



Third Quarter 2024

MOCA Systems, Inc

Executive Summary

The US nonresidential construction sector faced challenges in 3Q 2024 due to natural disaster recovery, a brief port strike, and a tense election cycle. While interest rates, materials, and equipment costs are easing; labor costs continue to rise, making the project pipeline more unpredictable.

Despite these challenges, construction remains stronger compared to other sectors. Government spending, lower interest rates, and private investments in areas like data centers and manufacturing are helping to maintain above-average growth in the industry. As a result, we expect a slight increase in bid or “selling” price for the rest of 2024, with a potential slowing in price action in 2025.

MOCA SYSTEMS, INC.	US Construction Market Forecast					Q3 2024		
	Historical (YoY)					Forecast (YoY)		
	2019	2020	2021	2022	2023	2024	2025	2026
US GDP	2.5%	-2.2%	5.8%	1.9%	2.5%	2.0%	1.8%	2.1%
Total Construction Spend	4.2%	7.9%	10.3%	14.9%	6.7%	3.0%	1.2%	2.5%
Nonresidential Construction Spend	8.8%	2.3%	-1.3%	14.6%	18.2%	4.0%	1.2%	2.7%
PPI Construction Materials	0.0%	1.5%	26.9%	12.6%	-2.9%	-1.0%	1.1%	3.2%
PPI Construction Machinery	4.5%	1.8%	4.5%	10.4%	9.4%	2.5%	1.7%	2.4%
All Employees Construction	2.8%	-3.2%	2.5%	4.4%	3.3%	3.5%	2.8%	3.0%
PPI New Nonresidential Construction	5.1%	2.5%	5.2%	19.9%	7.9%	3.4%	2.7%	4.0%

Direct Inputs — Labor

While the broader labor market has cooled, construction labor demand continues to outstrip supply, pushing wages higher and widening job openings. The October US Bureau of Labor Statistics (BLS) jobs report shows construction job openings leapt by 138,000 (nearly 60%) in August from the previous month. That jump is the largest MoM increase on record. US construction jobs continue to draw on a limited worker pool, and only 2% of construction employees were laid off. Nonresidential construction employment continues its YoY growth at 4.66%, as shown in Figure 1, and that statistic has been positive since April 2021.¹ Similarly, wages of construction workers are growing at about the same rate YoY.

Figure 1: All Employees, Construction Industry; Percent Change from Year Ago



Source: U.S. Bureau of Labor Statistics

“End-of-month openings exceeded the 338,000 employees hired during the entire month, implying that contractors wanted to bring on board more than twice as many employees as they were able to find.”

- Ken Simonson, Chief Economist, Associated General Contractors of America (AGC), October 2024²

The Market's Message



Labor shortages and increasing hourly costs continue to drive higher project expenses and potential delays, particularly in areas with elevated investment in industrial and new energy projects that require specific skill sets; impacting overall productivity and operational expenses.

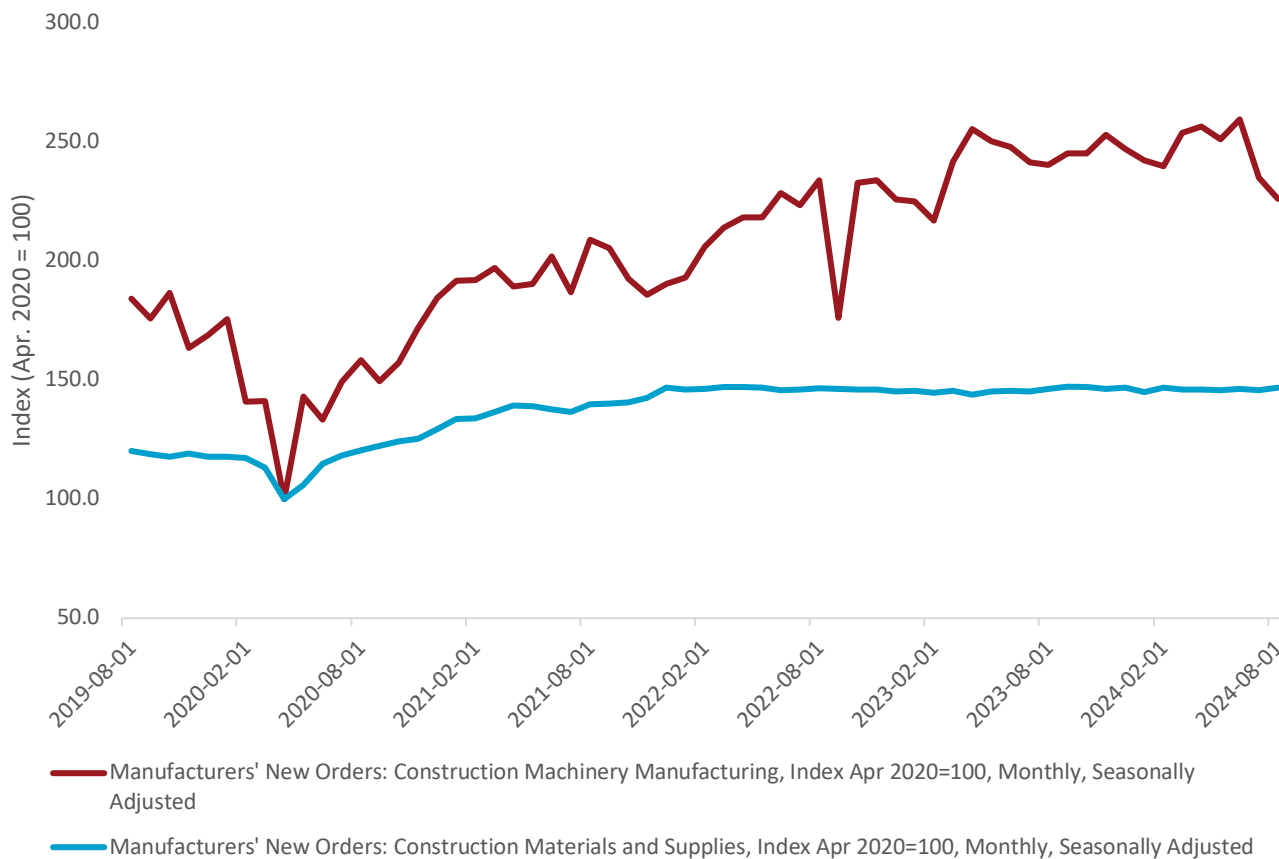
¹ [All Employees, Total Nonfarm | FRED | St. Louis Fed \(stlouisfed.org\)](#)

