



FMI

Industry Overview Presentation

Q2 2024 Market Outlook

fmiconsulting.com

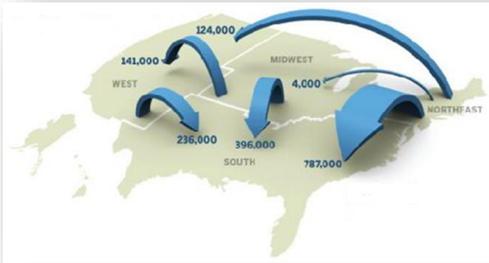


Areas of Focus



Shift in Segment Demand

Where can we expect continued demand regardless of market performance?



Location, Location, Location

Does geography become the primary determinant of growth?



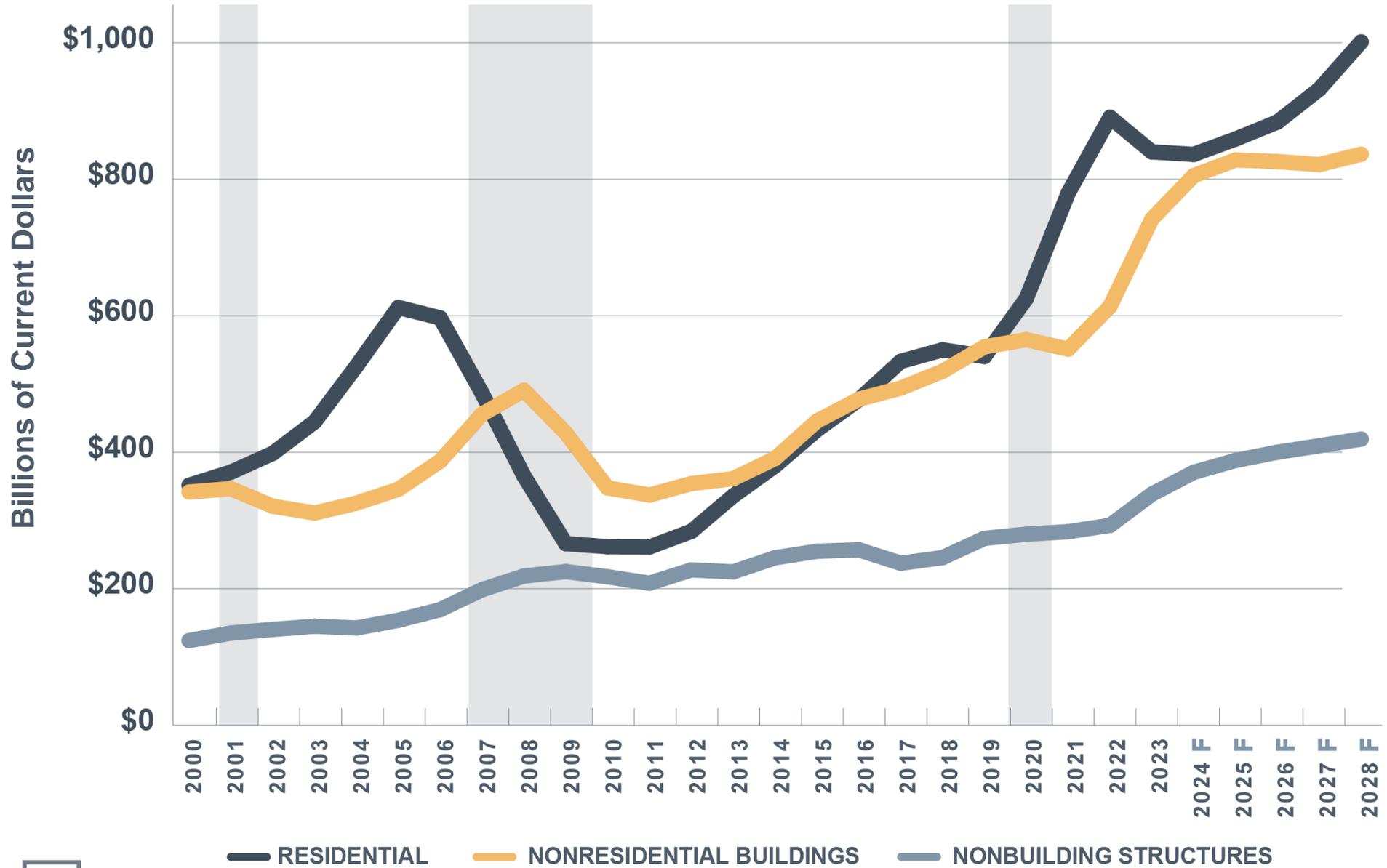
Major Trends Impacting the Built Environment

What are the primary drivers of demand and how will they impact market performance?

