



Quarterly Construction Insights

Q2 2020



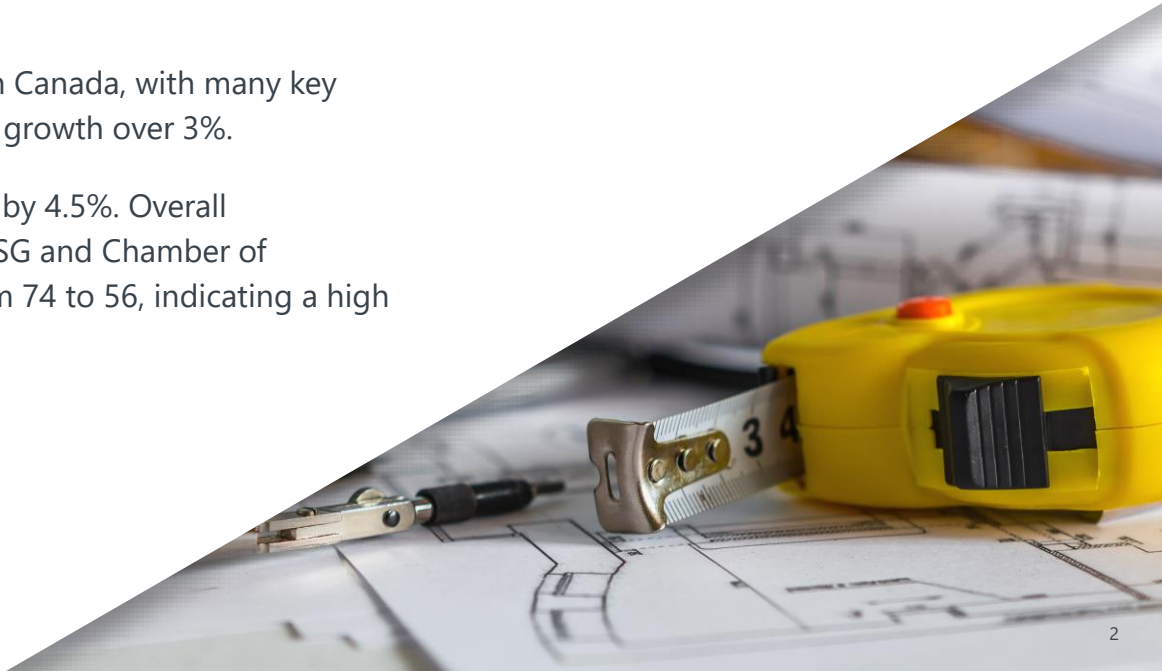
Q2 2020

June Permit Authorizations Rising, Aggregate Material Costs Stay Stable, and Job Numbers Decline

Material costs in the U.S. have not seen any drastic shifts after COVID-19, while costs in Canada were slightly impacted.

Labor costs are growing faster in the U.S. than in Canada, with many key construction occupations experiencing earnings growth over 3%.

Construction employment in June declined YOY by 4.5%. Overall unemployment has increased to 13% and the USG and Chamber of Commerce Construction Index has dropped from 74 to 56, indicating a high level of uncertainty in the construction market.

