the highest quality labor pools. However, we are beginning to see an increase in available labor as the private sector backlog has diminished over the past twenty-two months. For the remainder of 2024 and the first half of 2025, we forecast that private sector labor will become more available, pending an uptick in work resulting from a potential real estate reset within the lending industry.

INDEXES, INDUSTRY DATA & COMMODITIES

ARCHITECTURAL BILLING INDEX - NATIONAL

- In March, business conditions at architecture firms weakened, as evidenced by the AIA/Deltek Architecture Billings Index (ABI) score declining to 43.6 for the month.
- This marked the 14th consecutive month of declining billings at architecture firms, as inflation, supply chain issues, and other economic challenges continued to impact business. The value of new signed design contracts remained flat, reflecting a trend observed over the past year and a half.
- Despite this temporary slowdown, most firms report robust project backlogs, averaging 6.6 months compared to 6.9 months in March 2023, ensuring a steady pipeline of work.



SOURCE: THE AMERICAN INSTITUE OF ARCHITECTS

CREDE PERSPECTIVE

Given the ongoing decline in architecture firm billings and the flat value of new design contracts, now is an opportune time for developers to secure favorable terms. By contracting now, developers can leverage the current market conditions to obtain better pricing and access to skilled professionals.

ARCHITECTURAL BILLING INDEX - BY SECTOR

- In March, architecture firm billings continued to decline across all regions and specializations, reflecting the trend observed in February. Regionally, firms in the Midwest and South experienced some of the most challenging business conditions.
- By specialization, billings declined most rapidly at firms focusing on commercial and industrial projects, while those specializing in multifamily residential projects also saw persistent weakness.
- Conversely, firms with an institutional focus reported stable billings for the third consecutive month, indicating a steadier trend in that sector.

SOURCE: THE AMERICAN INSTITUE OF ARCHITECTS

CREDE PERSPECTIVE

This data underscores the opportunity for developers to negotiate more advantageous pricing and conditions with architecture firms actively seeking new projects. Additionally, developers can take advantage of a wider pool of skilled professionals, potentially expediting project timelines and enhancing the overall quality and efficiency of their developments.

CONSTRUCTION BACKLOG INDICATOR

- Associated Builders and Contractors (ABC) reported that its Construction Backlog Indicator rose to 8.2 months in March, up from 8.1 months in February. This figure is down by 0.5 months compared to March 2023.
- Over the past year, the backlog has decreased in every region except the Middle States (Kentucky, Michigan, Ohio, Pennsylvania and Tennessee) which now has the second largest backlog of any region. The South maintains the largest backlog, despite experiencing a significant decline during the same period.

CONSTRUCTION BACKLOG INDICATOR

	March 2024	February 2024	March 2023	March 2022	1 - Month Net Change	12 - Month Net Change
Total	**8.2**	**8.1**	**8.7**	**8.3**	**0.1**	**-0.5**
INDUSTRY						
Commercial and Institutional	8.5	8.1	9.3	8.6	0.4	-0.8
Heavy Industrial	8.8	9.2	8.8	6.3	-0.4	0.0
Infrastructure	6.8	9.4	7.1	8.2	-2.6	-0.3
REGION						
Middle States	8.0	7.3	7.3	7.5	0.7	0.7
North East	7.4	7.4	8.0	8.6	0.0	-0.6
South	9.7	9.9	11.4	9.7	-0.2	-1.7
West	7.8	7.9	7.9	6.3	-0.1	-0.1
COMPANY SIZE						
<$30 Million	7.7	7.5	7.5	7.7	0.2	0.2
$30-$50 Million	8.2	8.4	11.2	8.4	-0.2	-3.0
$50-$100 Million	9.7	10.5	14.4	9.6	-0.8	-4.7
>$100 Million	10.1	10.3	12.9	13.8	-0.2	-2.8

SOURCE: ASSOCIATED BUILDERS AND CONTRACTORS.ORG

CREDE PERSPECTIVE

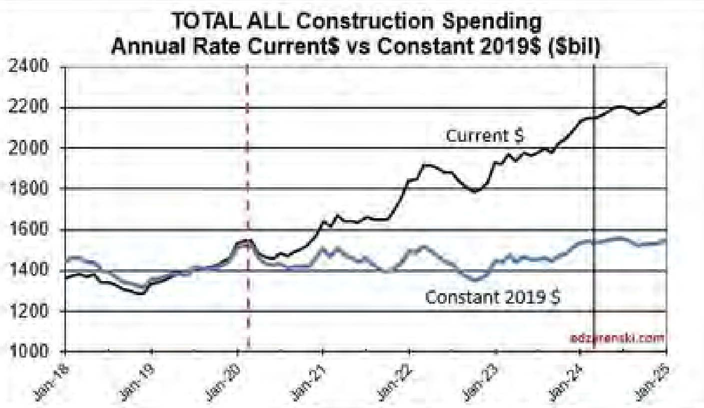
This is an opportune time for developers to secure contracts for private work and capitalize on the current market landscape. The year-over-year decline in the construction backlog underscores the need for flexibility and adaptability. Developers should adjust their strategies to the changing market conditions by exploring different project types or new regions with better growth prospects.

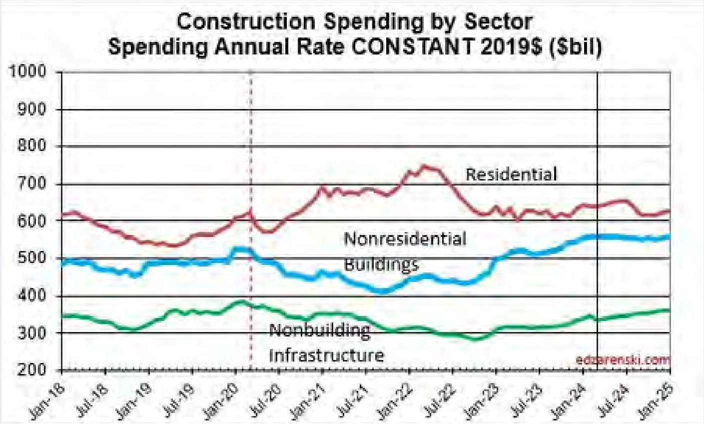
CONSTRUCTION SPENDING - THROUGH MARCH 2024

- Construction spending reached $1.464 trillion in December of 2019. Total construction spending has since increased by 46% as of March 2024. However, after accounting for inflation, the actual volume of construction activity has only grown by 6%. This means that over 85% of the spending growth since December 2019 is due to inflation

- If current projections hold, the total volume of construction business by the end of 2024 will have increased by 10% compared to 2019. Therefore, all business plan forecasts and labor demand should be based on this 10% real growth, as inflation does not contribute to the actual volume of business.

- Expect both nominal and real (inflation-adjusted) spending to increase through the first half of 2024, followed by a slight decline in the second half of the year. Overall, spending in 2024 is projected to be 7% higher than in 2023, with inflation-adjusted volume growth expected to be 3%.





SOURCE: ED ZARENSKI.COM

CREDE PERSPECTIVE

Given that a significant portion of spending growth is due to inflation, developers should prioritize cost management and efficiency in their projects. This includes negotiating better terms with suppliers, optimizing supply chain logistics, and adopting cost-saving construction techniques. Developers can also implement strategies to mitigate the impact of inflation on project costs. This could involve locking in prices with long-term contracts or using alternative materials and technologies that offer better cost stability.

CONSTRUCTION SPENDING - THROUGH MARCH 2024

- As of March 2024, the construction spending for Nonresidential Buildings is up by 10.0% compared to the average of 2023, and the trend indicates further increases. At the beginning of 2024, Nonresidential Buildings' December spending was at a Seasonally Adjusted Annual Rate (SAAR) 6% higher than the average for 2023.

- In the past 9 months, residential new starts, as reported by Dodge, have averaged the highest level since the peak in the first half of 2022. Compared to the first quarter of 2023, residential starts for Q1 2024 have increased by 27%. Overall, residential starts for 2024 are currently averaging 8% higher than the total in 2023.

U.S. TOTAL CONSTRUCTION SPENDING SUMMARY

$In Billions % Growth vs Prior Year	Actual 2022		Preliminary 2023 as of Mar '24		Year-To-Date 2024 as of Mar '24		YTD 24 vs AVG 23	Forecast 2024 as of Mar '24		Forecast 2025 as of Mar '24	
TOTAL CONSTRUCTION	**1849**	**11.8%**	**1980**	**7.1%**	**461**	**10.6%**	**8.1%**	**2174**	**9.8%**	**2329**	**7.1%**
Residential	927	14.6%	873	-5.9%	198	5.0%	5.4%	925	5.9%	979	5.9%
Non-Residential Buildings	549	13.7%	680	23.9%	168	16.2%	10.0%	759	11.5%	799	5.3%
Non-Building Infrastructure	372	3.0%	427	14.6%	95	13.6%	10.8%	491.0	15.0%	551	12.3%
Educational	102.1	1.1%	116.4	14.0%	27.7	19.4%	12.9%	137.6	18.2%	153.3	11.4%
Healthcare	54.8	8.8%	63.2	15.5%	16.1	12.8%	9.1%	70.7	11.8%	74.6	5.6%
Amusement / Recreation	30.0	10.7%	32.6	8.6%	8.0	18.9%	12.7%	38.2	17.3%	44.2	15.8%
Commercial / Retail	121.4	24.6%	132.1	8.9%	30.2	2.5%	4.9%	131.8	-0.2%	126.1	-4.3%
Lodging	19.7	3.5%	23.6	19.6%	5.5	0.7%	-1.2%	24.4	3.2%	29.8	22.4%
Office	91.6	1.9%	98.9	7.9%	23.7	5.8%	3.0%	103.6	4.8%	107.1	3.3%
Manufacturing	114.7	39.8%	196.4	71.3%	52.3	30.7%	13.6%	230.1	17.1%	239.7	4.2%
Religious + Public Safety	14.5	-8.8%	16.8	15.5%	4.9	44.3%	26.4%	22.2	32.2%	24.1	8.9%
Power	109.8	-7.8%	123.0	12.0%	32.2	13.6%	11.4%	140.8	14.5%	160.1	13.7%
Highway / Bridge / Street	114.1	10.4%	134.7	18.0%	24.0	21.6%	15.1%	169.9	26.1%	195.6	15.1%
Transportation / Air / Rail	58.7	-0.6%	63.8	8.6%	14.4	6.0%	9.2%	65.6	2.8%	67.3	2.7%
Sewer / Water / Conservation	65.5	14.9%	80.5	22.9%	18.2	13.8%	4.6%	87.8	9.1%	100.3	14.2%
Communication	24.3	5.3%	24.9	2.4%	6.0	4.2%	8.5%	26.7	7.2%	27.9	4.6%

SOURCE: ED ZARENSKI.COM

CREDE PERSPECTIVE

The current trends in construction spending present a favorable outlook for commercial real estate developers in 2024. The trend suggests that businesses are confident in the economic outlook, and are willing to invest in new infrastructure and facilities. This period offers a prime opportunity to expand portfolios, innovate, and invest in both non-residential and residential sectors to maximize profitability.