U.S. Construction Forecast

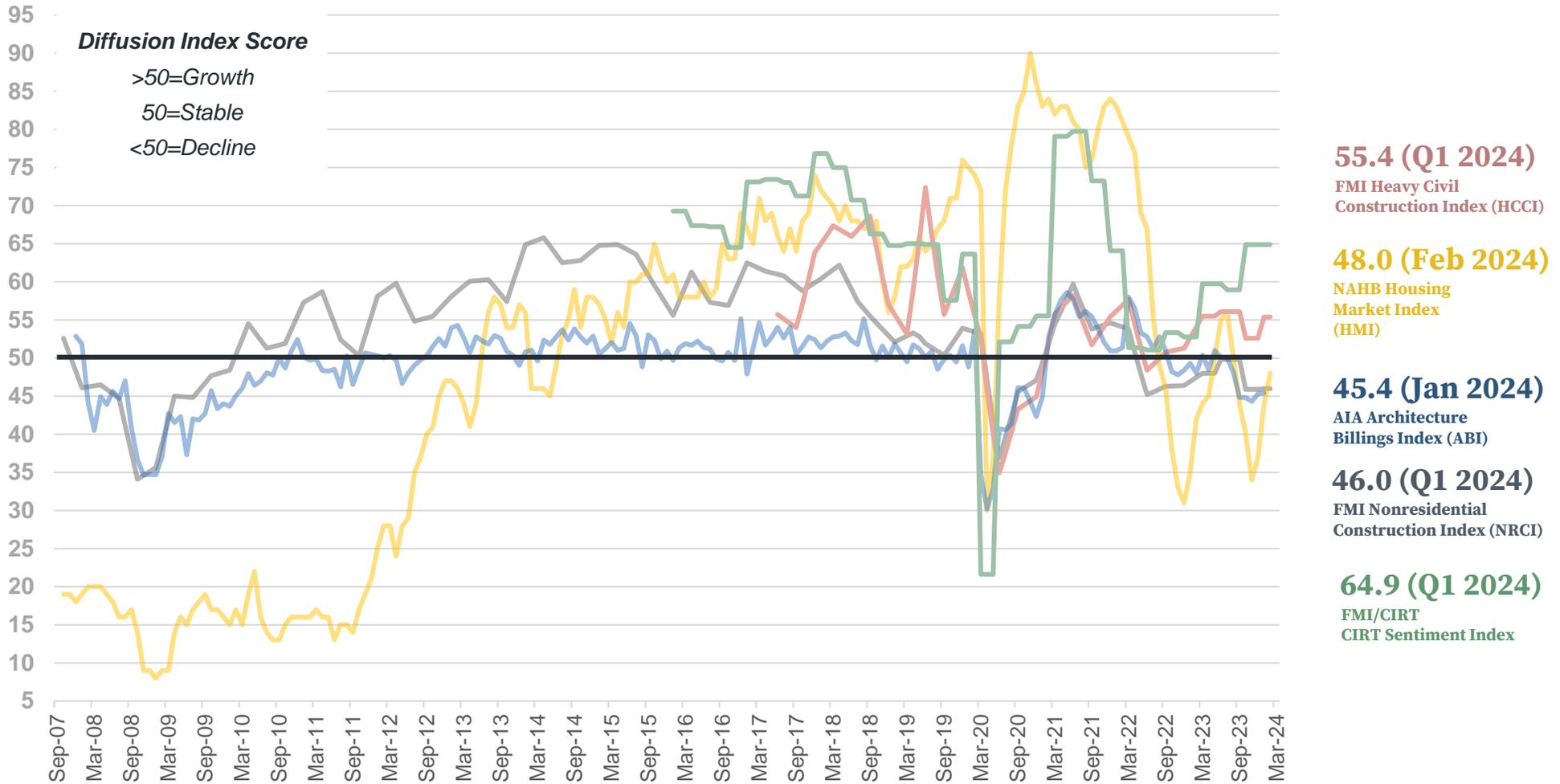
Total Construction Spending Put in Place (US); Q2 2024

Billions of current dollars



Industry Sentiment

Comparison of construction industry diffusion indices



Construction Activity Reflects the Direction of the Economy

New Economy

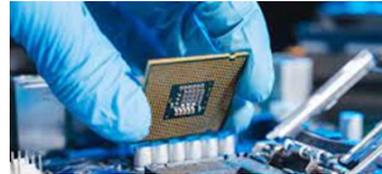
Life Sciences



Data Centers



High-Tech Manufacturing



Food / Beverage Manufacturing



Logistics



Intelligent Transportation



Urban Mass Transit



Distributed Power



Old Economy

Lodging



Shopping Centers / Malls



Consumer Goods Manufacturing



Movie Theaters



Office



Sports / Recreation



Amusement Parks



Textile Mills



Look at the Trend Line of Progress and Where is it Going?