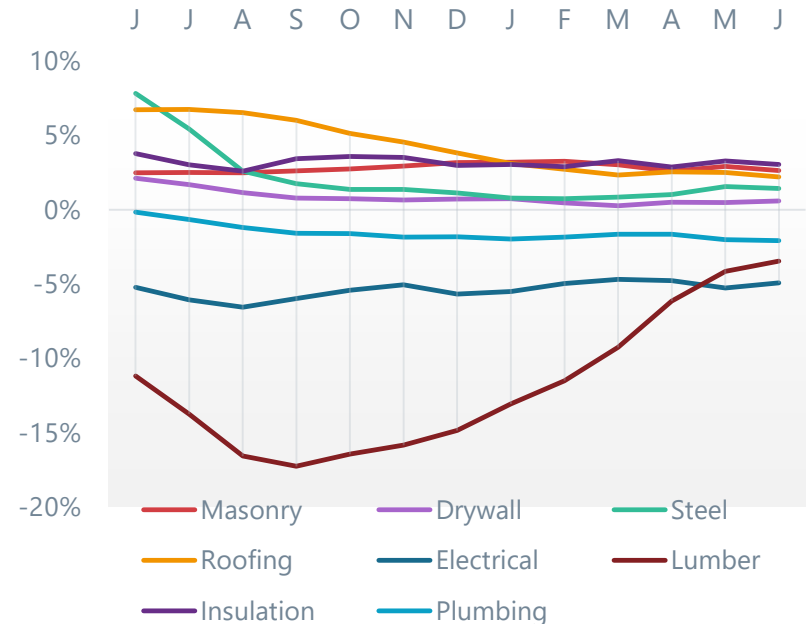


US. Construction Material Aggregates

There was no indication of drastic cost changes in the U.S. due to COVID-19. Overall, costs in Q2 have slightly increased 0.4% from last quarter.

- Electrical prices saw the largest YOY decrease at -4.9%.
- Electrical was followed by lumber with a decrease at -3.5%.
- Prices for steel and drywall have remained very stable with changes at or below 1%.
- Insulation has seen the largest increase in YOY cost at 3%.
- The average for all monitored U.S. commercial building materials in June 2020 had an overall annual cost decrease of -0.6%.
- There was no indication of drastic cost changes due to COVID-19.

YOY Material Trends June 2019 to June 2020



Source: CoreLogic

Canada Construction Material Aggregates

Construction material costs in Canada were affected by the pandemic more notably than in the United States, as can be seen in the dip of YOY costs in March 2020. Overall, costs in Q2 have slightly increased 0.9% from last quarter.

- Lumber prices continued to see the largest YOY decrease at -5%.

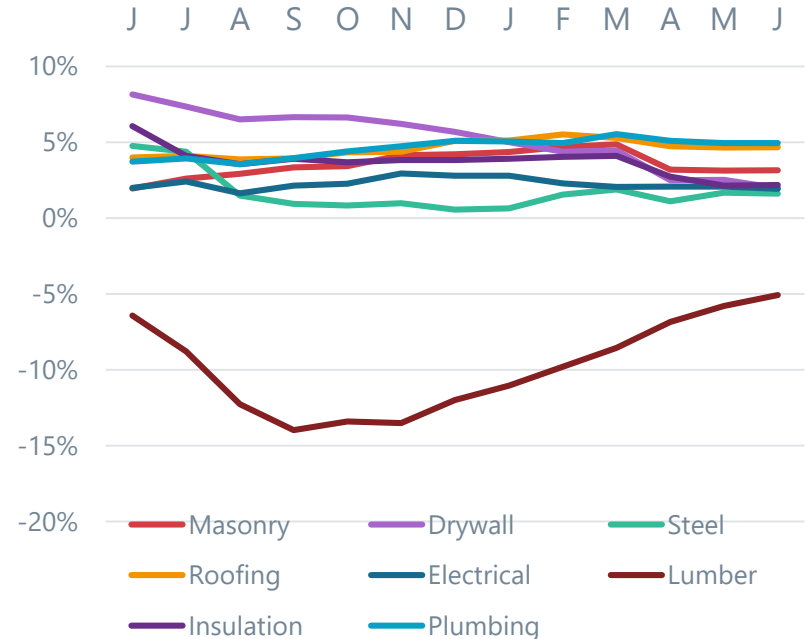
- All other YOY material costs have continued to rise.

- YOY construction cost comparisons, most notably for masonry, drywall, and insulation, slightly declined after the pandemic was declared in March.

- Plumbing has seen the largest increase in YOY cost at 5%.

- The average for all monitored Canadian commercial building materials in June 2020 had an overall annual cost increase of 1.9%.