FORECASTED NEW CONSTRUCTION PROJECTS:
RESIDENTIAL, COMMERCIAL, & INDUSTRIAL

- U.S. construction starts in 2024 are anticipated to rise by 4.5%, buoyed by a more robust economic outlook. This growth will be fueled by advancements in the residential, commercial, and certain civil engineering subsectors as inflation eases towards the 2% target, and the Federal Reserve contemplates lowering interest rates in the year's second half.

- Following a challenging year for residential building in 2023, we anticipate a more favorable 2024, with overall growth projected at 7.1%. As the economy approaches a soft landing, headwinds are diminishing, supported by declining interest rates and easing financial market conditions. Single-family starts are expected to rise by 7.5%, while the multifamily subsector is projected to grow at a slightly lower rate of 6.4%

U.S. Forecasted Starts: Type-of-Structure ($ Billions USD)

	Actuals		Forecasts		
	2022	2023	2024	2025	2026
Single Family	224.96	201.88	221.94	248.92	271.56
Multi-Family	148.72	112.57	112.65	128.34	146.74
TOTAL RESIDENTIAL	373.68	314.45	334.58	377.26	418.30
(Yt/yr % change)	3.1%	-15.9%	6.4%	12.8%	10.9%
Hotels/Motels	11.07	14.21	14.20	16.96	18.76
Shopping/Retail	15.38	14.14	18.13	20.1	22.17
Parking Garages	2.42	2.08	2.29	2.50	2.67
Amusement	7.87	9.16	9.59	10.01	10.55
Private Offices	24.59	29.64	28.49	29.58	30.76
Governmental Offices	13.25	16.29	14.20	13.00	13.33
Laboratories (Schools & Industrial)	4.91	4.82	3.46	3.59	3.72
Warehouses	30.47	21.61	21.43	24.15	25.77
Sports Stadium/Convention Center	6.98	9.37	9.59	10.32	10.17
Transportation Terminals	5.98	6.87	9.51	8.01	8.66
TOTAL COMMERCIAL	122.94	128.19	130.91	138.29	146.57
(Yt/Yr % change)	14.1%	4.3%	2.1%	5.6%	6.1%
TOTAL INDUSTRIAL (manufacturing)	115.41	101.76	83.94	78.65	75.65
(Yt/Yr % change)	229.0%	-11.8%	-17.5%	-6.3%	-3.8%

SOURCE: CONSTRUCTCONNECT.COM

CREDE PERSPECTIVE

These forecasts were based on anticipated Federal Reserve interest rate cuts this summer, which did not materialize. We now expect subdued growth in U.S. construction starts for 2024, with private spending constrained by higher-than-expected interest rates. This will likely temper advancements in residential, commercial, and some civil engineering subsectors, as inflation pressures persist and financial market conditions remain challenging.

FORECASTED NEW CONSTRUCTION PROJECTS:
INSTITUTIONAL, NON-RES, & ENGINEERING

- After experiencing a 2.3% growth in 2023, we project total non-residential building activity to decrease by 4.8% in 2024. Despite this expected decline, it is important to recognize that non-residential building starts are still near record levels, following substantial growth in 2022.

- We expect strong growth in shopping & retail after a broad-based decline since the mid-2010s. There are a number of projects in the pipeline supporting the growth in this sector.

- The most significant growth is expected in the medical subsectors. Hospitals, nursing homes, and other medical projects are all projected to see considerable expansion in 2024.

U.S. Forecasted Starts: Type-of-Structure ($ Billions USD)

	Actuals		Forecasts		
	2022	2023	2024	2025	2026
Religious	1.04	1.09	1.17	1.22	1.27
Hospitals/Clinics	25.84	20.91	23.07	25.05	26.71
Nursing Homes/Assisted Living	4.59	2.80	3.06	3.44	3.46
Libraries/Museums	3.60	4.25	4.17	4.34	4.50
Courthouse	1.66	2.37	2.08	2.20	2.29
Police/Fire	4.22	5.09	5.36	5.57	5.77
Prisons	2.96	7.04	4.91	5.12	5.32
Military	9.73	16.24	12.96	14.99	15.78
Education Facilities	74.54	91.54	87.07	90.39	93.32
MED misc	13.70	9.06	12.28	13.05	13.69
TOTAL INSTITUTIONAL	141.88	160.36	156.12	165.38	172.30
(Yt/Yr % change)	24.6%	13.0%	-2.6%	5.9%	4.2%
Miscellaneous Non-Res Building	8.00	6.96	7.37	7.99	8.51
TOTAL NON-RES BLD	388.2	397.3	378.4	390.3	403.0
(Yt/Yr % change)	47.6%	2.3%	-4.8%	3.2%	3.3%
Airport	7.63	9.98	8.97	9.83	10.33
Roads	84.48	95.38	102.78	108.53	113.63
Bridges	27.66	24.42	19.18	33.53	35.40
Dams/Canal/Marine	9.41	11.93	11.99	12.77	13.80
Water & Sewage Treatment	43.41	47.84	50.52	54.51	57.46
Misc Civil (Power, etc.)	29.36	39.97	56.36	64.08	67.45
TOTAL ENGINEERING	201.96	229.52	259.81	283.24	298.05
(Yt/Yr % change)	29.1%	13.6%	13.2%	9.0%	5.2%

SOURCE: CONSTRUCTCONNECT.COM

CREDE PERSPECTIVE

Despite the overall decrease in the non-residential sector, there are still valuable opportunities to explore. Developers should consider new retail projects, as well as the redevelopment and revitalization of existing retail spaces, including mixed-use developments and experiential retail. Collaborating with healthcare providers and institutions to develop state-of-the-art medical facilities presents a significant opportunity for developers to capitalize on the growing demand in the healthcare sector.

CONSTRUCTION INPUT PRICING - PRODUCER PRICE INDEX

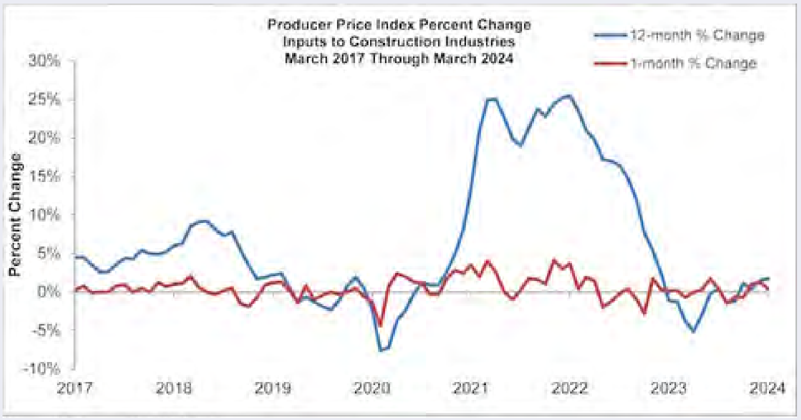
- Construction input prices rose by 0.4% in March compared to the previous month, with Nonresidential construction input prices also seeing a 0.4% increase for the month.

- Recent data indicate that while certain construction materials, such as softwood lumber and plywood, have shown volatility, the overall trend in input prices has been relatively stable.

- Specifically, the price index for construction inputs, which includes both materials and components, has seen only minor changes through the end of March 2024.