² [Construction job openings leap monthly by record amount | Construction Dive](#)

Direct Inputs — Material & Equipment

Although there remain long lead times for specialty equipment and switchgear, there is a significant drop in new machinery orders (-3.7% MoM, -5.9% YoY August 2024). This decline is aligned with an overall stabilizing level of construction activity where new machines are often front-loaded to projects. Additionally, orders were at elevated levels since approximately 2021 when the Infrastructure Investment and Jobs Act (IIJA) was signed into law. As the expansion slowed, some manufacturers have curtailed production or reduced head count as was the case with John Deere. Construction material orders remain flat (0.7% MoM, 0.4% YoY August 2024) suggesting that there are other limitations, such as labor, impacting the ability to place new orders.

Figure 2: Construction Materials and Machinery Manufacturing, New Orders, Index (Apr 2020 = 100)



Source: U.S. Bureau of Labor Statistics

"In response to weak market conditions, we have taken steps to reduce costs and strategically align our production with customer needs. Although these decisions were difficult, they are vital for our continued success and competitiveness."

- John C. May, Chairman and CEO, John Deere, August 2024³

The Market's Message



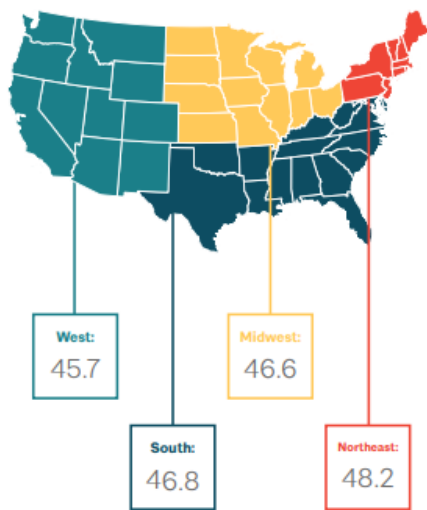
Deere's strategic adjustment, combined with flat materials orders, suggests that construction machinery prices may remain stable. The lack of significant changes in materials orders indicates that there is not a strong upward pressure on costs, which could help keep construction prices in check. This is likely to provide limited relief to selling price.

³ [Microsoft Word - Q3 2024 Press Release Narrative Financials FINAL Hartmann 13Aug.docx \(deere.com\)](#)

Indirects — Starts and Activity

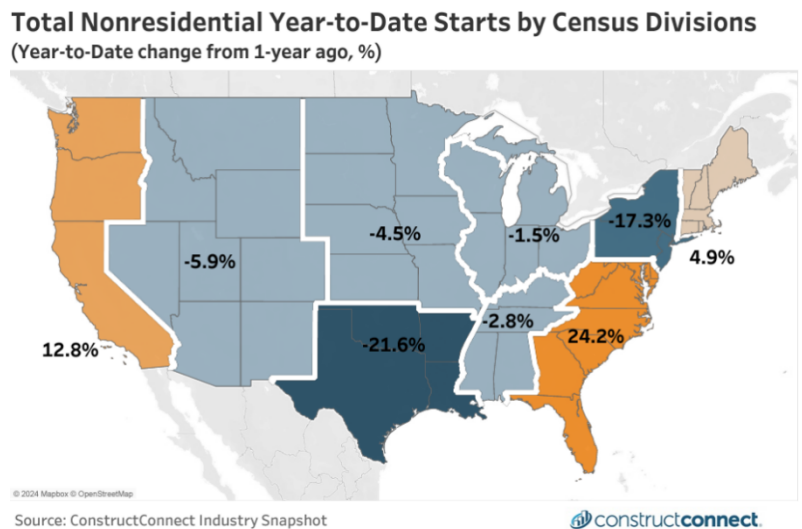
The latest Architectural Billings Index (ABI) from the American Institute of Architects (AIA) indicates a continued decline in architecture firm billings, with the August 2024 score at 45.7. This marks nearly two years of sluggish growth, reflecting ongoing challenges in converting project inquiries into actual contracts. While demand for architectural services is currently subdued, the construction sector is still managing to add jobs and maintain activity levels.^{4, 5} Additionally, the Project Stress Index (PSI) has rebounded MoM in September from a three-year low in August as tracked by ConstructConnect, which indicates projects are indeed volatile but coming back online and reacting to positive macro developments versus the unknown.⁶