New Economy Trend Line

Urban Mass Transit



- ↑ % of US population in urban areas
- ↓ Millennial driving miles
- ~15% Transportation as % of expenses

Food & Beverage Manufacturing



- ↑ American consumption of processed foods
- ↑ Demand for cold storage facilities

Life Sciences



- ↑ Prescription drug use among adults
- ↑ Childhood vaccinations
- ~10% Use of anti-depressants in the US

Distributed Power



- ↑ Power consumption in the US
- ↑ Sustained power outages
- ~70% US transmission lines over 25 years old

Logistics



- ↑ E-commerce sales
- ↑ Digital grocery purchases
- ~15% Online purchases as % of total retail activity

Semiconductors



- ↑ Computer chip manufacturing
- ↑ Prevalence in all segments

Data Centers



- ↑ Remote work / tele-commuting
- ↑ Prevalence of semi-conductors / computer chips
- 3x Number of connected devices in past five years (IoT)

Distribution of Spending and Growth

FMI Q2 2024 Market Forecast

Largest Spending

Educational



Power



Manufacturing



Highway & Street



Highest Growth

Transportation



Highway & Street



Power



Communication



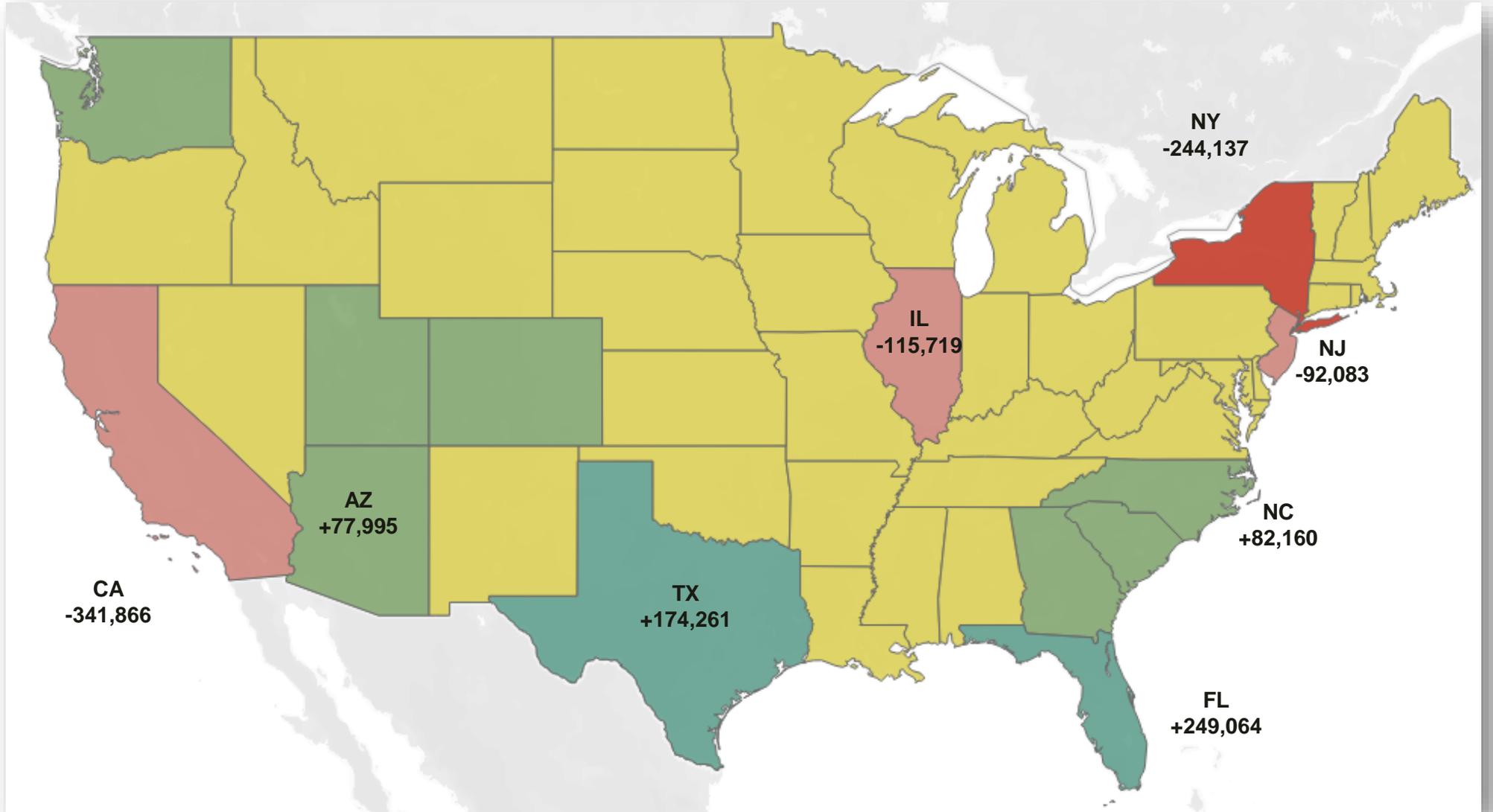
Segment	2024- 2028 Average Construction Spending (Billions)	2024- 2028 Forecast Growth (CAGR)
Multifamily	\$116	-2.6%
Lodging	\$27	1.1%
Office	\$102	1.7%
Commercial	\$130	2.2%
Health Care	\$73	2.0%
Educational	\$137	3.5%
Religious	\$3	-1.1%
Public Safety	\$15	1.2%
Amusement and Recreation	\$35	-0.4%
Transportation	\$82	5.9%
Communication	\$29	5.3%
Manufacturing	\$223	-3.9%
Power	\$144	3.6%
Highway and Street	\$165	3.8%
Sewage and Waste Disposal	\$48	2.5%
Water Supply	\$31	2.4%
Conservation and Development	\$13	-0.5%