Producer Price Index, March 2024

	1-Month % Change	12-Month % Change	Change Since Feb 2020
INPUTS TO INDUSTRIES			
Inputs to Construction	0.4%	1.7%	41.1%
Inputs to Multi-Family Construction	0.2%	2.6%	40.1%
Inputs to Non-Residential Construction	0.4%	1.7%	41.6%
Inputs to Commercial Construction	0.3%	1.3%	41.3%
Inputs to Healthcare Construction	0.3%	1.5%	41.1%
Inputs to Industrial Construction	0.5%	2.4%	37.5%
Inputs to Other Non-Residential Construction	0.4%	1.7%	41.7%
Inputs to Maintenance and Repair Construction	0.5%	1.4%	39.5%



SOURCE:US BUREAU OF LABOR STATISTICS

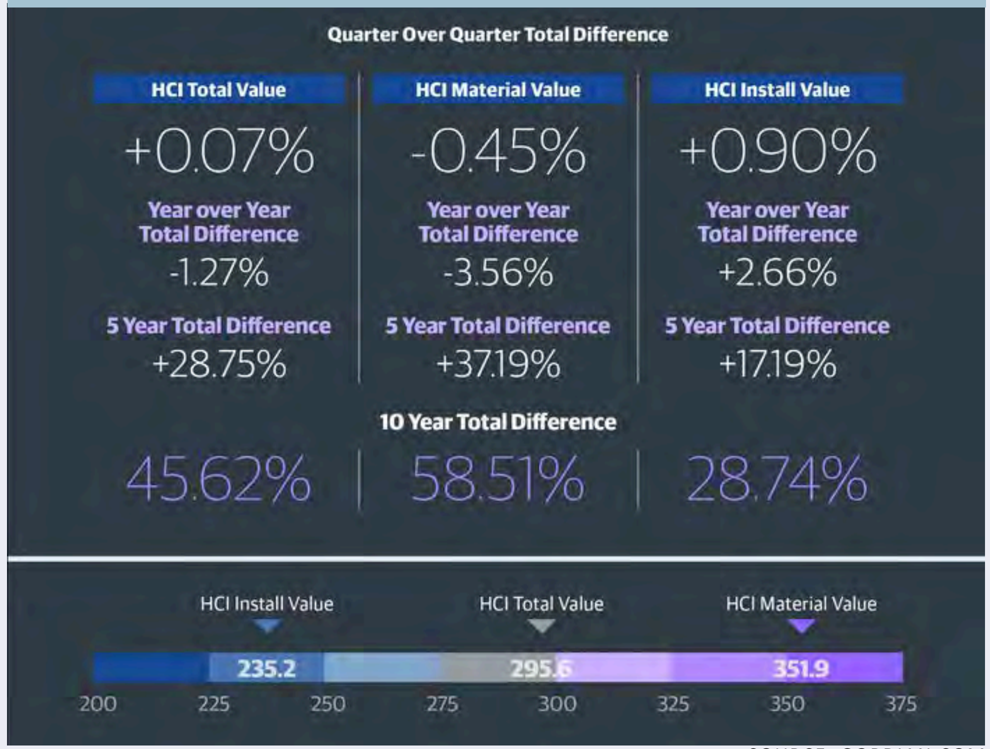
CREDE PERSPECTIVE

We anticipate that construction material prices will remain relatively stable, with modest increases of 1% to 1.5% in Q2 2024, and rise by approximately 2% to 4% by the end of the year. Developers should factor these projected increases into their budgeting and planning to ensure financial preparedness for their projects throughout 2024.

CONSTRUCTION COSTS - HISTORICAL COST INDEX

- Although construction input pricing increased in March 2024 compared to February 2024, overall construction costs have experienced stability through the beginning of the year.
- With supply chains also stabilizing, we anticipate continued predictability in lead times and material cost increases in 2024, balancing potential easing with the pressures of a tight labor market.
- Experts anticipate a modest increase in construction pricing over the next six to ten months. The overall environment should remain relatively stable, providing a positive outlook for project planning and execution.

The HCI Total Index Value represents the overall change in construction costs, including materials, labor, and installation expenses.



SOURCE: GORDIAN.COM

CREDE PERSPECTIVE

With a steady supply chain and recent trends in material costs offsetting current labor market conditions, we anticipate minimal increases in construction input prices. This predictability will enable developers to assess project feasibility with greater accuracy. Developers can better forecast their return on investment and make well-informed decisions regarding the initiation of new developments.

NATIONAL AVERAGE COST OF CONSTRUCTION PER SQUARE FOOT

- Construction costs are projected to increase modestly by approximately 2% to 4% through 2025.
- The market is experiencing a complex situation where material costs are stabilizing while labor costs are rising. This combination is leading to modest overall increases in most construction expenses, but with significant variations across different sectors and regions.
- Although some materials still show variable pricing, the overall costs are beginning to stabilize on a larger scale. This suggests a shift back to the more predictable historical trends of gradual price increases.

National Average Cost of Construction Per Square Foot ($ USD)

	Low	High		Low	High
Multi-Family			**Schools / University**		
Apartment	$290	$580	Elementary, Middle, High School	$300	$380
Condominium	$330	$740	University Dorms	$300	$350
			University Classrooms	$500	$660
Hospitality			Administrative Buildings	$550	$650
Two-Star Hotel	$130	$230	Laboratory Buildings	$700	$840
Three-Star Hotel	$190	$380			
Four-Star Hotel	$260	$410	**Industrial Warehouse**		
Five-Star Hotel	$330	$550	Medium (457,000 sq/ft)	$110	$230
			Large (900,000 sq/ft)	$85	$210
Office Building					
Single Story Building	$240	$440	**Retail**		
Mid-Rise Building	$330	$870	Shopping Center and Malls	$370	$580
High-Rise Building	$430	$1,000			
			Community Building		
Parking Structure			Police Station, Government Admin Building	$430	$850
Garage	$70	$290	Museums, Performing Arts Building	$650	$1,270

SOURCE: STATISTA, CUSHMAN & WAKEFIELD, HOMEGUIDE.COM

CREDE PERSPECTIVE

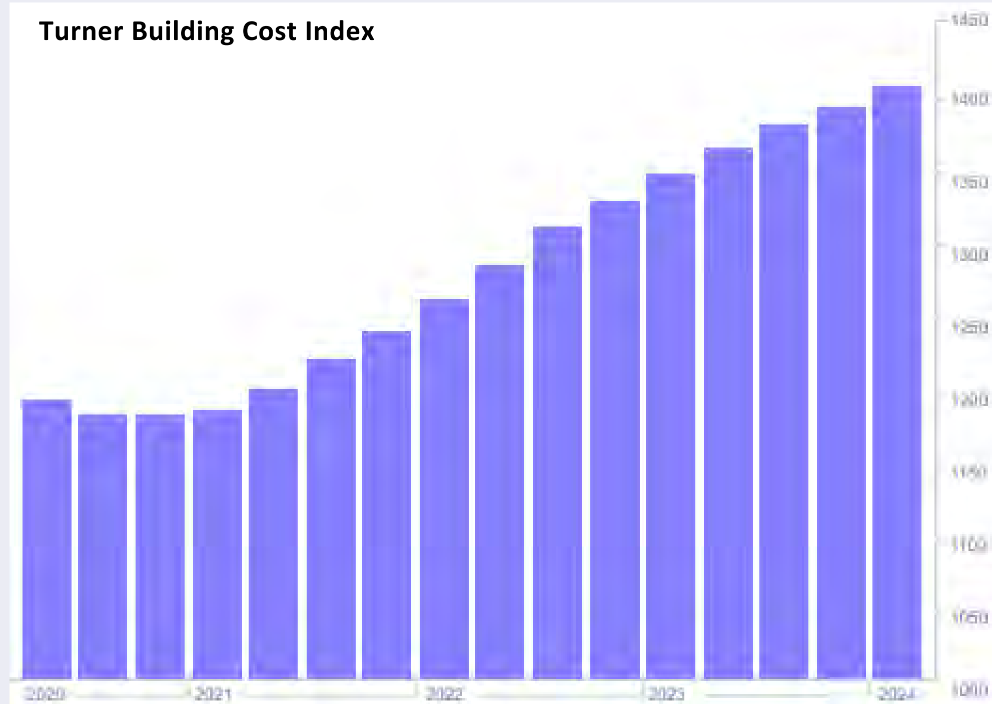
With the forecasted stability in material costs, developers can conduct more thorough cost-benefit analyses by considering the specific cost per square foot for various building types to make informed project initiation decisions. Developers should evaluate local regulations, labor costs, and material availability in different regions to optimize project budgets and timelines.

NATIONAL CONSTRUCTION BUILDING COST INDEX

- Mega projects in the advanced technology sectors throughout the United States continue to heavily attract the workforce. Workforce development initiatives are introducing diverse and young talent into skilled trades, which is a promising indicator for the industry's future.

- Most material prices have stabilized, except for copper and aluminum, which have seen price increases since February 2024.

- Although lead times for mechanical and electrical equipment have shortened slightly compared to previous months, they remain lengthy and should be a priority in project scheduling.



Quarter	Index	△%
1st Quarter 2024	**1408**	**0.93**
4th Quarter 2023	1395	1.01
3rd Quarter 2023	1381	1.17
2nd Quarter 2023	1365	1.19

Year	Average Index	△%
2023	1373	6.0
2022	1295	8.0
2021	1199	1.9
2020	1177	1.8

SOURCE:TURNERCONSTRUCTION.COM

CREDE PERSPECTIVE

Developers should prioritize early procurement and planning for mechanical and electrical equipment to account for longer lead times, and they should secure materials early, particularly copper and aluminum, to hedge against further price increases and ensure availability. Developers can also diversify their supplier base to mitigate risks associated with dependency on a single supplier or region.

