



**JUNEAU**  
CONSTRUCTION COMPANY

**Market Perspective**  
December 2022

“ We are confident that from preconstruction phase through project execution, that transparency and providing predictability continue to be the cornerstones of an individual project’s success.

- Les Juneau



University of South Carolina | Campus Village  
1,800+ bed student housing project in Columbia, SC

## A Message from Our President

- Les Juneau



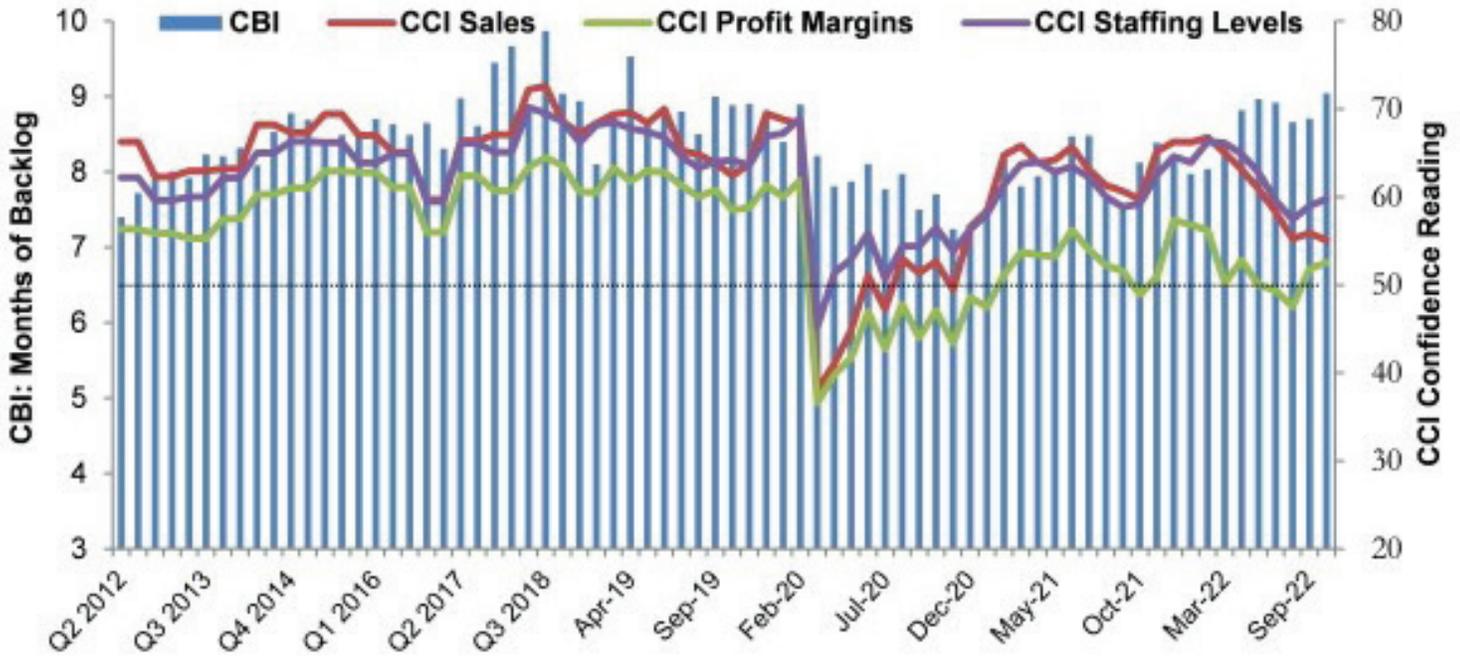
The last 12 to 16 months have been unlike any other in my time in the construction industry. From escalation at never-before-seen levels to increasing lead times on major building component, it is clear the real estate market saw significant activity lead time on major building components, it is clear that the way things have been done in the past does not reflect how they will be done in the future. What remains to be seen is when and how the market begins to correct itself.



We are confident that from the preconstruction phase through project execution, transparency and providing predictability continue to be the cornerstones of an individual project’s success. Juneau projects continue to provide our clients with budgets that meet proformas while still providing a best in class quality product and meeting schedule parameters.



