

YOUR INFRASTRUCTURE EXPERTS

RIDER LEVETT BUCKNALL

At Rider Levett Bucknall (RLB), our approach allows us to deliver successful outcomes to property and construction projects by tailoring our services to match client goals and needs. Our team specializes in creating, evaluating, and managing project controls that address the critical issues of time, cost, scope, and quality in the built environment.

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INFRASTRUCTURE MARKET INSIGHT

MATERIALS

The Federal Highway Administration (FHWA)⁶ is proposing to discontinue its general waiver of Buy America requirements for manufactured products and in doing so, require FHWA recipients to start applying Buy America requirements to manufactured products. The FHWA is also proposing standards for applying Buy America to manufactured products should the waiver be discontinued.

Gordian⁷ notes that the general trend shows that as the new year progresses, material prices in the construction industry are stabilizing on a macro level. Although there haven't been many significant shifts in pricing dynamics over the last six months, certain product categories and commodities may still experience difficulties and price fluctuations.

Despite continuous pressures, supply chains have mostly stabilized and a new normal has been established. It is advised to budget for escalation at a rate equivalent to the historical average of 3% to 5% annually. Nonetheless, certain fluctuations might endure because of elements like climate, worldwide demand, and unanticipated global occurrences.

LABOR

With record-low unemployment in the construction industry and record-high job openings, there is an acute need for more workers. In order to meet the demand for labor in 2024, the construction industry will need to hire an additional 501,000 workers on top of their regular hiring rate, according to the Associated Builders and Contractors (ABC)⁴. To satisfy industry demand in 2025, the industry will need to hire an additional nearly 454,000 people on top of its regular payroll, and that's assuming that the growth in construction spending slows down considerably the following year.

State governments are increasing job opportunities and apprenticeship programs for individuals fresh out of high school. These initiatives are also being supported by the federal government. According to a recent Brookings⁹ report, the law authorizes more than 400 programs, each with different guidelines, deadlines, and eligibility requirements, that are administered by several federal agencies and distribute funding to different state and local entities. Out of the 400-plus programs, Brookings identified 72 programs that emphasize or allow workforce development activities under the Infrastructure Investment and Jobs Act (IIJA).



INFRASTRUCTURE CONSTRUCTION COST DRIVERS

5.86%

National YOY Escalation Rate

SELECT MATERIALS	APPROX. CHANGE Q4 2023 - Q1 2024	APPROX. CHANGE YOY Q1 2023 - Q1 2024
Asphalt	▲ 21.3%	▲ 4.4%
Sand/Gravel/Crushed Stone	▲ 4.3%	▲ 8.1%
Ready-Mix Concrete	▲ 0.6%	▲ 6.9%
Rebar	▼ -1.8%	▼ -4.4%
Structural Steel	▲ 1.0%	▲ 9.8%
Lumber	▼ -3.8%	▼ -9.0%
Diesel	▼ -19.6%	▼ -27.0%
Precast Concrete	▲ 0.9%	▲ 4.9%
PVC Pipe	▼ -3.0%	▼ -8.2%
RCP Pipe	▲ 3.5%	▲ 5.9%
Ductile Iron Pipe	▲ 1.6%	▼ -13.4%





13.3%

Decrease YOY in
Ductile Iron Pipe



-27%

YOY change in Diesel



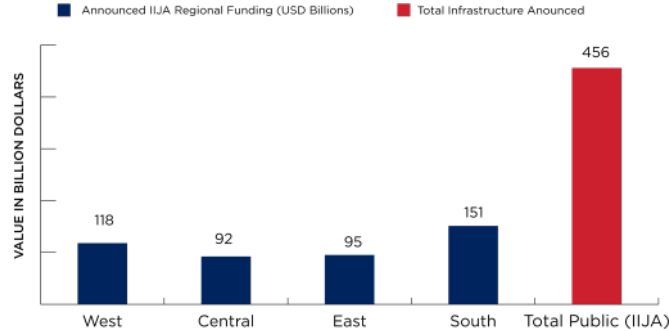
\$1.2 trillion

IJJA includes \$550 billion in new newly authorized spending on top of the regular spending that Congress had planned to authorize.

INFRASTRUCTURE PROGRAMS ANNOUNCED

ABOUT THE CHART

The regional funds (navy) represent the regional breakdown and funding allocation of the total announced (red) IJJA funds.



REFERENCES:

1. The White House
2. Associated General Contractors
3. US Federal Reserve
4. Associated Builders and Contractors
5. Brookings
6. The Federal Highway Administration
7. Gordian

THINGS TO WATCH OUT FOR

Making long overdue investments in infrastructure, igniting a boom in manufacturing and clean energy, and generating well-paying jobs, many of which don't require a college degree, are the fundamental principles of the IJJA, the CHIPS and Science Act, and the Inflation Reduction Act.

In addition to mobilizing over \$650 billion in private sector investments in clean energy and manufacturing in the US, the federal government has announced over \$440 billion in funding under the Bipartisan Infrastructure Law for over 40,000 infrastructure projects nationwide. Additionally, since Q1 2021 communities all over the nation have seen the creation of 210,000 clean energy jobs and over 670,000 construction jobs¹.

The list of projects is extensive and includes building more electric vehicle recharging stations, roads, bridges, airports, high-speed internet to connect more people to the internet, and much more. The government estimates that it will take three to five years to complete all the projects.

STATE OF THE MARKET

In its annual outlook report, the Associated General Contractors of America (AGC)² stated that, although the new year offers many reasons for optimism, the three biggest concerns facing American contractors are rising interest rates and financing costs, a possible recession, and labor shortages.

Interest rates should decrease in 2024, according to recent remarks made by Fed Chair Jerome Powell³. Interest rate reductions are still likely in the upcoming months, but only if they are supported by additional data showing declining inflation. Rate reductions "truly will rely on the direction the economy takes." Powell told the House Financial Services Committee, "Our focus is on maximum employment and price stability, and the incoming data as they affect the outlook, and those are the things we'll be looking at... We are just going to keep our heads down and do our jobs and try to deliver what the public is expecting from us."