Nonresidential Buildings

Heavy Civil

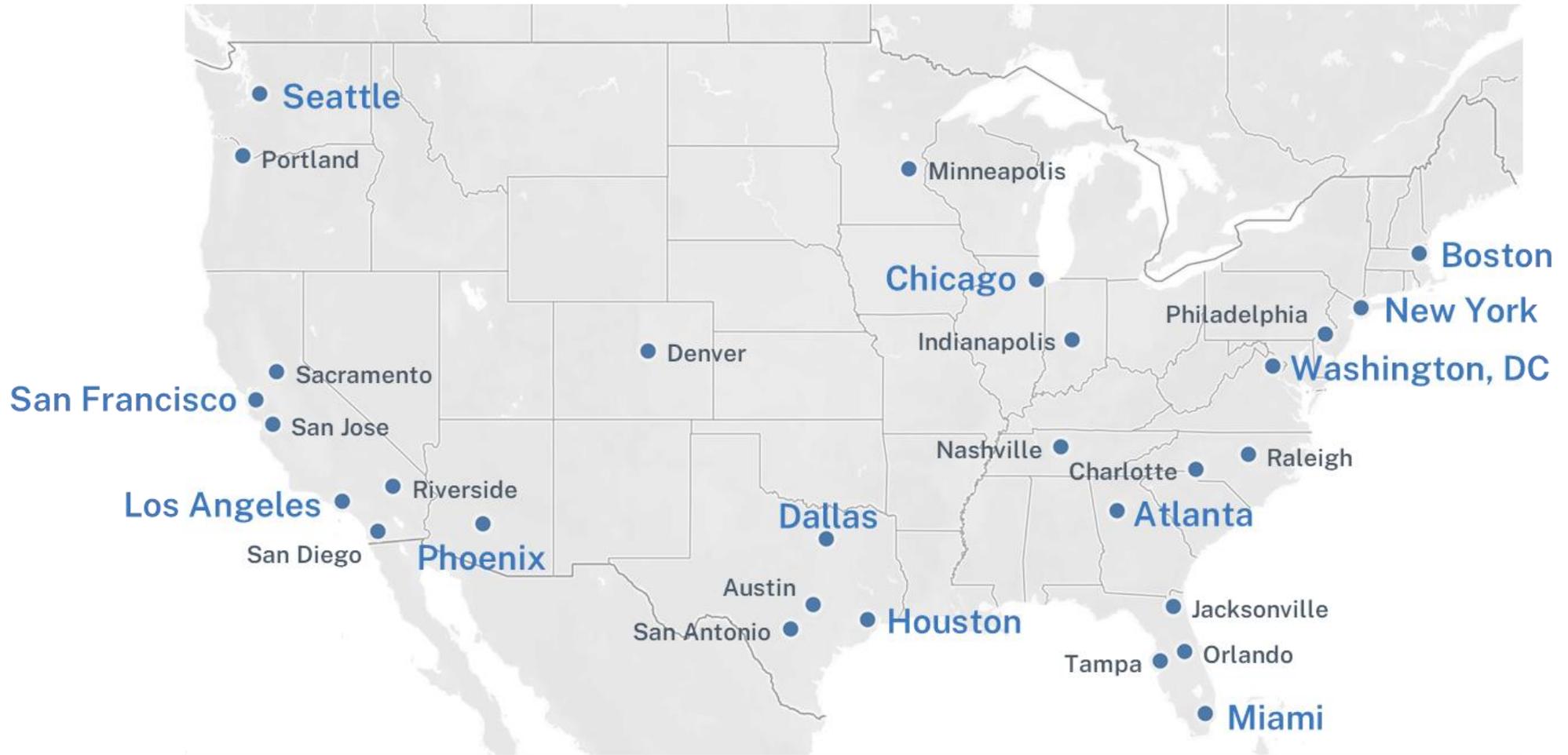
Population Migration Will Frame Where Future Activity Occurs