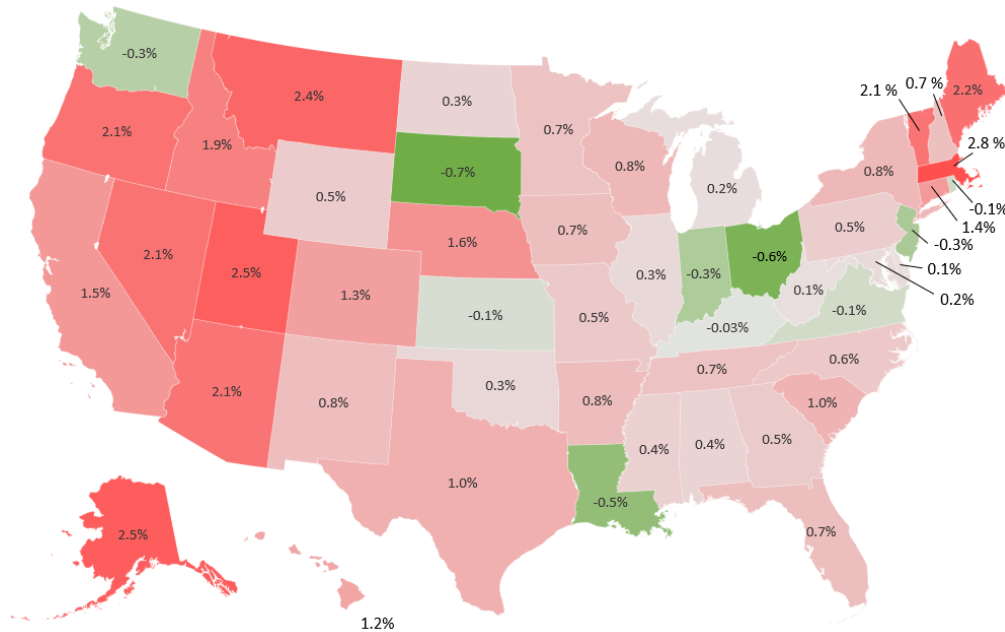
YOY Material Trends June 2019 to June 2020



Source: CoreLogic

June 2020 YOY Material Cost Changes by U.S. State

Construction materials in the United States, as expected, have not seen any dramatic shifts in prices due to the pandemic. Rising costs are most notable in the West and the Northeast, while most states in the nation experienced smaller cost changes between -1% and 1%.



Most Significant Cost Increases

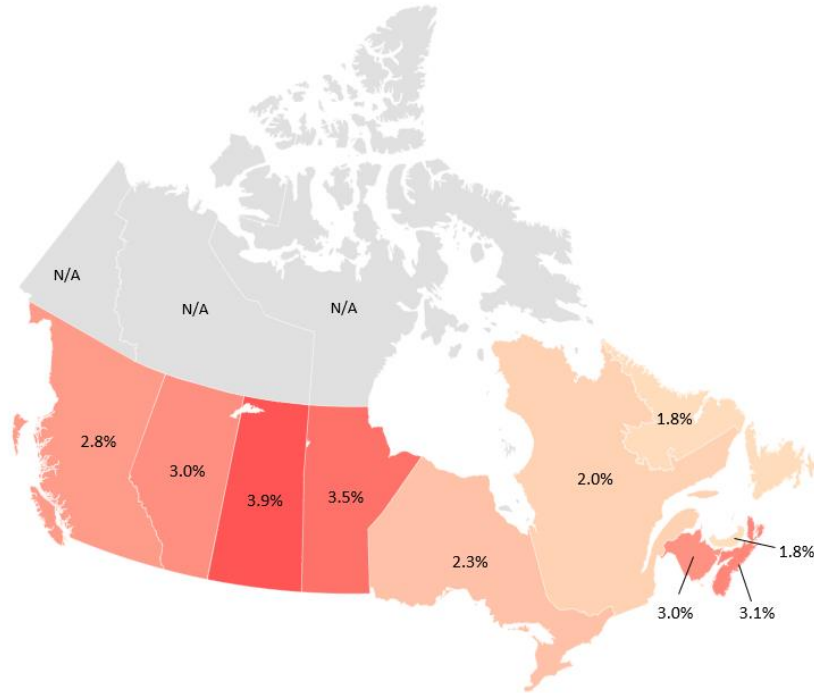
State	Change
Massachusetts	+2.8%
Alaska	+2.5%
Utah	+2.5%

Most Significant Cost Decreases

State	Change
South Dakota	-0.7%
Ohio	-0.6%
Louisiana	-0.5%

June 2020 YOY Material Cost Changes by Canada Province

Construction material costs in Canada are rising at higher rates than in the United States. All provinces in the nation experienced annual cost increases, especially in Western Canada and Atlantic Canada. Overall, costs grew by 2.7% from June 2019 to June 2020.



