

# INDUSTRY MARKET UPDATE: COMMERCIAL CONSTRUCTION

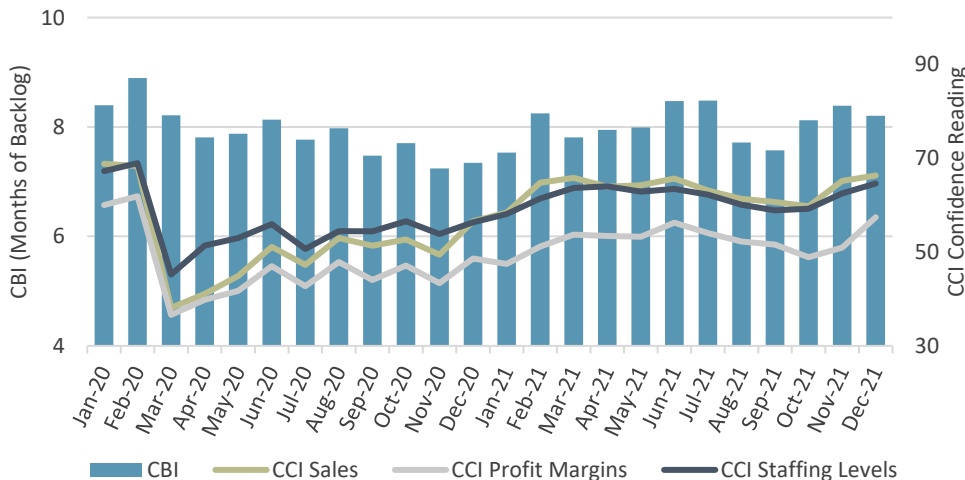
Acquisitions | Divestitures | Financings | Private Investment

The construction market has rapidly rebounded from the 2020 downturn following the onset of the pandemic. However, non-residential growth lags its residential counterpart and that trend is expected to continue. Government investment in infrastructure is expected to drive non-residential growth through 2022 but increases in cost of capital (interest rates) could also impact growth.

## KEY TRENDS

- The federal government will invest \$550 billion to upgrade infrastructure over the next five years, propelling growth of the non-residential segment
- Critical construction material prices have risen significantly in 2021 with some inputs observing double digit increases every month
- Construction backlog increased to 8.2 months, up from 7.3 in 2020, with heavy industrial contractors experiencing the largest expansion to backlog
- Contractor confidence levels are at a yearly high indicating that sales, profit margins, and staffing levels will continue to recover in 2022.
- While the industry recovered close to 0.9 million of the 1.1 million jobs lost to the pandemic and maintained a strong order book, 60% of firms are experiencing project delays due to workforce shortages
- 26% year-over-year increase in material costs from June 2020, but bid prices are only up 3%

## CONSTRUCTION BACKLOG INDICATOR & CONSTRUCTION CONFIDENCE INDEX



## KEY STATISTICS



**3.8%** increase in non-residential spend over the last twelve months



**75%** of contractors are experiencing project delays due to COVID-19



**62%** of contractors reported difficulty in finding skilled workers



**45%** of contractors reported turning down work due to labor shortages



**95%** of contractors face at least one material shortage



**20%** increase in material costs in 2021

## ACTIVE INDUSTRY PARTICIPANTS

**AECOM**

**WT**  
WHITING-TURNER

**Barton Malow**

**Kiewit**

**SHIMMICK**

**Walbridge**

**HOLDER**

**Turner**

**Suffolk**

Sources: Associated General Contractors of America, Associated Builders and Contractors, Construction Confidence Index Deloitte 2022 Engineering & Construction Industry Outlook, Q4 2021 U.S Chamber of Commerce Commercial Construction Index, Pitchbook

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## INCREASED INVESTOR INTEREST

The commercial construction sector is well-positioned for growth. Construction companies can position themselves well by capitalizing on the following trends:

- Maintaining positive relationships with their trades
- Providing attractive benefits and strong training programs to minimize attrition
- Capability to grow into large projects nationwide
- Clean litigation and immigration records
- Implementing leading edge technologies for design and post design work
- Acquiring next generation digital technologies to integrate data and analytics into workstreams and implementing end-to-end connected construction capabilities

## SELECT PRIVATE EQUITY GROUPS

### BUILDING INDUSTRIAL PARTNERS



### OROCO CAPITAL



### KASSEL EQUITY GROUP



## CASCADE PARTNERS SELECT TRANSACTIONS

Sell-Side Advisor

has been acquired by

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has been acquired by

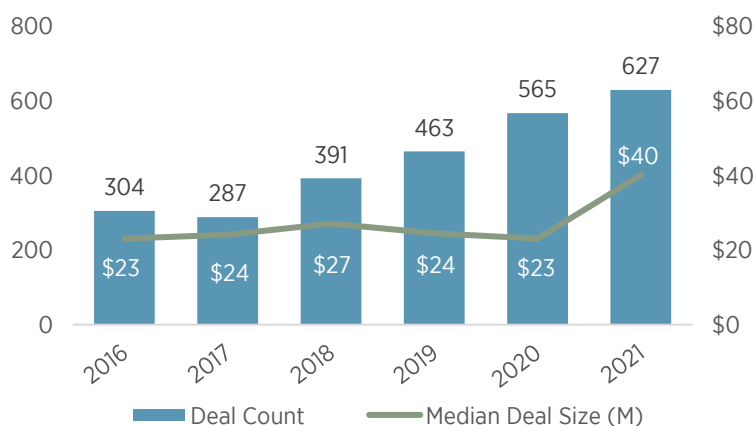
Sell-Side Advisor

A large commercial paving and infrastructure company has partnered with

## RECENT M&A ACTIVITY

Date	Target	Acquirer
Jan-22	Quattur Construction	RoadSafe Traffic Systems
Jan-22	Edwards Electrical & Mech.	Comfort Systems USA
Dec-21	C&H Eng.& Surv.	IMEG
Dec-21	Ohio Valley Excavating	Congruex
Dec-21	Crown Utilities	Brightwood Capital
Dec-21	Frontline Concrete	Lithko Contracting
Nov-21	Denison Glass & Mirror	Installed Building Products
Oct-21	Central Environmental	Bering Straits Native
Oct-21	J.J. White	Clough
Oct-21	J. Miller Construction	Construction Partners
Oct-21	CME Engineering	Apex Companies
Oct-21	Pavilion Floors	Diverzify

## COMMERCIAL CONSTRUCTION M&A ACTIVITY



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