Population Movement by State
Total net migration 2001- 2022
Number is 2021-2022 Net Migration



Half of Construction Dollars are Spent in Concentration Regions

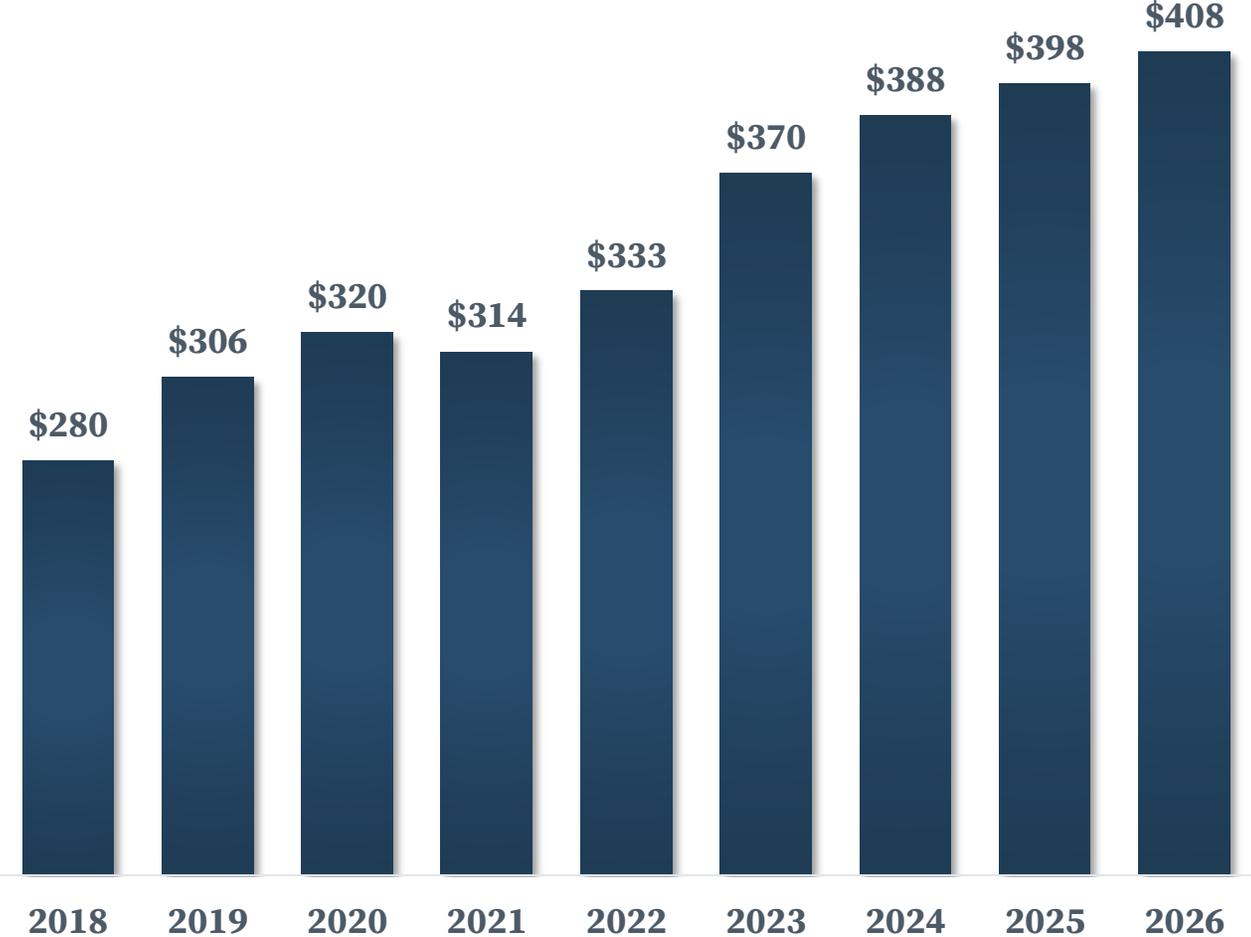
Construction Spending Put in Place
Top Metropolitan Statistical Areas



