



Metro

Los Angeles County
Metropolitan Transportation
Authority
One Gateway Plaza
3rd Floor Board Room
Los Angeles, CA

Board Report

File #: 2022-0120, **File Type:** Oral Report / Presentation

Agenda Number: 7.

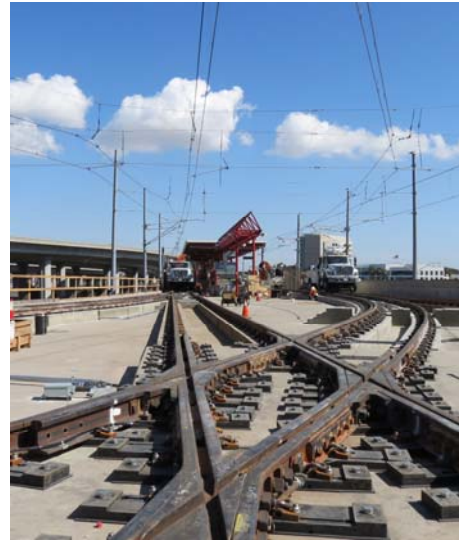
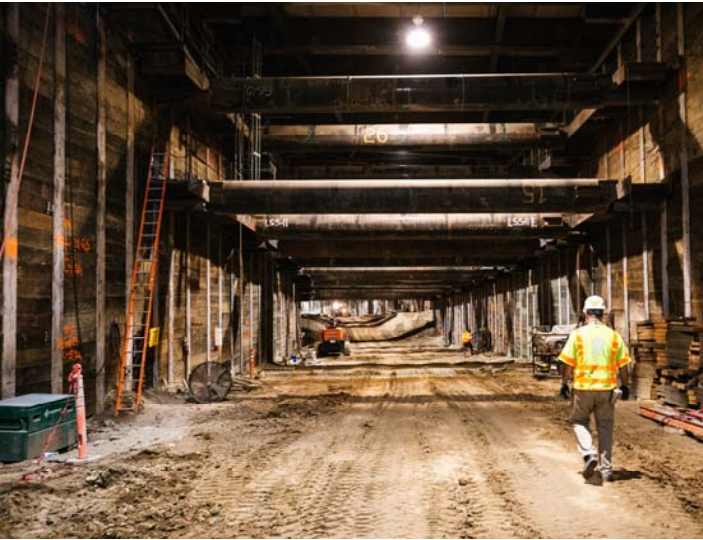
**MEASURE M INDEPENDENT TAXPAYERS OVERSIGHT COMMITTEE
MARCH 2, 2022**