# Market Perspective: Construction Backlog Indicator & Construction Confidence Index



Source: Associated Builders and Contractors  
[www.abc.org/News-Media/News-Releases](http://www.abc.org/News-Media/News-Releases)

## Increasing Interest Rates

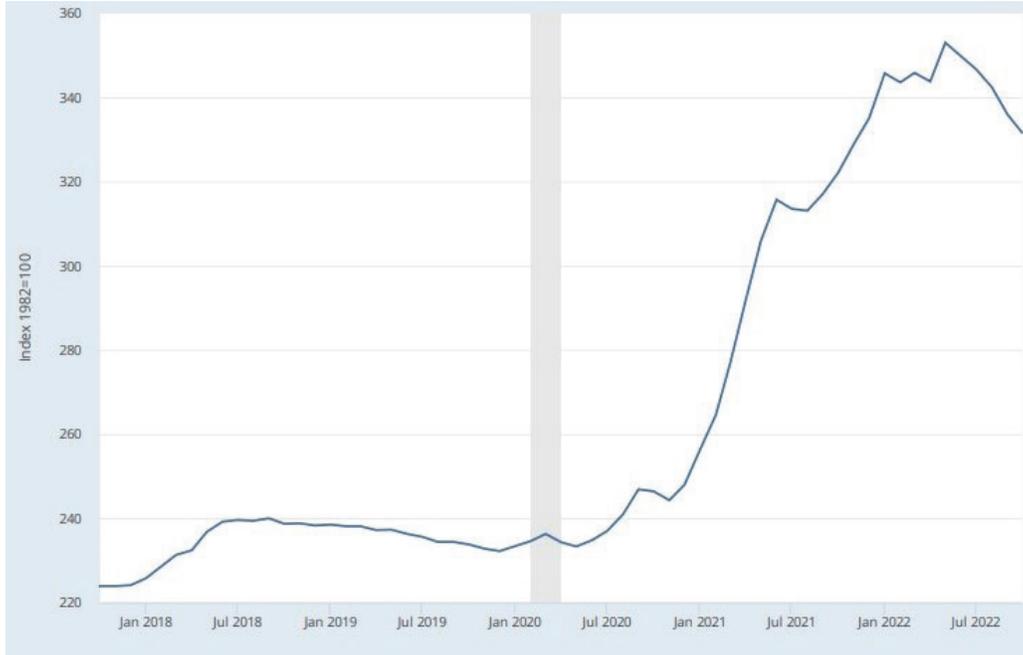
2022 has been a busy year for the construction industry. Many general contractors and subcontractors saw record backlogs amid a thriving commercial real estate environment.

However, many construction firms are bracing themselves for headwinds triggered by the Federal Reserve interest rate environment. According to The Association of Builders and Contractors Construction Backlog Indicator, and Contractor Confidence Index, the environment is slowing to more sustainable levels.



# Market Perspective: Impact of Rising Labor and Materials Cost

Produce Price Index by Commodity\*



- |   |   |                              |
|---|---|------------------------------|
| Hardwood Plywood & Related Products           | Outdoor Lighting Equipment              | Gypsum Products              |
| Softwood Plywood Veneer                       | Commercial Fluorescent Fixtures         | Insulation Materials         |
| Building Paper & Building Board Mill Products | Architectural & Ornamental Metalwork    | Paving Mixtures & Blocks     |
| Steel Pipe & Tubes                            | Fabricated Ferrous Wire Products        | Interior Solvent Based Paint |
| Builders Hardware                             | Elevators, Escalators & Other Lifts     | Plastic Construction Product |
| Plumbing Fixtures & Brass Fittings            | Stamped Metal Switch & Receptacle Box   | Douglas Fir, dressed         |
| Heating Equipment                             | Concrete Ingredients & Related Products | Southern Pine, dressed       |
| Metal Doors, Sash & Trim                      | Concrete Products                       | Millwork                     |
| Siding, Aluminum                              | Clay Construction Products              | Softwood Plywood             |
| Prep Asphalt, Tar Roofing, & Siding Products  |   |                              |