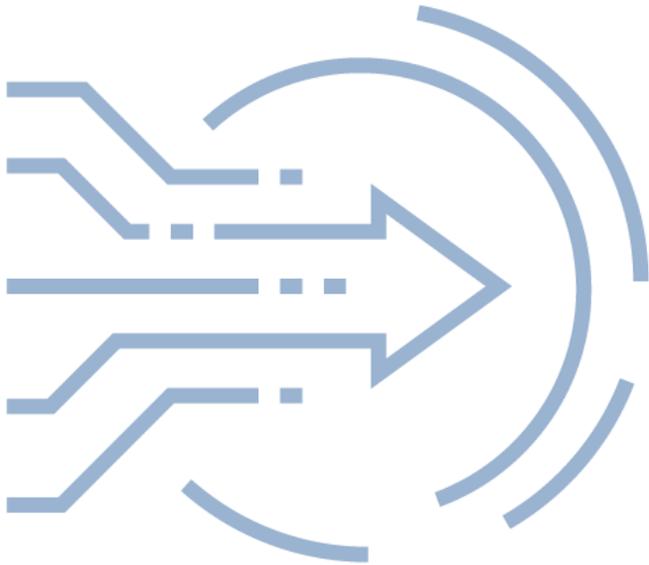
It is NO Longer an Alternative...

Estimated Design-Build Construction Spending
Billions of Dollars

Owners have traditionally employed design-bid-build as the project delivery method of choice. As owner needs and project demands have changed, owners have increasingly opted to employ alternative delivery methods based on specific project factors.



Continued Evolution of Off-Site Construction



Panelization



Hybrid Modular



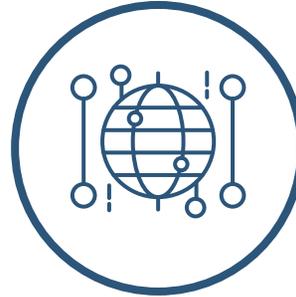
Volumetric Modular

How is Sustainability Impacting the Market?



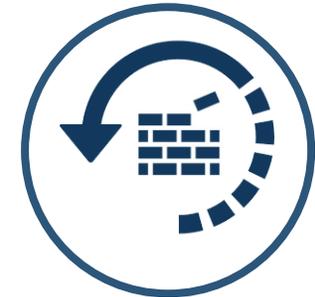
Energy transition and Energy Efficiency

“We don’t appear to be setup for electrification from a grid service standpoint. The grid can’t support the change.”



IRA and DOE initiatives...what is the impact?

“We have seen a lot of education facilities focus on the energy efficiency upgrades.”



Decarbonization...Is it driving product selection?

“Embodied carbon is part of the conversation, but it’s overshadowed by financial concerns.”

Do We Have a Skilled Labor Problem?

DANIEL J. B. MITCHELL
University of California, Los Angeles

Wage Pressures and Labor Shortages: The 1960s and 1980s

As the U.S. unemployment rate fell during 1988 and early 1989 into the 5-5.5 percent range, observers worried about upward pressure on wage inflation. The concern grew naturally out of the experience of the 1970s, when wage inflation accelerated whenever the unemployment rate fell into the 6-7 percent range. But while such concern is understandable, it may be misplaced. Imagine an economic historian painting the following broad picture of the American labor market.

After two back-to-back recessions, and some adverse developments in the legal climate for unions, a period of calm descended on the labor market. Wage and price inflation receded against a background of relatively high unemployment.