NATIONAL INDICATORS & INSIGHTS

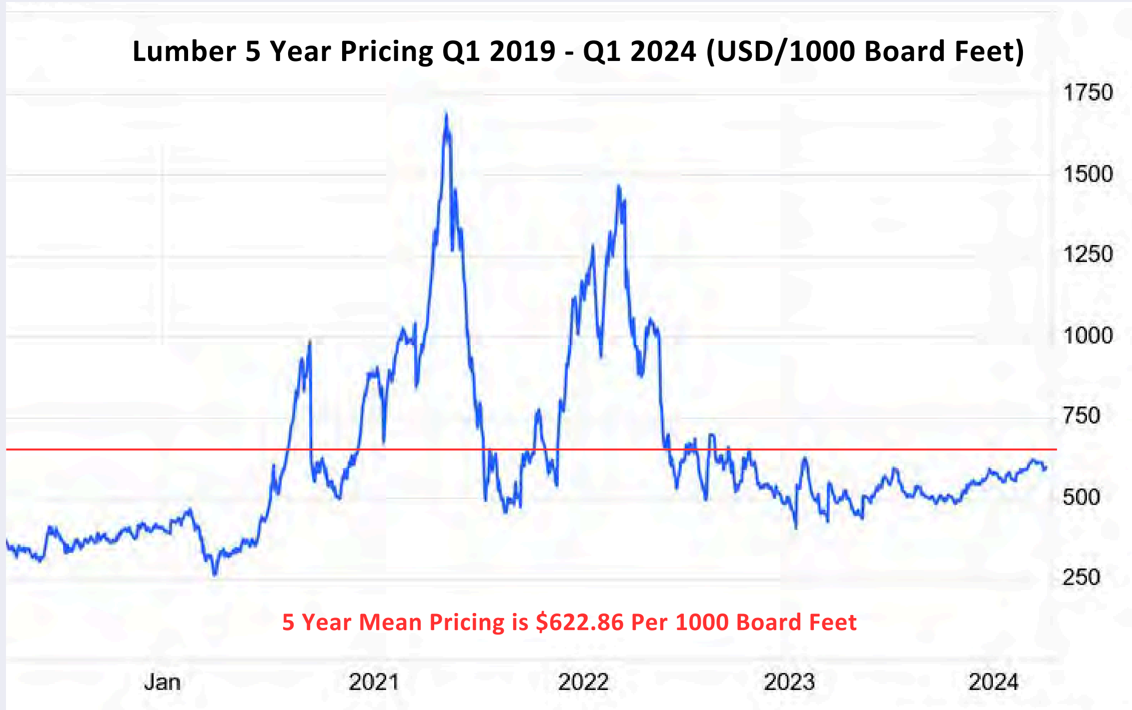
LUMBER PRICING INSIGHTS

- Lumber prices increased through the beginning of Q1 2024, with a price of over $600.00 per 1000 Board Foot in March. Pricing has since dropped towards $530.00 per thousand board feet in May.

- The supply chain disruptions that previously drove up prices have largely been resolved. Improved logistics and transportation have normalized the supply of lumber, which is contributing to price stabilization.

- Lumber suppliers have been able to replenish their stockpiles, applying downward pressure on lumber prices. While not quite at pre-pandemic levels, experts predict that prices will continue to decrease going into Q2 2024.

- 5 year mean pricing on lumber from Q1 2019 to Q1 2024 is $622.86 Per 1000 board Feet.



SOURCE:TRADINGECONOMICS.COM, BUREAU OF LABOR STATISTICS,

CREDE PERSPECTIVE

We project that lumber prices will continue their downward trajectory through Q2 of 2024, eventually stabilizing around the cost of $500.00 per thousand board feet. This forecast suggests that developers can expect more predictable lumber material costs, facilitating enhanced accuracy in budgeting and project planning.

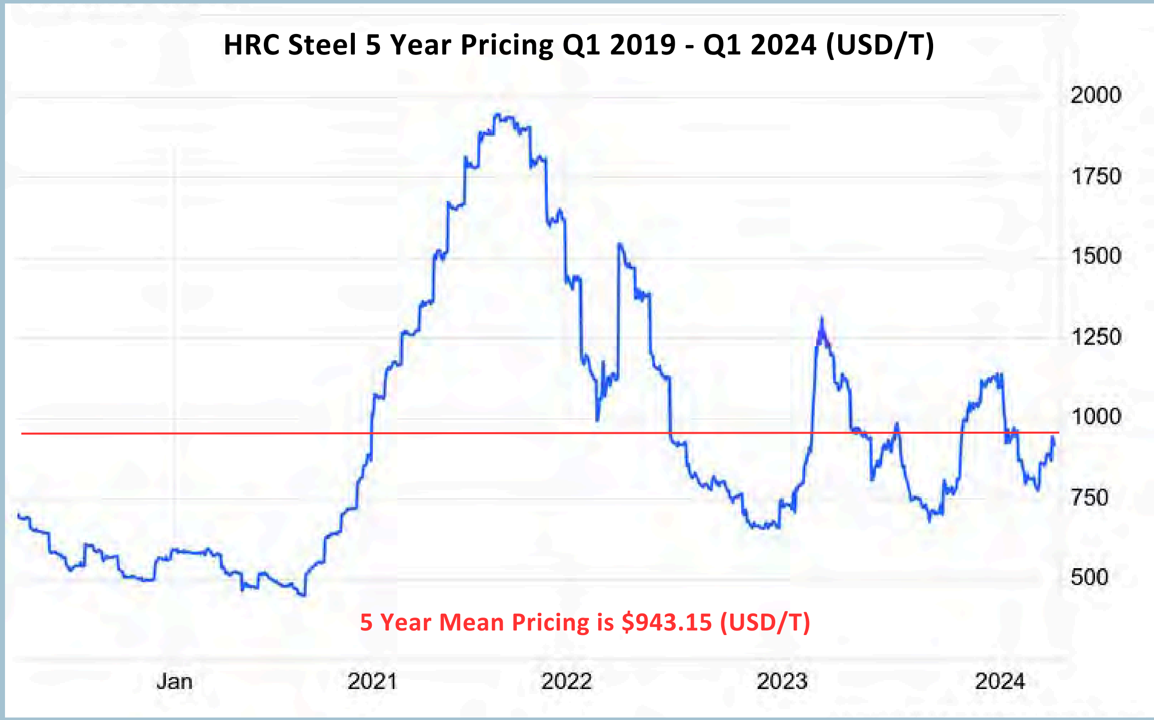
STEEL PRICING INSIGHTS - HOT ROLLED COIL

- Since the beginning of 2024, Hot Rolled Coil (HRC) steel prices have shown a decline from approximately $1,081 per metric ton in January; prices dropped to $917 in February and further to $805 at the beginning of March before rebounding slightly to $860 by the end of March.

- Overall, this indicates a substantial downward trend from January to March, representing a 25.5% decrease attributable to diminished demand and elevated inventory levels.

- High inventory levels from previous periods have reduced the need for immediate purchases. Many buyers are working through existing stockpiles, which lowers the demand for new steel orders

- 5 year mean pricing on HRC Steel from Q1 2019 to Q1 2024 is $943.15 (USD/T).



SOURCE:STEEL MARKET UPDATE, RYERSON

CREDE PERSPECTIVE

With the current market conditions we expect the prices for HRC steel to decrease slightly and settle in the $750.00 range with relatively tame fluctuations. Projects that were previously on hold due to high material costs at the start of the year may now become viable. This can lead to the initiation of new projects, boosting business opportunities for developers

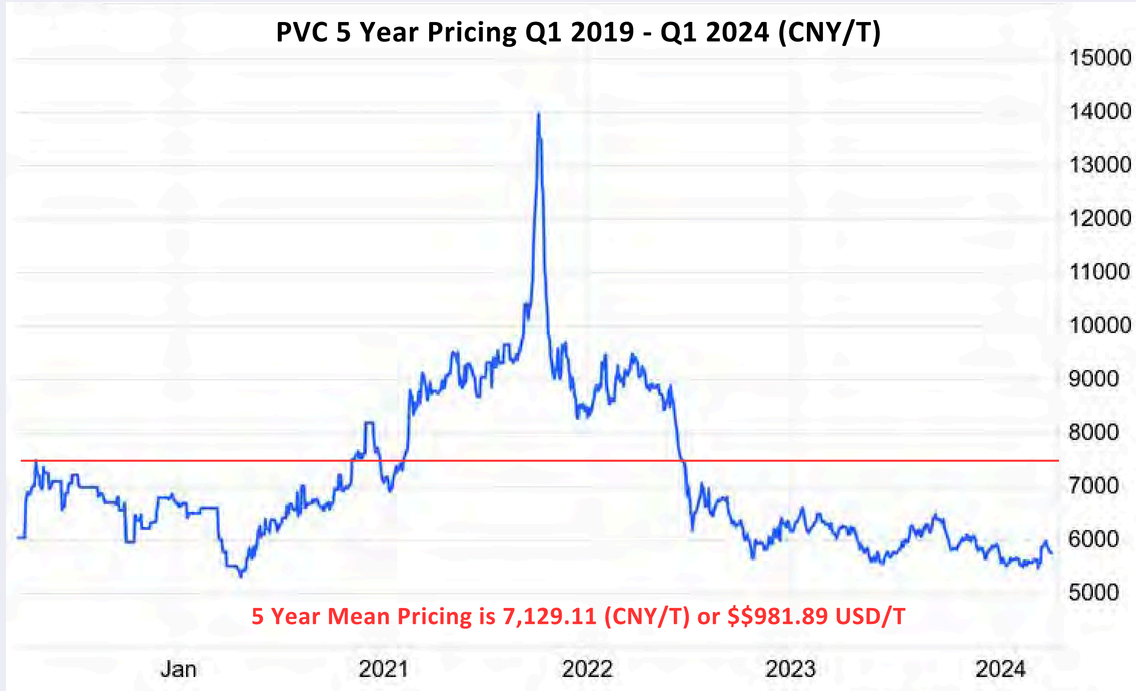
PVC PRICING INSIGHTS

- In Q1 2024, Domestic PVC prices were relatively stable, with only slight increases throughout the quarter. The average price for PVC pipe grade was $724.00/MT in January, $728.00/MT in February, and $736.00/MT in March.

- The escalation in prices can be attributed to the constrained supply resulting from scheduled maintenance shutdowns at major PVC manufacturing facilities, coupled with continued demand from the construction sector.

- Despite modest price increases in the first quarter of 2024, long-term projections indicate that PVC prices are expected to decline over the remainder of the year, with an anticipated annual variation of approximately -3.5% compared to 2023.

- 5 year mean pricing for PVC from Q1 2019 to Q1 2024 is $981.89 USD/T.



SOURCE:CHEMANALYST, TRADINGECONOMICS

CREDE PERSPECTIVE

We expect PVC pricing to gradually decline in Q2 and the remainder of the year followed by potential stabilization or slight increases in 2025. Developers should leverage this predictability to enhance their budget forecasting and cost management strategies. Developers should update cost projections for ongoing and upcoming projects to reflect the anticipated prices throughout 2024.