Figure 4: AIA Regional Architectural Billings Index (ABI)



Source: AIA

Figure 3: ConstructConnect July YTD Starts



Source: ConstructConnect Industry Snapshot

constructconnect

"Across the middle of the country, [starts] were far more austere."⁷

"While [September's PSI increase] is a significant increase month over month, August's reading was revised lower, representing a three-year low....We must also remember that the index has been trending sharply lower in most months of 2024. Only when compared against a record low does September's reading seem exceptionally elevated."⁸

- Michael Guckes, Chief Economist, ConstructConnect

The Market's Message



The design phase is weaker, with project starts varying by region, making the direction of US nonresidential construction unclear. Mixed results in the ABI and nonresidential starts further reinforcing this position. Developments in 4Q 2024 such as the US election, logistics security, and natural disaster recovery could significantly alter the outlook. Currently, the impact on selling prices is uncertain.

⁴ [ABI August 2024: Architecture firm billings continue to decline \(aia.org\)](https://www.aia.org)

⁵ [2024 Q3 CC Construction Starts Forecast Report final.pdf \(constructconnect.com\)](https://www.constructconnect.com)

⁶ [ConstructConnect's Project Stress Index - October 2024](https://www.constructconnect.com)

⁷ [Nonresidential Construction Starts Mixed by Region \(constructconnect.com\)](https://www.constructconnect.com)

⁸ [Project abandonments drop amid contractor optimism | Construction Dive](https://www.construction.com)

Indirects — FOMC, US Election, Limited Port Strike, Natural Disaster Recovery

While general inflation has mostly subsided, the labor picture has moved into front of mind. The Federal Open Market Committee (FOMC) chair Jerome Powell, in his Nashville NABE address, reaffirmed the FOMC's direction on rates; a move that has led some to conclude smaller decreases will be on the horizon for subsequent meetings.⁹ A Fed policy misstep is cited as the number one risk to the US economy at 39% with only 23% citing the election as the biggest downside risk.¹⁰

The US election is a potential spoiler for the US nonresidential construction market. Both candidates claim to be supporting the market, but pragmatically this would play out in vastly different ways. Former President Donald Trump has suggested a hands-off deregulation approach with limited government spending, while Vice President Kamala Harris has mostly suggested a continuation of current policy from the Biden administration, which involves incentivizing via tax credits and a targeted approach. Ultimately, the first year or so will not change the trajectory of markets.^{11, 12} Uncertainty in this space appears more impactful than the policies of either candidate with some projects waiting to understand the environment.

The limited port strike from the International Longshoremen's Association (ILA) initiated port strikes October 1, 2024. By day three, workers had returned to work with a tentative agreement. Although there were minimal disruptions, it is possible that any agreement may not be approved by rank-and-file members and may incur additional supply disruptions that would impact project cost and timelines.¹³

The natural disaster in the US southeast from Hurricane Helene was a significant economic event. While the devastation is still being evaluated, resources are being diverted that would otherwise support construction elsewhere, such as material haulage, which would hamper new starts.¹⁴ Another impact is the Spruce Pine mining district in North Carolina, which controls the global supply of high-quality quartz involved in chip production. The supply disruption could disrupt progress on AI and data center projects.¹⁵ Ultimately, this disaster will negatively impact construction projects, which would change the direction of starts for full-year 2024 and increase the cost of projects overall in the US.

The Market's Message



While the FOMC has nodded in its support to the US economy, the unknowns of the US election, a blip of disruption from the port strikes, and the cleanup efforts from Hurricane Helene combine to increase pressure on construction selling price in 2024 and into 2025.

⁹ [Fed sees no 'hurry' to cut rates as confidence in economy grows, Powell says | Reuters](#)

¹⁰ [Fed's Powell poised to speak as economists fret about a policy mistake | Reuters](#)

¹¹ [Infrastructure progress may depend on 2024 election: White House | Construction Dive](#)

¹² [Infrastructure progress may depend on 2024 election: White House | Construction Dive](#)

¹³ [Impact of Port Strikes on U.S. Trade: What to Know in the Short Term | Insights | Venable LLP](#)

¹⁴ [Hurricane Helene debris overwhelms Pinellas County cities and haulers \(msn.com\)](#)

¹⁵ [Helene damage in Spruce Pine, NC, could induce chip shortage, threaten economy - Axios Charlotte](#)