SUBJECT: ORAL REPORT ON CONSTRUCTION MARKET ANALYSIS

ACTION: ORAL REPORT

RECOMMENDATION

RECEIVE Oral Report on Construction Market Analysis



Attachment A

CONSTRUCTION
MARKET ANALYSIS
2021 - 2022



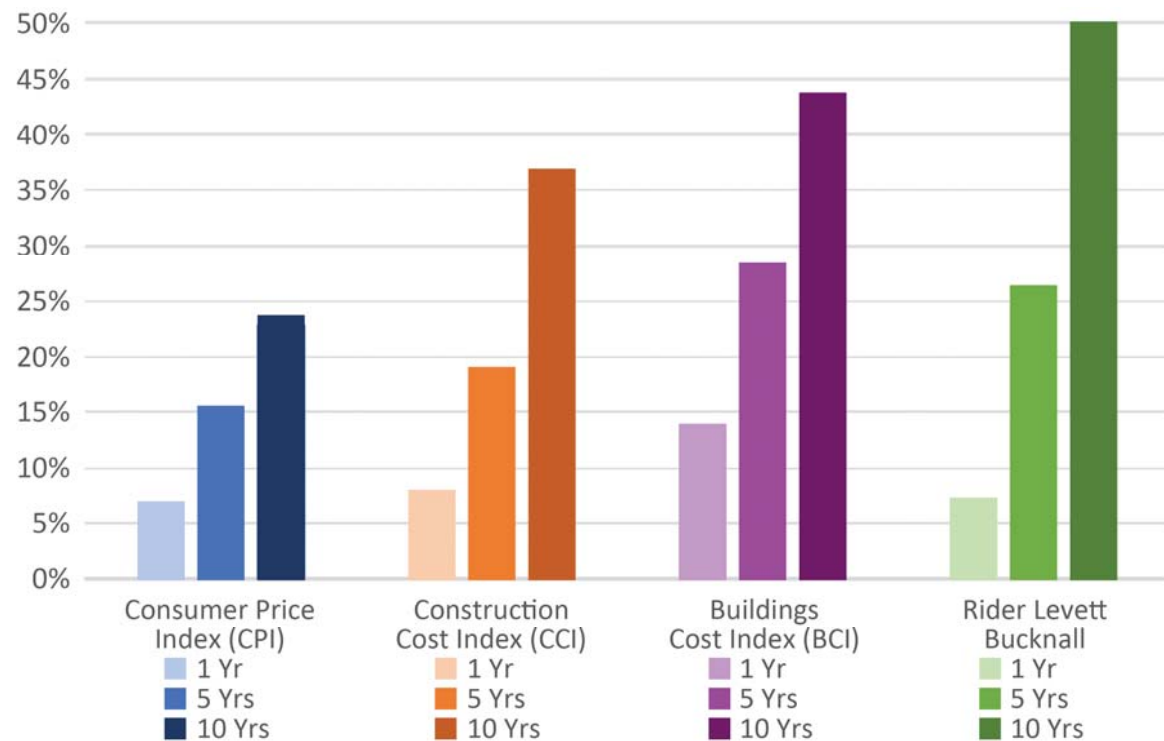
Metro™

2022

CONSTRUCTION COSTS OUTPACING MARKET

- January's consumer market inflation rate of 7% (the highest since 1982) is lower than the construction inflation rate of 8%
- Since the passage of Measure M, construction costs have outpaced consumer market inflation
- Over the past 10 years, increase in construction prices are near double the consumer market inflation rate

Percent Change in 1-Year, 5-Year, and 10-Years by Index

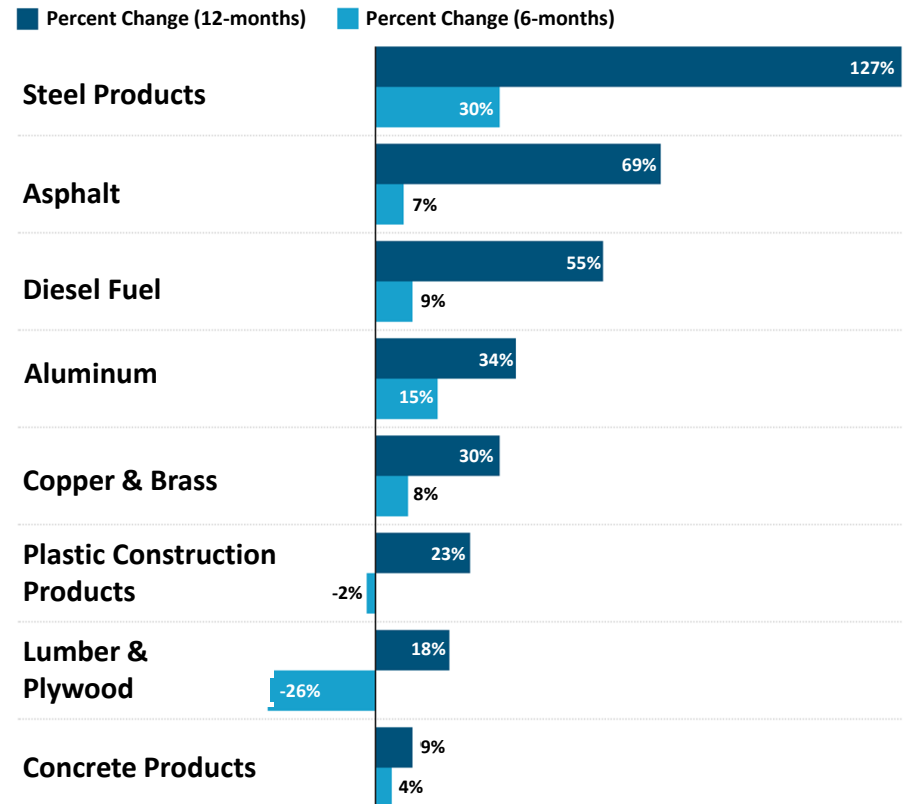


Sources: Bureau of Labor Statistics, Engineering News Record, Rider Levett Bucknall