CONSTRUCTION RAW MATERIAL COSTS

- The national average for material costs in the U.S. has been stagnant over the past quarter and decreased by -1.6% over the past 12 months.
- The prevailing trend suggests that, at a macro level, material prices in the construction sector are stabilizing as the new year unfolds.
- Although some construction commodities will experience price changes this year, we expect modest cost increases over the next 9 months, which allows for better budgeting and planning.

Materials Inputs Forecast for MAR 2024

% Change In Index Avg/Avg	2021 Avg %	2022 Avg %	2023 Avg %	2024 MAR %	YTD'24 as of MAR vs Avg 2023	YTD'24 Avg % vs Dec23
Inputs to Non Res Construction %	18.5%	15.7%	-0.3%	0.35%	1.0%	1.3%
Inputs to Res Construction	18.3%	12.6%	-2.6%	0.34%	1.6%	1.6%
Ready Mix Concrete	3.8%	10.3%	11.2%	0.10%	4.4%	2.9%
Concrete Pipe	4.6%	19.6%	13.0%	0.00%	5.2%	2.5%
Concrete Block & Brick	4.2%	12.0%	11.0%	0.09%	4.6%	1.6%
Paving Mixtures	3.6%	16.7%	4.5%	-0.58%	6.6%	7.9%
Lumber/Plywood	41.1%	-0.9%	-23.1%	1.74%	-2.2%	1.6%
Steel Mill Products	90.2%	8.7%	-16.1%	-7.77%	0.2%	5.0%
Fabricated Structural Steel	26.7%	27.8%	-0.5%	-0.75%	1.1%	-0.8%
Steel Pipe and Tube	44.9%	26.9%	-17.2%	-2.61%	-4.4%	2.1%
Sheet Metal	19.6%	20.8%	1.1%	0.48%	1.0%	0.5%
Asphalt Roofing/Siding	11.5%	17.7%	3.8%	0.11%	2.7%	0.3%
Rubber & Plastics	22.3%	23.3%	-1.6%	0.01%	-0.8%	0.2%
Gypsum Products	16.2%	18.7%	3.6%	1.88%	1.1%	2.3%
Flat Glass	5.3%	10.4%	5.8%	-0.32%	0.5%	0.1%
Nonferrous Wire and Cable	27.0%	13.0%	-0.4%	0.54%	-1.3%	0.4%
Copper & Brass Mill Shapes	41.8%	2.9%	-1.6%	2.01%	-0.7%	1.0%
Aluminum Mill Shapes	25.0%	12.8%	-8.4%	-0.47%	-3.5%	-0.8%
#2 Diesel Fuel	79.8%	65.9%	-24.9%	-0.64%	-7.6%	6.4%

SOURCE: CORELOGIC, EDZARENSKI

CREDE PERSPECTIVE

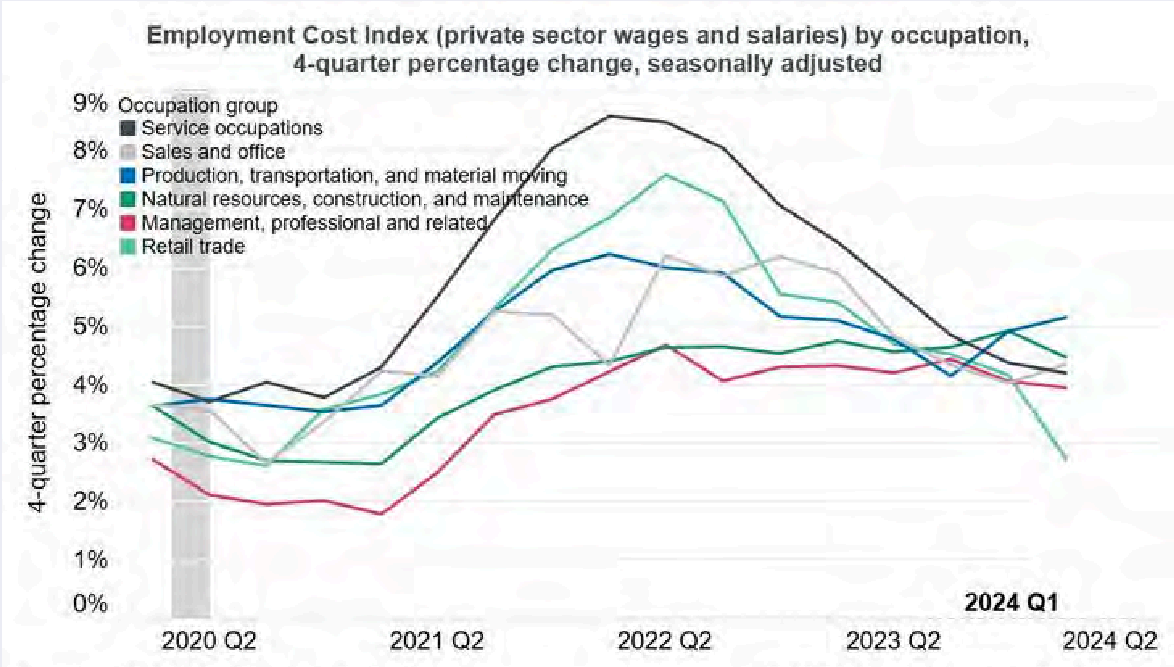
Stable material costs provide a solid foundation for more reliable project timelines, significantly reducing the risk of delays caused by price volatility. The current market conditions present an opportune time for developers to negotiate favorable terms with lenders and investors. They should also consider accelerating project schedules to take full advantage of consistent material prices.

NATIONAL LABOR OUTLOOK

- As of March, total job openings stand at 7.5 million, which is still approximately 2.8 standard deviations above the pre-pandemic average (January 2001 to February 2020), although significantly lower than the peak of 11.2 million reached in March 2022.

- Despite ongoing labor market rebalancing and employers' efforts to compress wage growth, the Employment Cost Index (ECI) rose by a stronger-than-expected 1.2% in Q1 2024. This marks the largest gain in a year and is higher than the 1.0% average gain over the previous four quarters.

- Wages are still growing at a rate that exceeds the pre-pandemic range. Wages in goods-producing sectors, particularly in mining, Nonresidential construction, and durable goods manufacturing, remain elevated.



SOURCE:US BUREAU OF LABOR STATISTICS, THE CONFERENCE BOARD

CREDE PERSPECTIVE

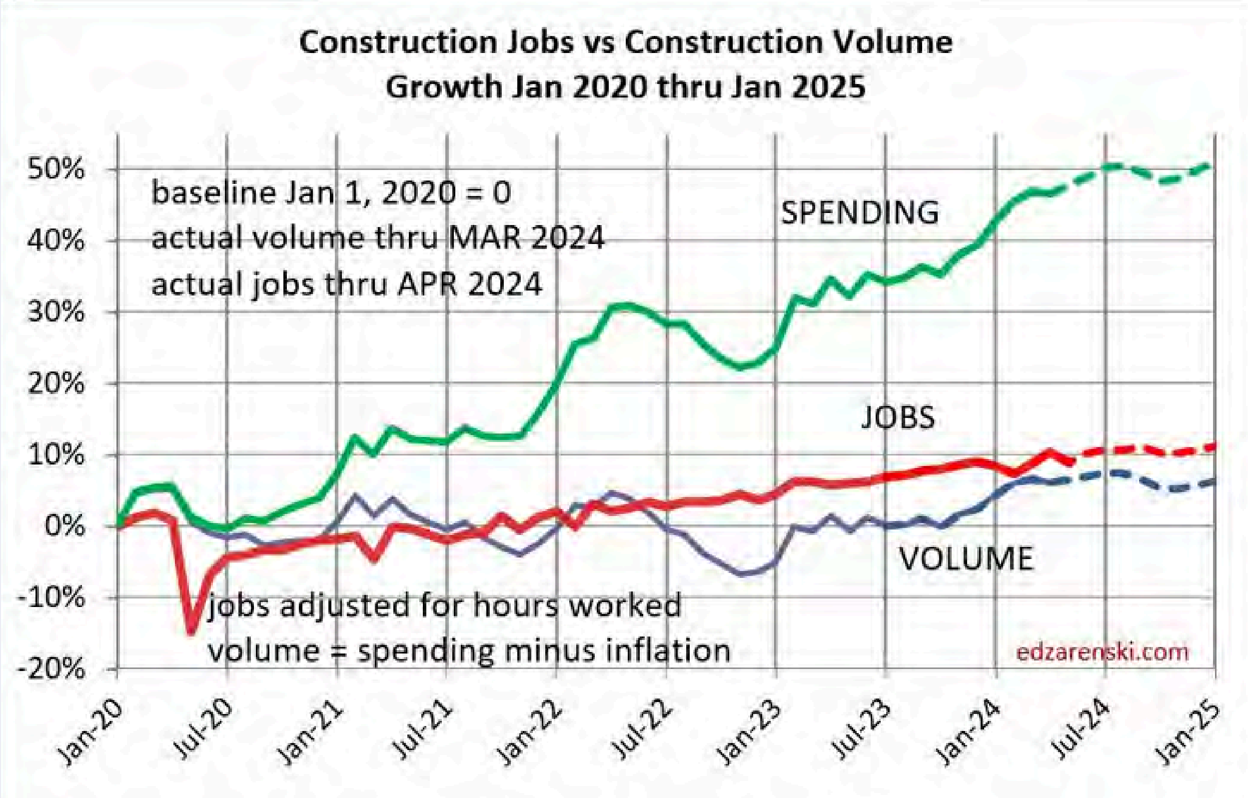
The high number of job openings, though reduced from the peak, indicates a robust labor market with demand for workers still above historical norms. This trend is mirrored in the construction industry, where the persistent need for skilled workers remains a significant challenge influencing development decisions.

