



CONSTRUCTION MARKET TRENDS



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- ❑ Inflation & supply chain concern/impact for FY24 and beyond programs
 - Issued guidance to Cost Engineers on developing true inflation
 - Inflation risk discussion during Cost and Schedule Risk Analysis (CSRA)
 - Risk based Construction schedule based on CSRA model at 80% confidence level

- ❑ Cost Estimate Updates
 - Reemphasized guidance – Cost estimate must be current, i.e. within 2 years (ER1110-2-1302)
 - Cost Engineers responsibility to ensure baseline estimate reflect current scope and market conditions
 - Emphasizing the importance of Engineering and Design during program budget development phase
 - Cost engineers conducting market research during budget development and PED phase

- ❑ Market Survey
 - USACE issued a task order to an AE firm to survey BB18, IIJA and DRSA project regions to include:
 - Labor availability
 - Material availability to include delivery and lead times
 - Construction Market outlook – Public and Private spending



MARKET SURVEY TASK ORDER



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❑ The Task Order was awarded in July 2022

➤ Scope Included:

- ❖ Development of market conditions and cost adjustment factors for key construction materials, labor/craftsman availability and equipment for IIJA and 2018 supplemental, (BBA18) DRRSA project locations
- ❖ The study are was divided into 3 geographical areas that included multiple states as described Region 1, Region 2 and Region 3 in the task order.
- ❖ Impacts of current & future private and public spending on construction activities within 3 regions
- ❖ Impacts of Project Labor Agreement's on labor availability & USACE supplemental program
- ❖ Impacts on material prices of key construction materials of Buy American Act criteria within 3 regions. The materials must meet United Facilities Guide Specifications.
- ❖ Manufacturers capacity to meet Buy America Demand



STUDY FINDINGS – LABOR & MATERIAL CONCERNS



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- The study concluded that there is significant burgeoning labor shortage across the nation, with labor shortage (no additional crews available), project duration and overhead will increase proportionately, based on project size, scope and methodology.
- Availability and price of construction materials will be highly dependent on the project location.
- USACE CW projects specialized construction materials such as Large Hydraulic Pumps, Miter Gates etc. are manufactured by small number of manufacturers across nation. Regional analysis was inconclusive. These are typically long lead items.



STUDY FINDINGS – MATERIALS GOOD NEWS



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- The nationalization of construction material vendors has not only increased the availability of items but is normalizing pricing coast to coast for many materials.
- Although delivery costs are up, they will not be a major cost driver for projects.
- The extreme supply chain issues of 2020 and early 2021 seem to be improving; availability of construction staples is returning to pre-COVID-19 levels and should continue to improve. There are still exceptions (electrical equipment)
- The move to seek material substitutions that arose during the peak of the supply chain crisis will continue to be a useful method to control budgets on future projects.