CONTINUED INCREASE IN MATERIALS PRICES

- Majority of materials prices have jumped in the past year
- Lumber prices are normalizing
- Key drivers increasing the price of steel products:
 - High demand
 - Tariffs
 - Supply chain issues
 - Consolidation in the industry
 - Pandemic related shutdowns of steel mills

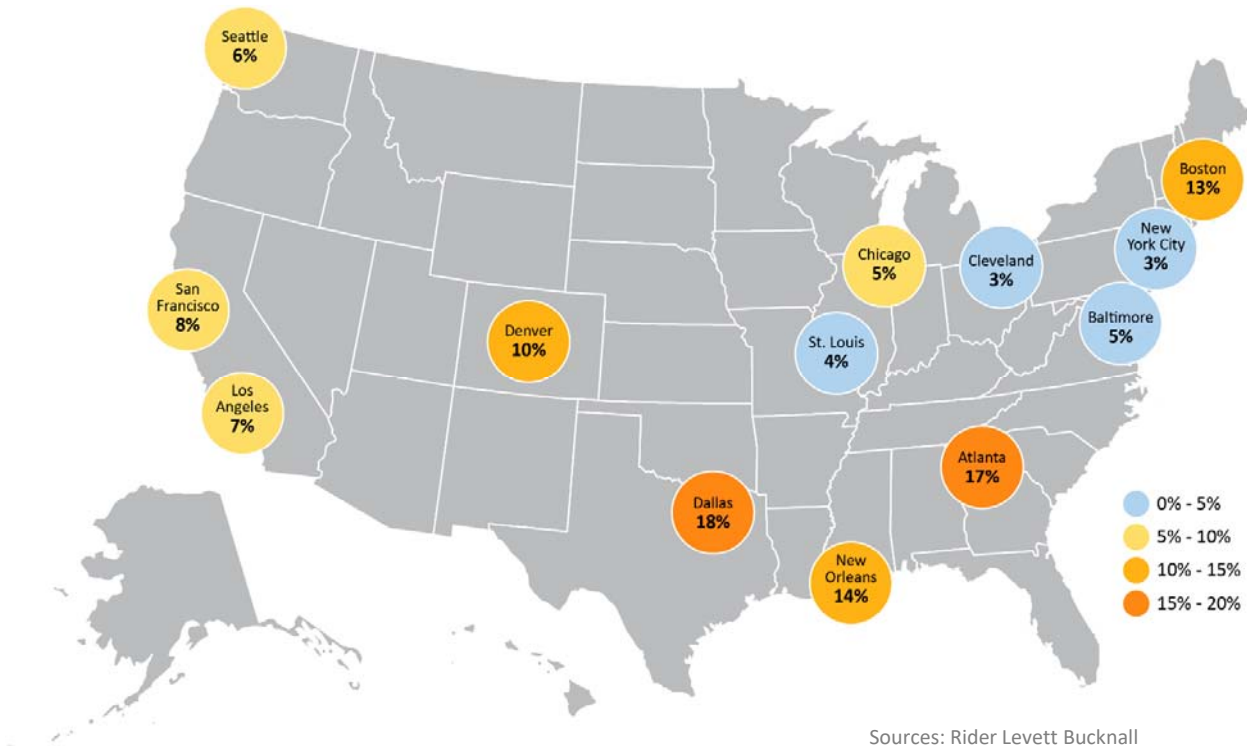
Construction Materials Cost: Percent Change