CONSTRUCTION INDUSTRY LABOR OUTLOOK

- The construction industry continues to face significant labor shortages. This challenge is driven by an aging workforce, a lack of new entrants, and increased competition from other sectors.

- To attract and retain skilled workers, construction companies are offering higher wages and better benefits. This wage inflation is contributing to increased project costs but is necessary to address the labor shortage.

- Layoffs in construction fell by 30.2% from February to March, dropping to 145,000. This suggests that the industry expects continued demand for skilled workers and is retaining employees.



SOURCE:SPECTRA360, EDZARENSKI.COM

CREDE PERSPECTIVE

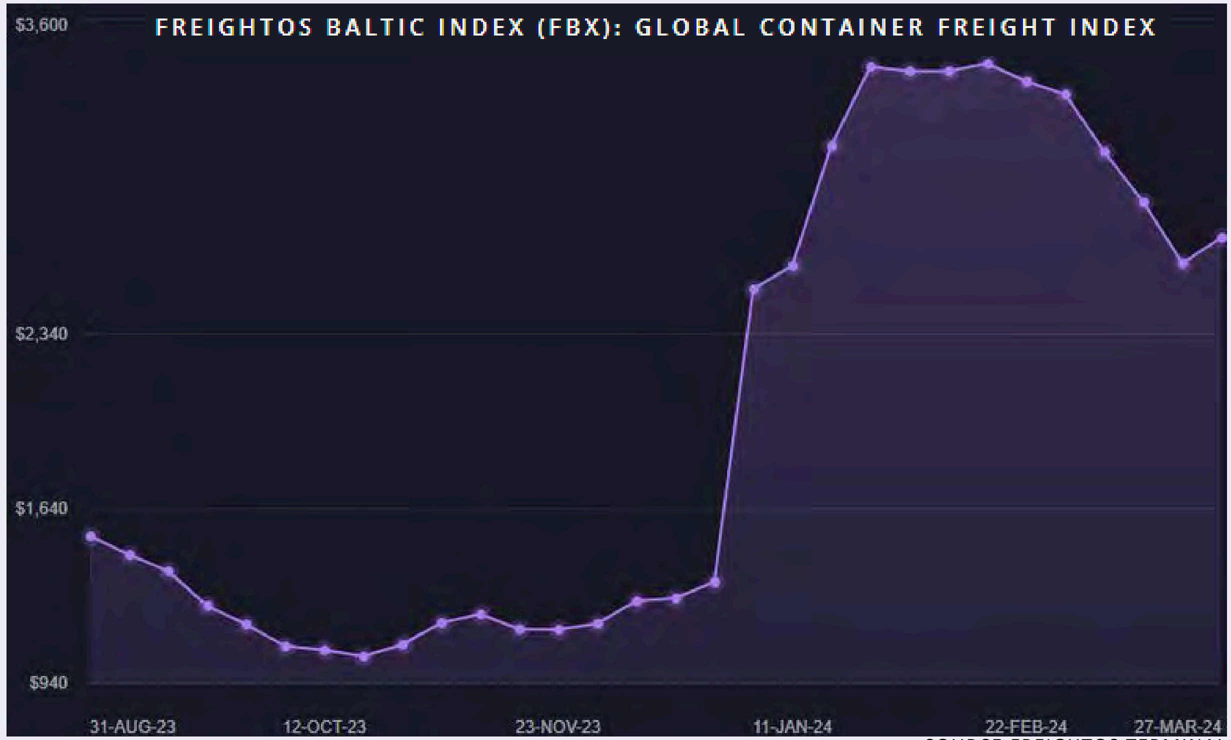
The increase in construction project volume compared to job growth has intensified the labor shortage, highlighting the need for skilled workers. This has led developers to compete more aggressively for limited skilled labor, raising wages and project costs. The construction industry faces heightened pressure to attract and retain talent, further emphasizing the importance of strategic workforce planning

CONTAINER SHIPPING OUTLOOK

- Demand soared to record levels in the beginning of Q1 2024, increasing by 9.2% compared to Q1 2023, amidst heightened pressure on shipping capacity due to the Red Sea situation.

- Ocean freight rates have begun to decline in March as the initial urgency from Red Sea diversions has subsided, the Lunar New Year has concluded, and operations have stabilized.

- Cargo volumes are expected to grow more slowly than the fleet, with an estimated growth of 3-4% compared to a fleet growth of 9.5% in 2024. This discrepancy is likely to create excess capacity, putting downward pressure on freight rates in the latter half of the year



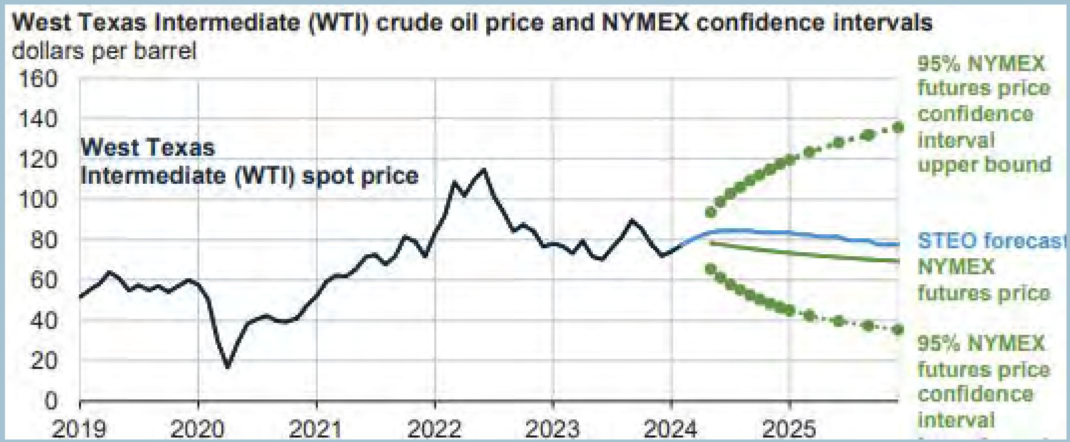
SOURCE:FREIGHTOS TERMINAL

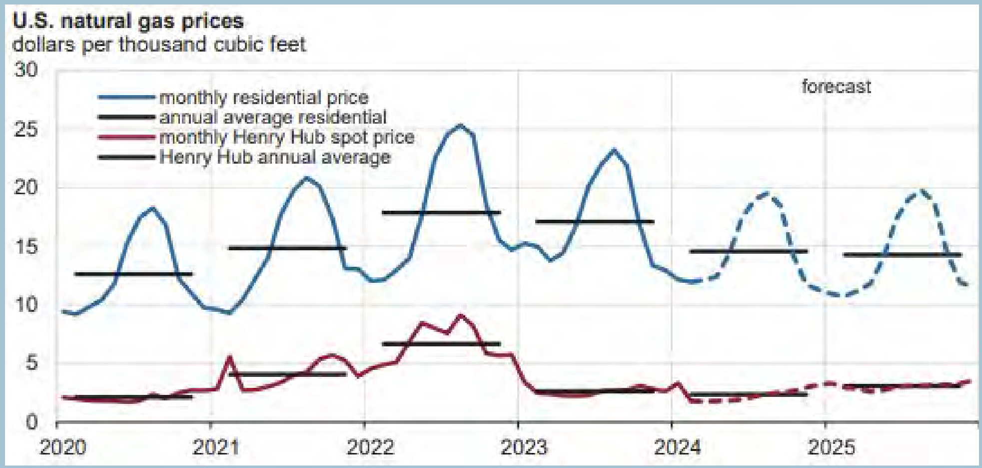
CREDE PERSPECTIVE

Despite the anticipated growth of the global container fleet relative to cargo volume, we project that disruptions in the Red Sea will continue to significantly impact shipping costs. We foresee container shipping costs rising above $4,000 in Q2 2024, followed by a reduction in pricing during the second half of the year.

ENERGY OUTLOOK

- In February, the Brent crude oil spot price averaged $83 per barrel, marking a $3 increase from January. This price rise was partly due to ongoing uncertainty and increased risk from attacks targeting commercial ships in the Red Sea shipping channel.
- We anticipate that the tighter oil market balance throughout 2024 will keep the Brent price above current levels, averaging $85 per barrel in Q2 2024, which is $4 higher than last month's STEO.
- The U.S. benchmark Henry Hub natural gas spot price averaged an inflation-adjusted record low of $1.72 per MMBtu in February. We forecast prices will stay below $2.00/MMBtu in Q2 2024 due to expected high natural gas inventories relative to the five-year average.
- According to the March STEO, the annual average Henry Hub price for all of 2024 is projected to be almost $2.30/MMBtu, which is 14% lower than the February STEO forecast.





SOURCE: US ENERGY INFORMATION ADMINISTRATION

CREDE PERSPECTIVE

We expect Brent crude oil prices to remain fairly steady, averaging $84.00 per barrel for the year. We expect natural gas prices will increase slightly to an average of $2.40 per MMBtu as demand growth increases but not enough to outpace the available supply. Developers can plan with more confidence, knowing that significant spikes in energy costs are not anticipated in throughout the remainder of the year.

INSURANCE MARKETPLACE REALITIES

- The increase in insurance premiums, ranging from 5% to 15%, directly contributes to higher operational costs for developers. As a result, they will need to allocate more financial resources to cover insurance expenses, potentially reducing the budget available for other aspects of their projects.

- With increased prices, developers may become more selective about the projects they undertake, favoring those with lower risk profiles to manage insurance costs more effectively. High-risk projects might be avoided or require additional premiums, making them less attractive.