The Business Roundtable

Answer, 1982

THE CONSTRUCTION INDUSTRY

FOR THE MONEY

TABLE OF CONTENTS

RE CONSTRUCTION

FOR THE MONEY

TABLE OF CONTENTS

Page

7

8

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

26

27

28

29

30

31

32

33

34

35

36

37

38

39

40

41

42

43

44

45

46

47

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317

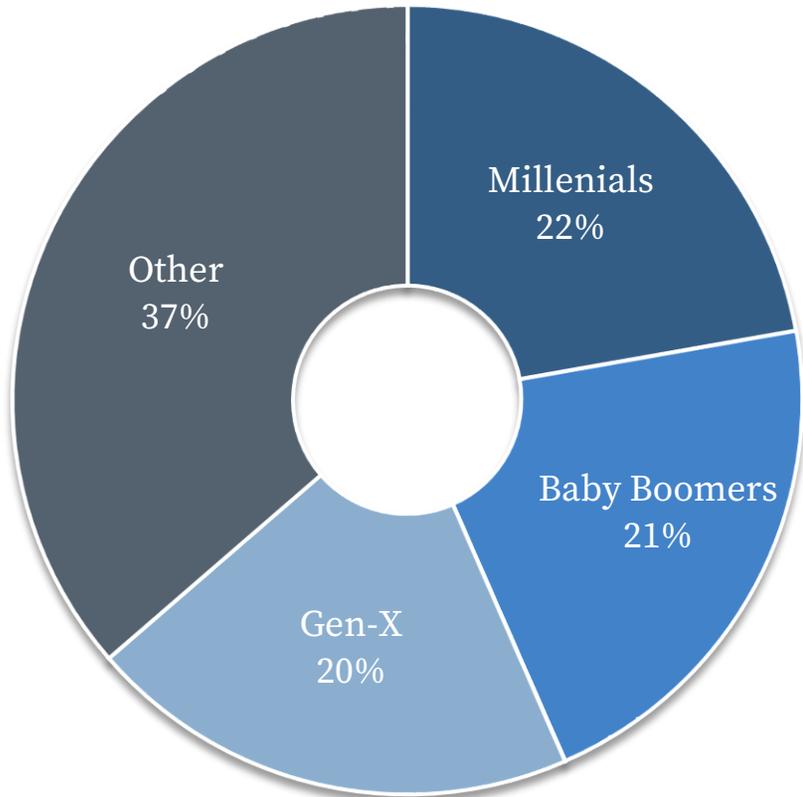
318

319

What Does the Great Wealth Transfer Mean for the Construction Industry?

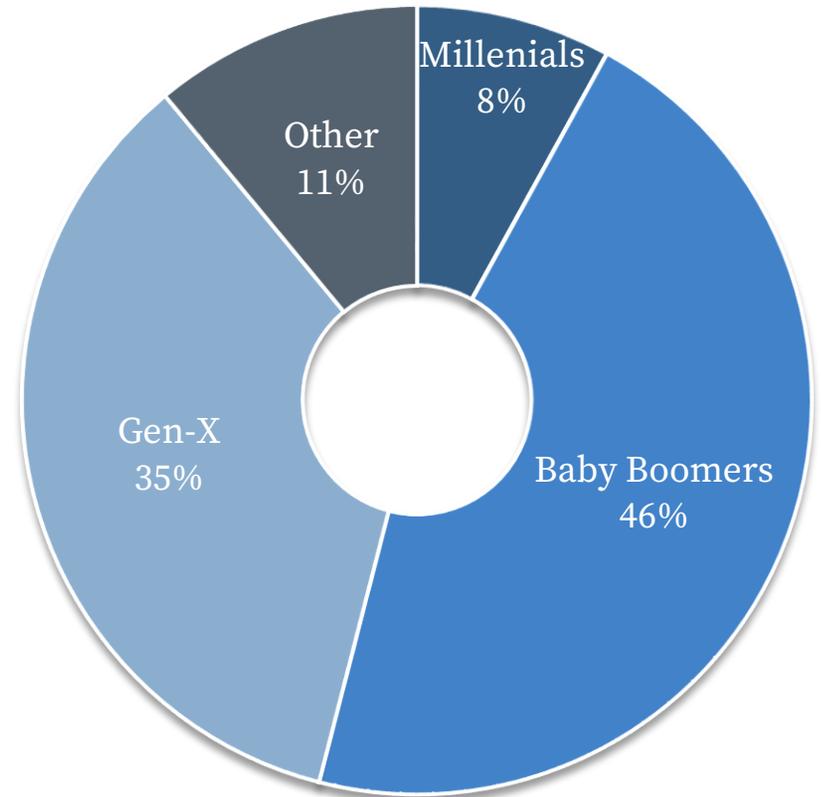
Breakout of Generations in the United States