Source: Bureau of Labor Statistics

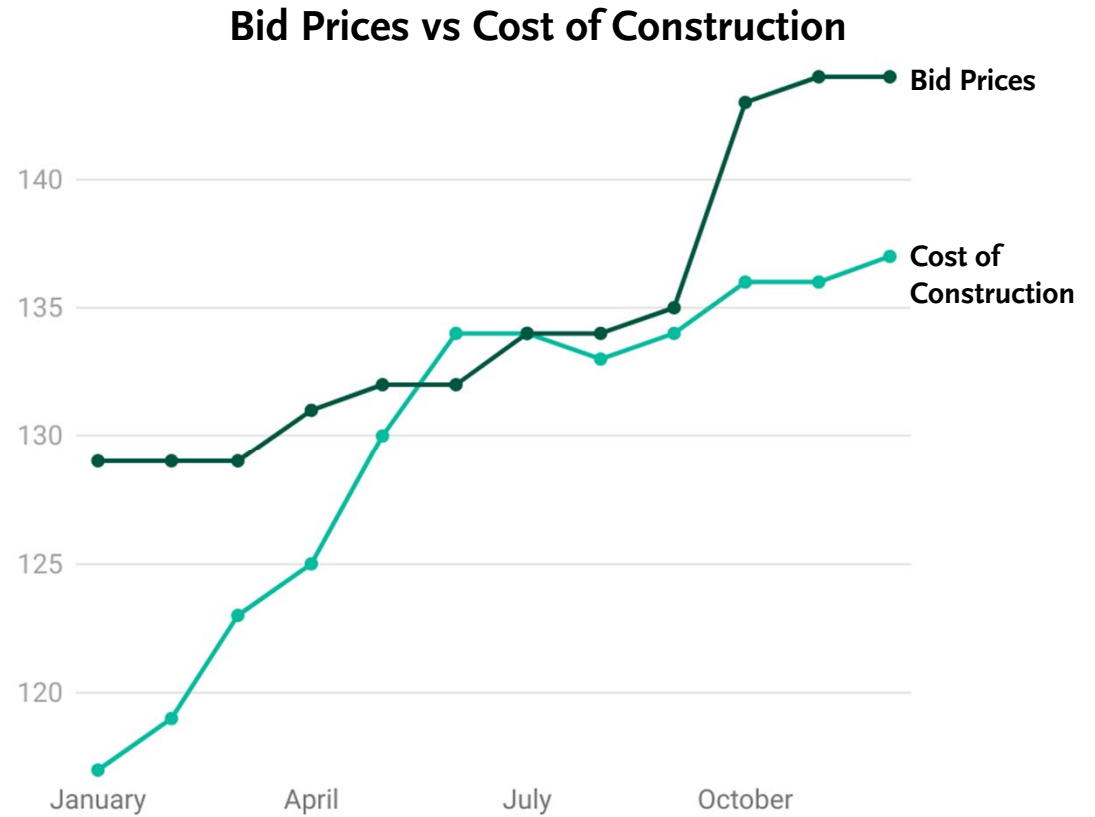
LOCAL & NATIONAL CONSTRUCTION INFLATION

- Los Angeles and national average peaked in the summer at 11% and 9% respectively
- Los Angeles experienced similar increases to the national average over the past year
- Current construction inflation rates for Los Angeles and national average are at 7%



COMPARING BID PRICES & CONSTRUCTION COSTS

- Cost of construction has increased by 20% this year
- Bid prices have increased by 13% this year
- Within the last 4 months, bid prices have jumped by 7%
- Contractors are passing along higher costs to owners
- High bid prices are anticipated to continue through the first half of 2022 shutdowns of steel mills



Source: Bureau of Labor Statistics

CONSTRUCTION MARKET OUTLOOK FOR 2022

- Transportation construction activity to increase by 5% compared to last year
- Inflation likely to remain high with a drop in the later half of the year
- Construction escalation is forecasted between 4% to 6% for 2022
- Challenges likely to continue in 2022:
 - Supply chain disruptions
 - High construction materials and services costs
 - Labor shortages
 - COVID-19 variants



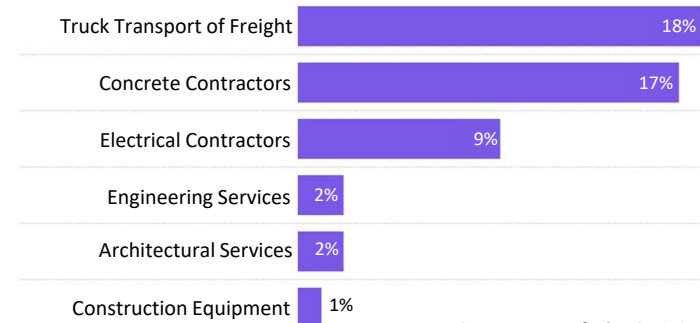
AGC Workforce Survey Results

86% of contractors are having a hard time filling positions

72% of contractors have difficulty finding quality workers

61% of contractors say shortage of workers resulting in delays

Labor-Related Construction Cost Increase in the Past Year



Source: Bureau of Labor Statistics