- Insurance companies are adopting more stringent underwriting standards to mitigate their risks. This can lead to difficulties for developers in obtaining comprehensive coverage.

	Trend	Range
General liability		+5% to +15%
Auto liability and physical damage		+10% to +15%
Workers compensation		Flat to +5%
Umbrella (lead)		+5 to +15%
Excess		+10% to +15%
Non high hazard NATCAT project builders risk		+5% to +10%
High hazard NATCAT project builders risk		+10 to +20%
Maters builders risk/contractors block program (renewable business)		+5% to +10%
Professional liability		Flat to +5%
Contractors pollitions liability		+5% to +10%

SOURCE:WTWCO.COM

CREDE PERSPECTIVE

We expect the trend of rising insurance premiums to continue into Q2 2024. While the rate of increase may moderate somewhat, the overall trajectory will remain the same. Developers will need to enhance their focus on risk management practices to mitigate the impact of these rising premiums. This involves investing in advanced safety protocols, implementing comprehensive compliance measures, and leveraging technology to manage risks more effectively.

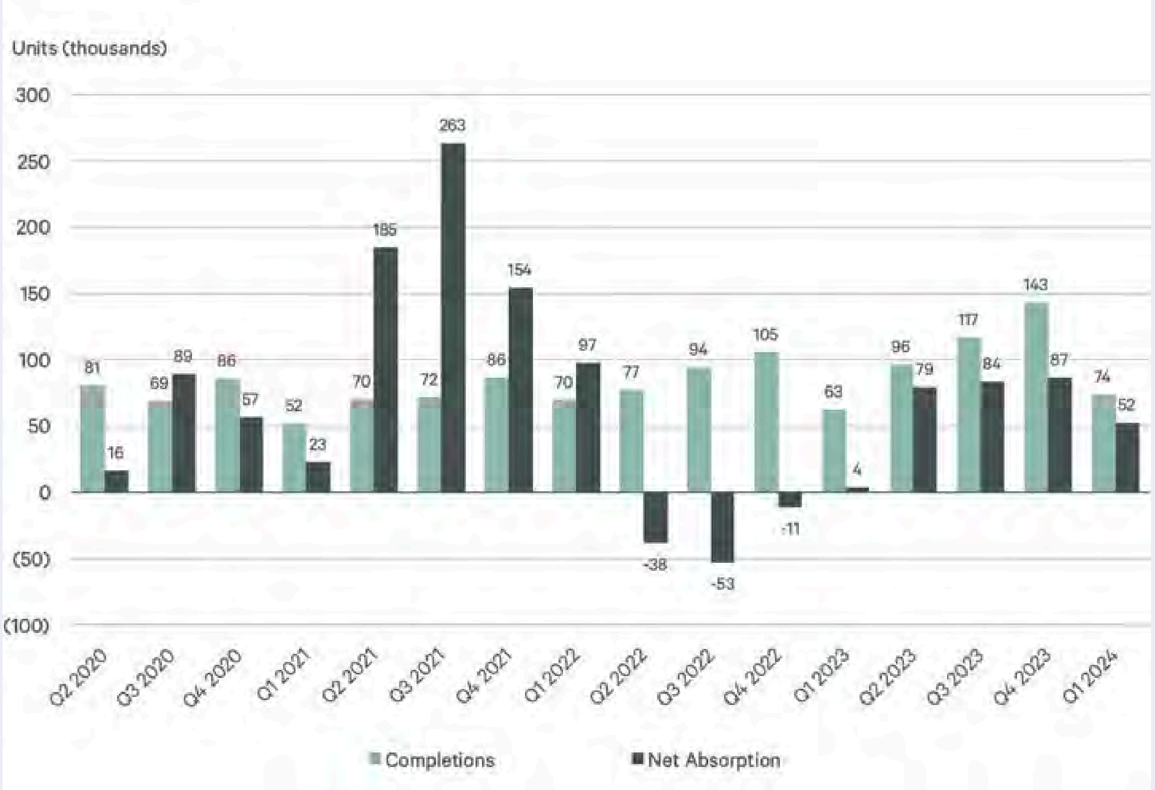
MARKET FORECASTS

MULTI-FAMILY FORECAST

- Construction completions of 73,700 units in Q1 increased the rolling four-quarter total by 26% to a record 429,500 units. However, fewer multi-family construction starts in recent quarters will reduce deliveries in 2025 and beyond.

- Multifamily construction starts have steadily declined over the past year. Q1 2023 saw 138,000 starts, which decreased to 100,000 in Q2, 85,387 in Q3, 84,163 in Q4, and 82,077 in Q1 2024. This trend highlights the sector's ongoing challenges due to economic conditions and financing costs.

- Net absorption totaled 52,200 units in Q1—the third-highest Q1 total in over 20 years. Demand continues to close the gap with new supply, with some markets experiencing near parity between the two in Q1.



SOURCE: FANNIE MANE MULTICBRE.COM

CREDE PERSPECTIVE

In Q2 2024, we expect multifamily construction starts to continue their decline, forecasting in the low 80,000 range. With an influx of new units and a reduced number of starts, developers will need to strategically align their projects with local market conditions, ensure demand matches the new supply, and navigate tighter financing conditions to capitalize on investment opportunities.

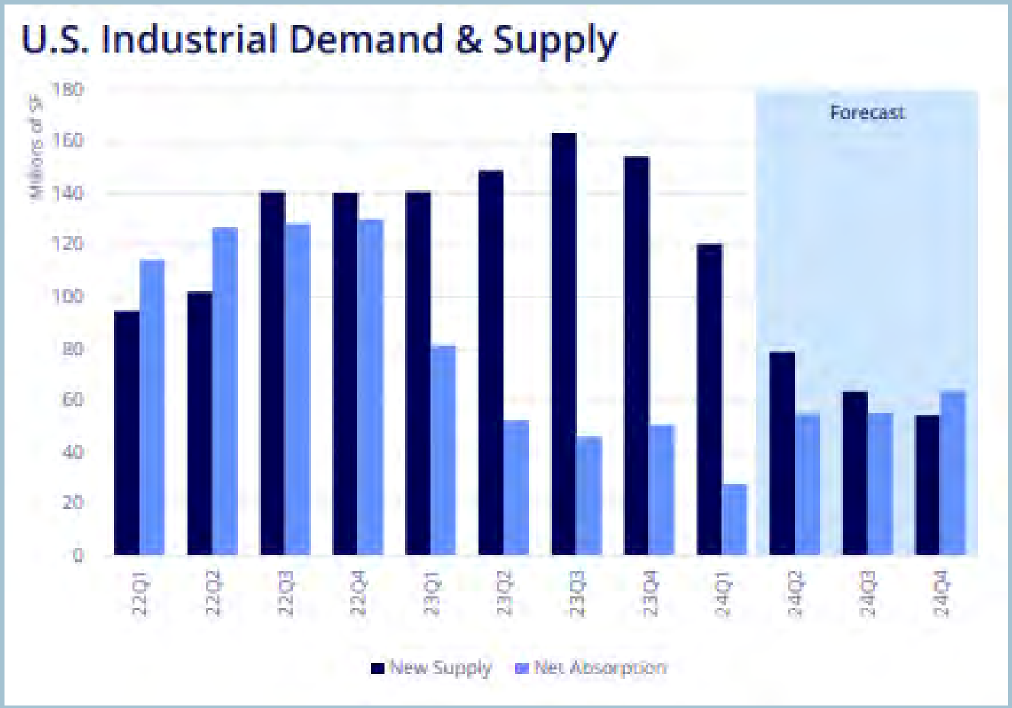
INDUSTRIAL FORECAST

- New supply totaled 120 million SF, marking the eighth consecutive quarter where completions exceeded 100 million SF. Meanwhile, demand, as measured by net absorption, was only 28 million SF — the lowest quarterly total in over a decade and 45% below last quarter's 50 million SF.

- The surge in new supply and a drop in tenant demand pushed the U.S. average vacancy rate up by 50 basis points to 6.1%, the highest since Q1 2015.

- The total space under construction has quickly declined from over 700 million SF in Q3 2022 to less than 400 million SF at the end of Q1.

- New supply and tenant demand are expected to approach equilibrium by the end of the year or early 2025, causing vacancy rates to plateau in most markets before beginning to fall next year.



SOURCE: COLLIERS.COM

CREDE PERSPECTIVE

We anticipate the new supply for Q2 2024 to decline below the 100 million SF threshold, with vacancy rates potentially rising to 6.3% - 6.5%. We forecast that vacancy rates will stabilize towards the end of the year, possibly decreasing slightly if demand increases and new supply is carefully managed. Developers are advised to prioritize pre-leased or build-to-suit projects over speculative builds.

HOSPITALITY FORECAST

- As of Q1 2024, the U.S. hotel construction pipeline included 6,065 projects and 702,990 rooms, reflecting a 9% year-over-year increase in projects and a 7% increase in rooms.

- In the first quarter, 114 new hotels with a total of 15,506 rooms opened. A record number of projects are in the early planning stages, with an increasing number slated to begin within the next 12 months.

- An additional 547 projects and 60,483 rooms are scheduled to open, representing a 1.3% increase in new hotel supply by the end of 2024. This growth is projected to continue into 2025, with analysts anticipating 790 new hotels and 86,561 rooms to open.

- Renovation and brand conversion numbers reached all-time highs in the first quarter, with 2,041 projects and 266,405 rooms. Brand conversions alone hit a record high of 1,235 projects (a 14% year-over-year increase) and 114,680 rooms.

UNITED STATES HOTEL DEVELOPMENT ACTIVITY

SOURCE: LODGINGECONOMETRICS.COM

CREDE PERSPECTIVE

Developers should focus on major cities such as Dallas, Atlanta, and Phoenix, which are experiencing significant growth in hotel construction. They should also prioritize investments in extended-stay projects, which are expected to see 236 new projects, adding 24,281 rooms in 2024. We advise securing financing now and initiating the design and approval processes for new projects, particularly in high-demand areas. The growth trend in hospitality development is anticipated to continue through 2024 and into 2025 before cooling off towards the end of 2025.