Most Significant Cost Increases

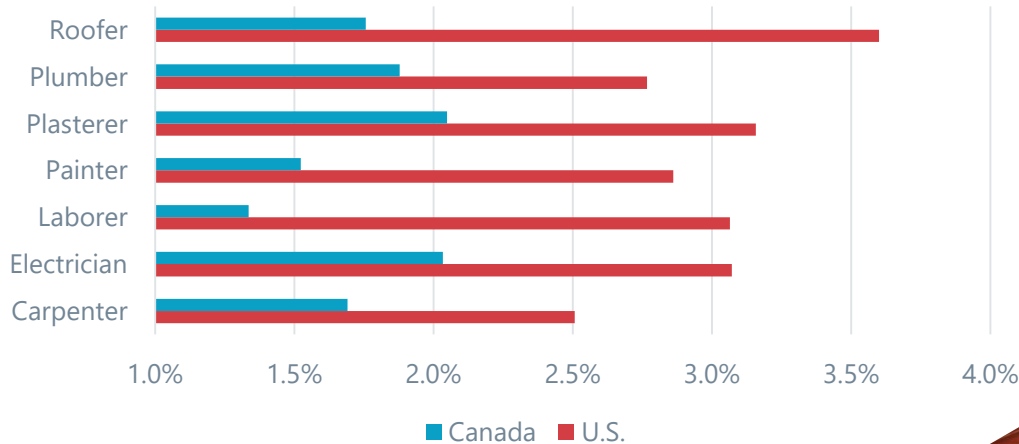
Province	Change
Saskatchewan	+3.9%
Manitoba	+3.5%
Nova Scotia	+3.1%

Source: CoreLogic

Labor Costs in the U.S. and Canada Compared

From June 2019 to June 2020, overall labor costs in the United States grew by 3%, while in Canada they only grew by 1.8%. Labor costs in the U.S. grew the most for roofers while labor costs in Canada grew the most for plasterers.

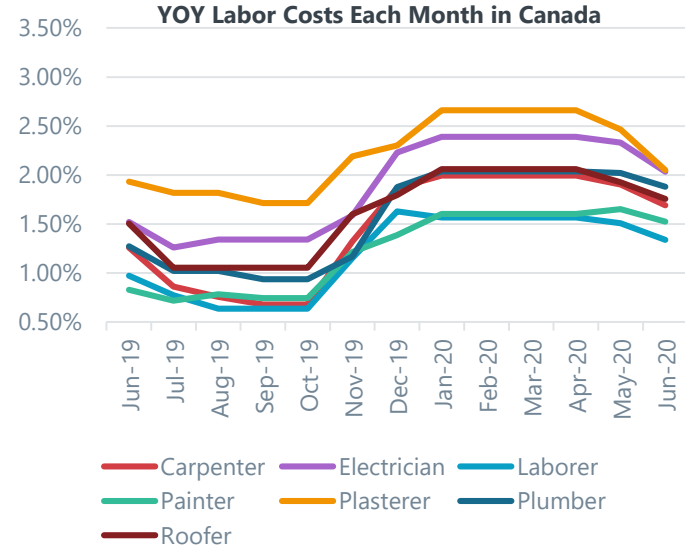
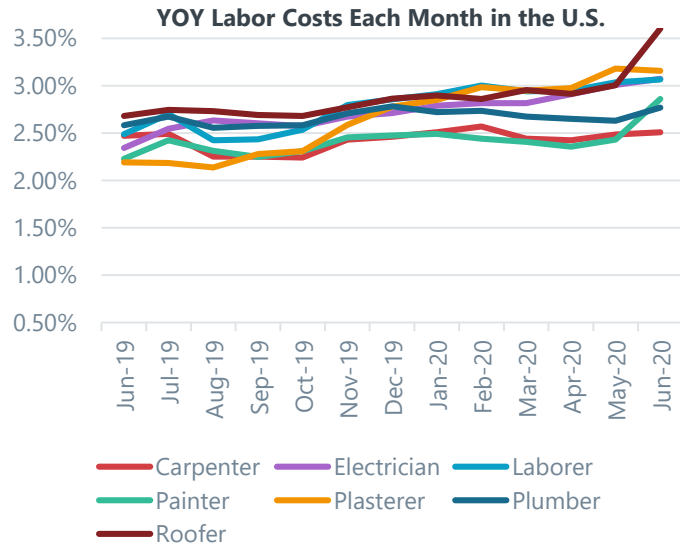
Labor Cost Change by Occupation
(percent change, June 2019 to June 2020)



Source: CoreLogic

Changes in Labor Cost Growth

Over the last year, labor costs in both the U.S. and Canada continued to grow. However, the rate at which these costs grew varied considerably. After the coronavirus pandemic was declared in March 2020, the rate at which labor costs grew increased in the U.S. This is contrasted with Canada's experience, where the rate at which labor costs grew decreased.