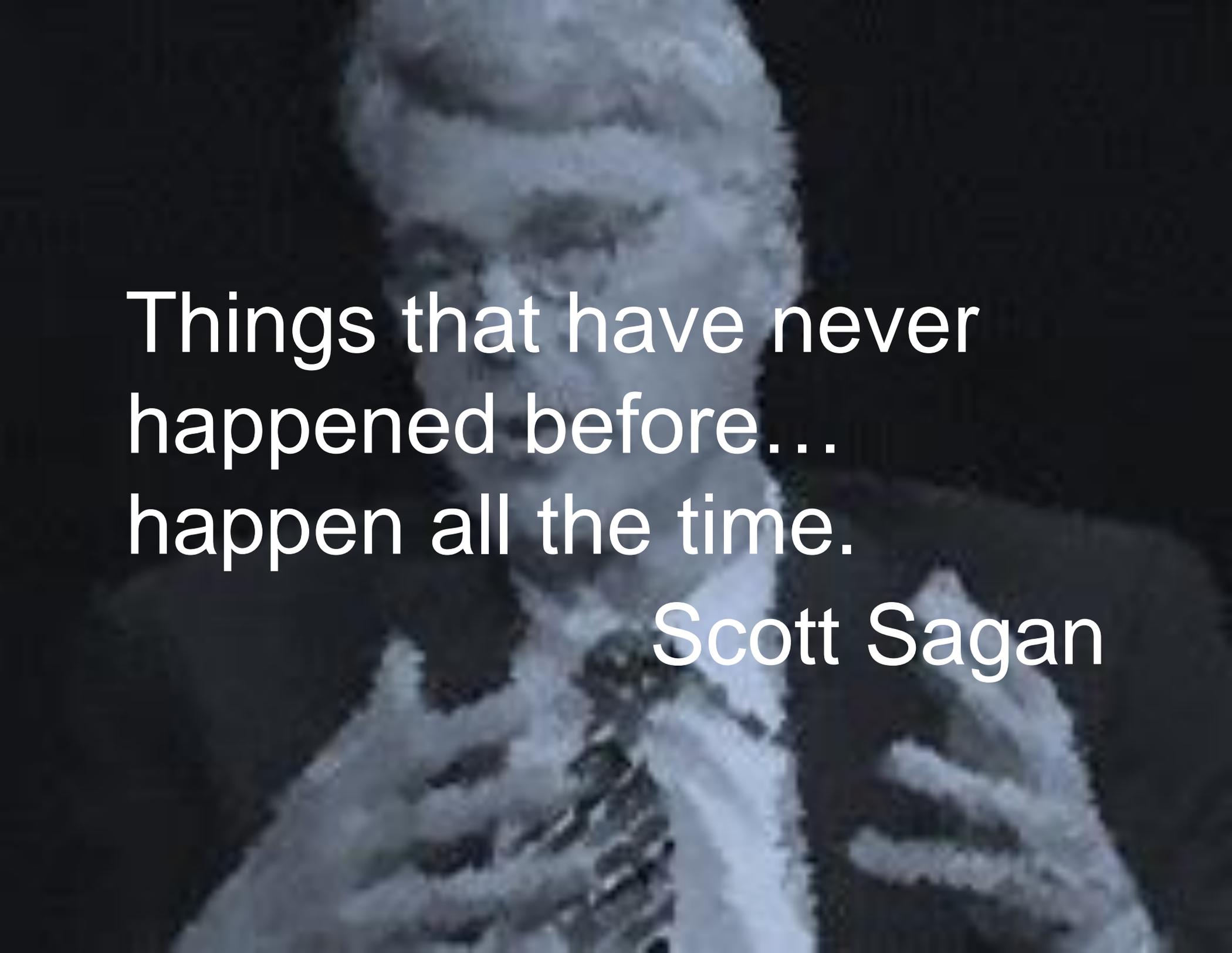
Percentage of overall U.S. population



Of the \$17 trillion in U.S. private business ownership, 50% of these will be transitioned to the next generation in the next 10 years.

*Percentage of Private Business Ownership





Things that have never
happened before...
happen all the time.

Scott Sagan

What Should We Be Considering?



Understanding customer challenges



Innovating for design flexibility and evolving project delivery



Awareness of changing building requirements and product demands



Preparing and adjusting for market shifts

Connect with me...



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Expertise:

- Strategy Development
- Market Research & Segmentation
- Customer Buying Practices
- Competitor Analysis
- Market Strategy

Industry Focus:

- Building Products Manufacturers
- Engineering and Construction
- Alternative Project Delivery Methods
- Private Equity
- Construction Industry Associations



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FMI is a leading consulting and investment banking firm dedicated exclusively to the built environment. We serve as the industry's trusted advisor, providing current market insights, deep industry research and key relationships that deliver tangible results for our clients.

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