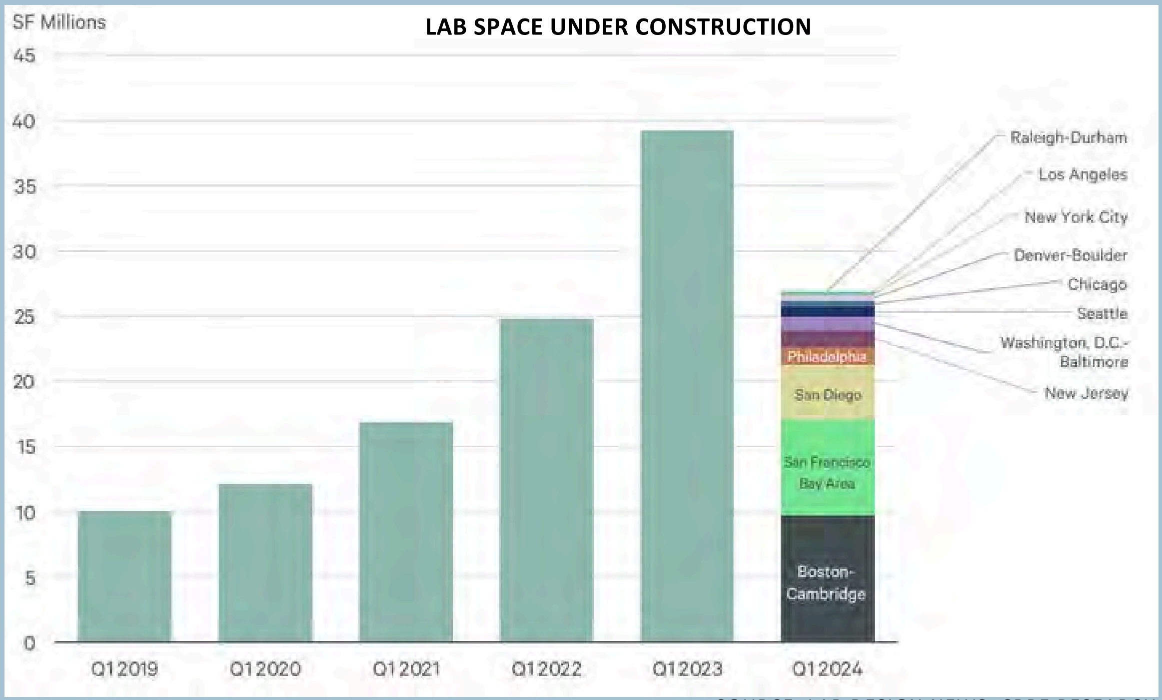
LIFE SCIENCE FORECAST

- In Q1 2024, nearly 27 million SF of new life sciences space and conversions were under construction, compared to 39 million SF in Q1 2023. This marks the first time it has fallen below 30 million SF since Q2 2022.

- Over 16 million SF of this space is scheduled for delivery this year. 4.1 million SF of space was delivered in Q1 2024, with 26% of it being pre-leased.

- The rolling-four-quarter venture capital funding totaled $17.1 billion, down from $19.0 billion a year ago, but it is trending upward.

- After declining in Q4 2023, venture capital funding for life sciences companies rose to $4.6 billion in Q1 2024.



SOURCE: LAB DESIGN NEWS, CBRE RESEARCH

CREDE PERSPECTIVE

The newly delivered space this year will meet current demands, and we don't expect to see significant increases in new construction starts until 2025. However, ongoing advancements in technology and AI continue to drive the demand for state-of-the-art lab facilities, ensuring a robust pipeline for future growth.

DATA CENTER FORECAST

- The US data center construction market is projected to grow from USD 13.24 billion in 2024 to USD 19.78 billion by 2029, with a compound annual growth rate (CAGR) of 8.36% during this period.
- The demand for data center infrastructure continues to rise alongside the economy's ongoing digitization. Revenue from advancements in generative AI software is anticipated to increase at a 58% CAGR from 2023 to 2028, according to S&P Market Intelligence.
- Construction activity in primary markets should surpass 3,000 MW in 2024, but construction completion timelines have been extended by 24 to 72 months due to power supply delays.
- Despite delays in power availability and variable construction costs, under-construction activity in primary markets is expected to reach record highs in 2025.

SOURCE: GLOBE NEWS WIRE, MORDORINTELLIGENCE.COM

CREDE PERSPECTIVE

We anticipate a continued upward trend in data center construction starts throughout the remainder of 2024 and into 2025. Northern Virginia remains the most active market, driven by substantial new construction fueled by pre-leased demand from cloud providers and AI applications. Additionally, other regions such as Texas and Oregon are experiencing significant investments due to favorable conditions, including abundant power and supportive policies.

OFFICE FORECAST

- The volume of U.S. space currently under construction has hit its lowest level since the COVID-19 pandemic, falling to just below 64 million square feet. Upon completion, this will increase the total inventory by 1.0%. The reduction in new construction starts is expected to help balance supply and demand.

- The New York City metropolitan area leads all metro areas with 6.9 million square feet under construction. Manhattan alone delivered 4.0 million square feet in the first quarter, representing 34.5% of the 11.7 million square feet completed nationwide.

- U.S. net absorption has been negative for six consecutive quarters, with over 107 million square feet returned to the market during this period, accounting for 1.7% of the total U.S. inventory.

- In the first quarter of 2024, net absorption was negative at 20.4 million square feet, mainly due to the West and Northeast regions, which accounted for 44.2% and 32.3%, respectively. Austin and Nashville led with over 200,000 square feet absorbed each.

SOURCE:COLLIERS.COM

CREDE PERSPECTIVE

In 2024, the U.S. expects 55,300 office-to-apartment conversion projects, driven by tax credits and federal subsidies addressing office vacancies and affordable housing shortages. Developers should target office buildings with high ceilings and suitable floor plate sizes, as these can be transformed into desirable residential units by removing office-specific fixtures and optimizing the space.

SELF-STORAGE FORECAST

- The national new-supply pipeline remains steady, with space under construction holding at 3.7% of existing inventory through the end of March.
- Approximately two-thirds of the top metro areas saw their construction pipelines increase or remain unchanged in March, indicating stable developer interest.
- Construction activity remains strong in the Sun Belt, especially in Orlando, where supply as a percentage of inventory is 2% higher than in the next highest metro.
- Over the past three years, new supply delivered nationally equals 8.5% of the starting inventory, with deliveries over the past 12 months accounting for 2.9% of that total.

SOURCE: YARDIMATRIX.COM, KARR-CUNNINGHAM STORAGE TEAM

CREDE PERSPECTIVE

We predict that dense urban areas like Los Angeles and New York City, along with their suburbs, will continue to see strong self-storage demand and construction despite recent heavy development. Regions such as North Carolina, Tennessee, and the Rocky Mountain area are expected to attract in-migration, driving future self-storage demand. Additionally, we believe Nashville, Raleigh, and Salt Lake City will show long-term growth potential, even with a slight reduction in construction activity for 2024.

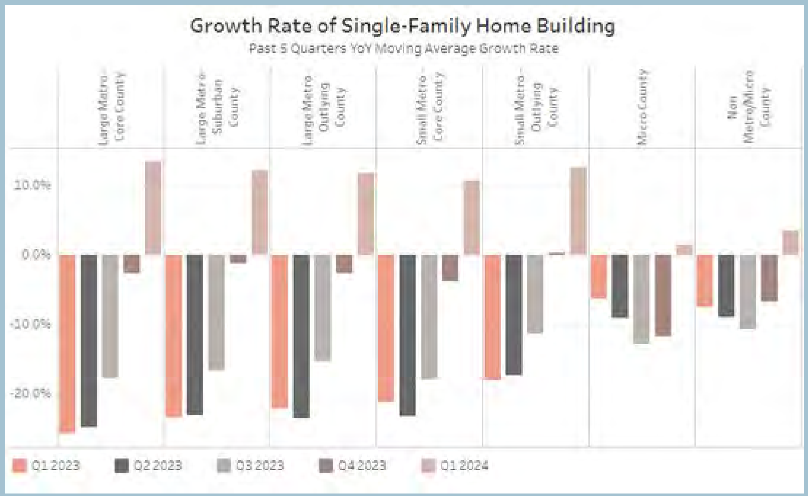
HOUSING DEMAND

- In Q1 2024, the majority of markets experienced positive growth in single-family construction. The most notable increase was seen in large metro core counties, which recorded a growth rate of 13.5%. In contrast, micro counties exhibited the smallest increase, with a growth rate of just 1.5%.

- The National Association of Realtors projects that the annual rate of single-family residential starts will reach approximately 1,020,000 units by the end of Q2 2024.

- Build-to-Rent units experienced a significant year-over-year increase of 30.8% in completions in Q1 2024, reflecting a growing trend in the rental housing market.

- This growth has more than doubled the share of build-to-rent houses in all single-family construction since 2014. The share rose from 4,000 starts and a 3.29% share in the first quarter of 2014 to about an 8% share in each of the past four quarters.



SOURCE: FRED, YARDI STATISTICS, EYEONHOUSING.ORG, BRIGHTMLS.COM

CREDE PERSPECTIVE

We forecast a 2% to 3% increase in single-family housing starts for Q2 2024, with overall growth of 5% anticipated by year-end. Rising home prices are expected to displace potential buyers, thereby increasing demand for rental properties and driving further development in the build-to-rent sector. Phoenix, Dallas, Atlanta, and Boise are expected to see significant growth in build-to-rent housing starts.

CREDE

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