

2024 Construction Hiring & Business Outlook Media Call Remarks

January 4, 2024

STEVE SANDHERR

Hello and thank you for logging in today. My name is Steve Sandherr and I am the chief executive officer of the Associated General Contractors of America. Joining me today are: our chief economist, Ken Simonson, and Vice President of Construction and Real Estate at Sage, Dustin Stephens. We also have several contractors on the line. They are Lynn Hansen, the CEO of Charlotte, North Carolina-based Crowder Construction and Angie McElhaney, the CFO of Mark One

Meanwhile, they face significant challenges when it comes to finding workers, coping with rising costs and weathering the impacts of higher interest rates.

Now I would like to hand things over to AGC of America's chief economist, Ken Simonson, to walk us through some of the key findings from this year's Outlook. Ken...

KEN SIMONSON

Thank you, Steve. On balance, contractors remain upbeat about the available dollar value of projects to bid on in 2024. But the optimism regarding opportunities for most project types is less widespread than it was a year ago.

The net reading—the percentage of respondents who expect the available dollar value of projects to expand compared to the percentage who expect it to shrink—is positive for 14 of the 17 categories of construction included in the survey, as it was in the 2023 survey. However, a smaller share than previously expects the markets they compete in to expand in the coming year.

Respondents are most optimistic about infrastructure, power, and federal construction projects, although the order has changed somewhat. Specifically, the highest net positive reading in the 2024 survey—32 percent—is for water and sewer construction, which had the third-highest reading a year ago. That category nosed out last year's leading segments, highway and bridge construction and transportation projects such as transit, rail and Both of those categories have net positive readings of 30 percent in the 2024 survey. And the net reading for federal projects is 29 percent.

The

such as panels, transformers, and the switchgear used to control, protect and isolate electrical equipment. Numerous contractors also mentioned heating, ventilation, and air conditioning (HVAC) equipment.

Three other concerns top contractors' lists of worries about 2024. Sixty-four percent pick rising interest rates/financing costs as one of their biggest concerns, while 63 percent list insufficient supply of workers or subcontractors and 62 percent name economic slowdown/recession. (Respondents were offered 22 choices, along with the chance to write in other answers. They could list multiple "biggest concerns.")

Three industry-specific concerns are cited by a majority of respondents. Fifty-eight percent list rising direct labor costs (pay, benefits, employer taxes), while 56 percent pick worker quality and 54 percent list materials costs.

These challenges are prompting many firms to invest in technology that will make them more efficient. Nearly 40 percent of respondents expect their firms to initiate or increase investments in drones, while 30 percent will invest in artificial intelligence—many for the first time--and 30 percent will invest in offsite production.

I will turn things over to Dustin Stephens with Sage to provide some more insight into the technology findings in this year's Outlook. Dustin...

DUSTIN STEPHENS

Thank you, Ken.

As the industry navigates challenges such as the qualified worker shortage and rising interest rates, technology will continue to play an important role in helping teams increase their efficiency with limited resources. Nearly all firms plan to increase or keep their current level of investment in software. Only 1 percent of respondents expect to decrease investment in any of the 15 technologies included in the survey.

Most respondents, ranging from 61

scheduling (42 percent each), and equipment tracking (41 percent). Only 8 percent of firms report having no plan to use mobile technology.

While technology delivers a host of benefits, firms cite several IT challenges. Among the biggest IT challenges noted by firms, three stand out. Forty-three percent of contractors say it's difficult to find the time to implement and train on new technology. Forty-two percent of firms mention keeping company data secure from hackers, while 41 percent cite employee resistance to technology. These were also the top three challenges cited in last year's survey. In addition, 35 percent point to connectivity to remote job sites as among the biggest challenges and 33 percent list communication between field and office.

Once businesses overcome the hurdle of finding the time to implement and train on new technology, cloud technology can help alleviate

We will continue to urge the Biden administration to implement mandated reforms to the federal review and permitting process and otherwise ensure that the federal government no longer serves as the biggest obstacle to its own construction investments. And we will continue to push for improvements to the new Buy America rules, so vital infrastructure projects aren't stymied because a single washer on a single fixture includes some materials that were mined abroad.

There are a lot of reasons to be optimistic about the construction market in 2024. There are also causes for caution about the coming year. We are committed to working with policy makers and our members to make sure the conditions are right for firms to be successful in their efforts to improve the nation's infrastructure, modernize manufacturing and build an even stronger economy.

With that, let me offer the contractors with us, Lynn Hansen, the CEO of Charlotte, North Carolina-based Crowder Construction and Angie McElhaney the CFO of Mark One Electric in Kansas City, Missouri., an opportunity to share their observations about local market conditions and their expectations for this year. Let's start with Lynn...

###