\*Graph reflects the average of listed commodities

Source: U.S. Bureau of Labor Statistics

## Cost of Materials and Labor Rise

Some of the main factors causing strain on future development include increased cost of construction materials and labor, borrowing capital, and land. Our team is bringing in key trade partners as early as possible in preconstruction and constantly communicating with them to find creative ways to lower construction costs without sacrificing overall design





## Materials Market

Juneau continues to see pressure in the materials market and lead times for certain items remain very long. A buildings electrical switchgear can come with a lengthy lead time, which requires general contractors, trade contractors, and owners to make commitments early in order to ensure a timely delivery. Creative solutions, such as using building generators for temporary power also may be a consideration during prolonged lead times of equipment such as switch gear, which is currently delayed between 52 - 60 weeks.

In South Florida, we are seeing a significant cement shortage which is causing upward pressure on ready mix pricing and the ability to order large volumes of concrete. While mitigation strategies such as setting up multiple auger cast pile rigs could be a solution, pile contractors must get grout fast enough to feed both rigs on the site. To circumvent schedule delays, we resequenced our schedule to keep the project moving forward.



Grove Central | Miami, FL

# Market Perspective: How We Are Combating the Materials Environment



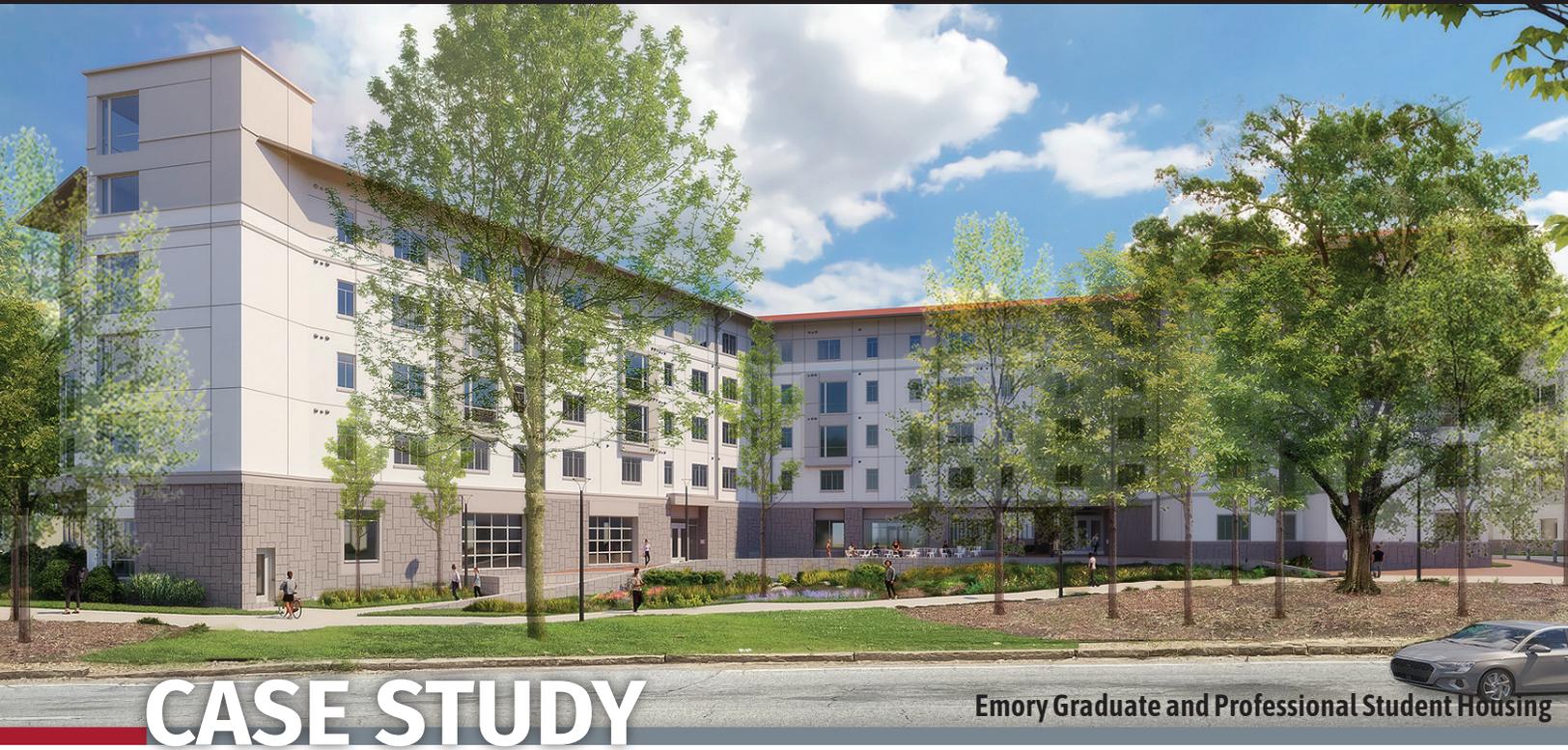
Novel West Midtown | Atlanta, Georgia

Ductile iron pipe is another material that is coming with amplified lead times. Early, major infrastructure work is required to facilitate larger mixed-use projects. For example we have seen, 18" ductile iron pipe watermain relocations with 30-week lead times and 24" DIP relocations that carry a hefty 52-week lead time. In both instances, we had to communicate early on with the client to come up with a "work around" plan, so that work can progress while we wait for the pipe to be delivered. To maintain the schedule, we installed a temporary sheet piling wall so we could complete the utility excavation after the adjacent building went vertical.

The construction materials market over the last couple years has been very heated, but it is becoming more predictable. Even though long lead items and escalation is continuing,

albeit at a much slower pace, we have been able to adjust and predict more effectively. Transparency, predictability and communicating with clients and all stakeholders result in greater predictability and likely outcomes from project initiation to completion.





# CASE STUDY

Emory Graduate and Professional Student Housing