U.S Economic Indicators

The U.S. economy has seen significant disruptions over the course of the pandemic. Housing starts, building permits, home sales, and consumer confidence have all dropped on a quarterly basis, while unemployment has risen from 3.8% up to 13%. YOY changes in new home prices has dropped from 4.5% to 1.9%, while YOY changes for existing homes rose from 4.1% to 4.4%.

ECONOMIC INDICATORS

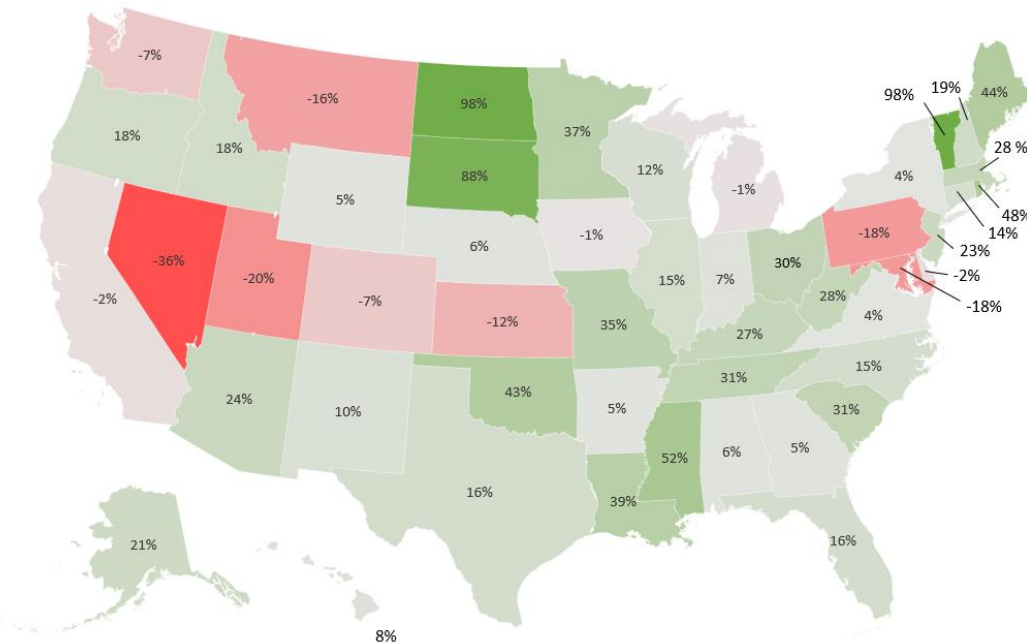
	Q1 2020	Q2 2020
Housing Starts*	1484	1044
Building Permits*	1443	1174
Home Sales*	6184	4996
New	701	676
Existing	5483	4320
Unemployment	3.8%	13%
Consumer Confidence	127.3	89.9
30-Year Fixed	3.5%	3.2%
	Q1 2019	Q2 2020
Home Price YOY Change		
New (%)	4.5%	1.9%
Existing (%)	4.1%	4.4%

Data may be revised from previous quarter or may not end at current quarter
*in 1,000s

Sources: U.S. Bureau of the Census, National Association of Realtors, U.S. Bureau of Labor Statistics, The Conference Board, Freddie Mac, CoreLogic

Changes in Permit Authorizations

U.S. permits authorizations in June have bounced back at 12% total growth. While 3 or 4 unit permits have declined by 17%, all other unit types have increased. On a regional basis, the West has seen a decline of 2% while the Midwest and South have increased 18% and the Northeast has increased 9%.



Units	19-Jun	20-Jun	% Change
1	75091	84270	12%
2	2114	2324	10%
3 or 4	1898	1569	-17%
5+	31907	35836	12%
Total	111010	123999	12%

Authorized Building Permits
(Units % Change) 6/2019 – 6/2020

Source: U.S. Census Bureau

Construction Job Growth by State

Construction employment totaled 7,167,000 in June, down 407,000 from March. Employment in construction was down by 330,000 jobs over the past 12 months, a 4.5% decline. Overall, annual construction employment declined in 34 states and D.C.