## Analytics Create More Predictable Outcomes for Our Clients

Our preconstruction department is utilizing Power BI, a data and analytics collection software used to assist in streamlining the pricing process for all our projects in one place. This data collection tool allows our team to track current real-time materials costs, identify market trends, and compare pricing on current and recent jobs all with the end goal of providing accurate data to our clients.

There are some major benefits to using these analytics in our preconstruction estimating that allow us to create more predictable outcomes for our clients before we even have drawings in hand.

**Reliable Conceptual Budgets:** Power BI is especially helpful when pricing projects in the conceptual phase. When a project is in its infancy and doesn't have developed drawings, our team is able to supplement with the most recent cost data trends as it pertains to structure type, material, etc. to give a more accurate pricing estimate.

**Increased Efficiency:** Through in-house analytics, our team can sort by market segment, project location, trade, and materials to filter through cost data. For example, we can compare recent costs of a multifamily project with a similar unit count and square footage located in Atlanta, Georgia as well as to evaluate trends in the sub markets to enhance predictability moving forward.



Emory Graduate & Professional Student Housing | Atlanta, GA

## Market Perspective: Closing Thoughts



### Where are We Headed?

Though a slow-down is inevitable, there are markets where strong fundamentals and demand will remain in place. However, it is clear that rising interest rates combined with various other factors will impact the record-high development volume experienced over the last few years. Solid fundamentals in markets such as multifamily will remain in place, particularly in terms of supply and demand. As referenced earlier in this report, however, there is little doubt that rising interest rates will impact the record-high volume recently experienced in this segment. This will result in an enhanced emphasis on efficiency and cost-effective construction moving forward. We are continuously working with our trade partners to monitor and analyze latest price sensitivities and trends, to identify the best ways to balance overall project cost to leverage available funding to the greatest extent possible, and continue to deliver the overall project quality and amenities that our clients expect.

Stay tuned to future editions of Juneau's Market Perspective as we will be analyzing the latest submarket changes and providing insight regarding the trending pulse of construction costs moving forward.

### INTERESTED IN SEEING WHAT PRICING LOOKS LIKE ON YOUR NEXT DEAL?

Reach out to our Preconstruction Department!



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**Cara Frost**  
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