Total Construction Employment in June 2020

7,167,000

 **407,000**
qtr/qtr

 **330,000**
yr/yr

Highest Annual
GROWTH

South Dakota

14%

Utah

9%

Hawaii

4%

Largest Annual
DECLINE

Vermont

-29%

New York

-17%

West Virginia

-15%

**Total percent from 6/2019 to 6/2020.*

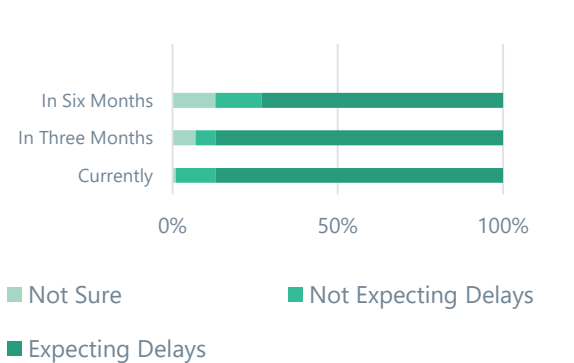
Source: U.S. Bureau of Labor Statistics

Source: Associated General Contractors of America

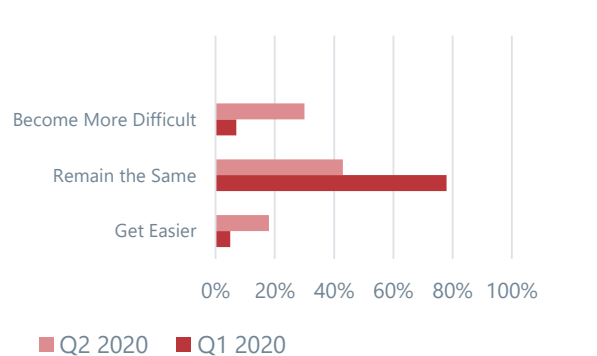
Construction Confidence

In Q2 2020, the USG Corporation and U.S. Chamber of Commerce stated the Commercial Construction Index dropped from 74 to 56, the largest quarterly decline since the creation of the index. This decline is largely attributed to expected delays (87% of contractors currently expecting delays), fewer new business opportunities (25% with low confidence), and less access to working capital financing (30% expecting it to become more difficult). Expectations of material cost fluctuations have not significantly changed since Q1.

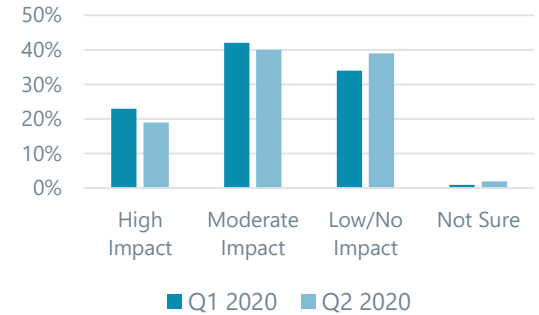
Contractors Expecting Project Delays Due to COVID-19



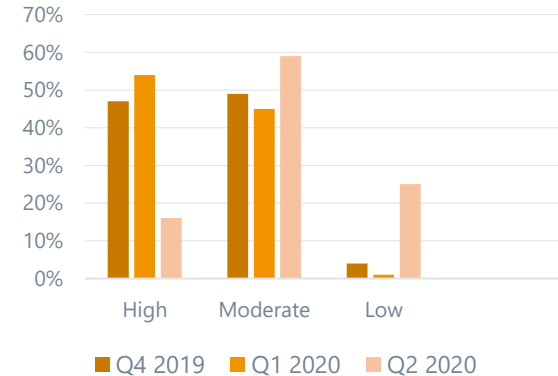
Expecting Change in Access to Working Capital Financing by Contractors in the Next Six Months



Impact of Material Cost Fluctuations on Contractors' Businesses



Degree of Confidence Among Contractors in Sufficient New Business Opportunities



CoreLogic tracks construction costs for commercial, residential and agricultural construction of all types by researching a unique basket of goods (labor and materials) all around the United States and Canada. This research is conducted monthly, which allows us to monitor fluctuations to commonly used materials.

For more information, please call:
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