



2020 Advisory Conference

October 27–29


Converging knowledge and behaviors to deepen client relationships

CONVERGE

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**HINDSIGHT IS 2020:
THE FUTURE OF
CONSTRUCTION**

October 29, 2020

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Avalara

Rock Island Capital

Speaker



Troy Merkel

Partner & Real Estate Senior Analyst

As one of RSM's real estate partners and senior analysts, my job is to understand, forecast and communicate economic, business and technology trends shaping middle market real estate businesses.



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Speaker



Brandon Maves

Partner & National Construction Leader

As the construction industry sector leader my role is to make certain our clients experience the Power of Being Understood by ensuring our industry depth and resources are brought to where they are needed.



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Agenda

Topic	Minutes
Overview of construction spending	10
A look ahead with leading indicators	15
Pricing challenges and market volatility	10
Getting people back to the job site	10
Uncertainty regarding municipal financing	5
Housing market is red hot!	10



Rock Island Capital

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Objectives

By the end of this course, you will be able to:

- Demonstrate an understanding of the overall construction market
- Converse with clients about key economic and market trends that are impacting the construction industry now and in the future



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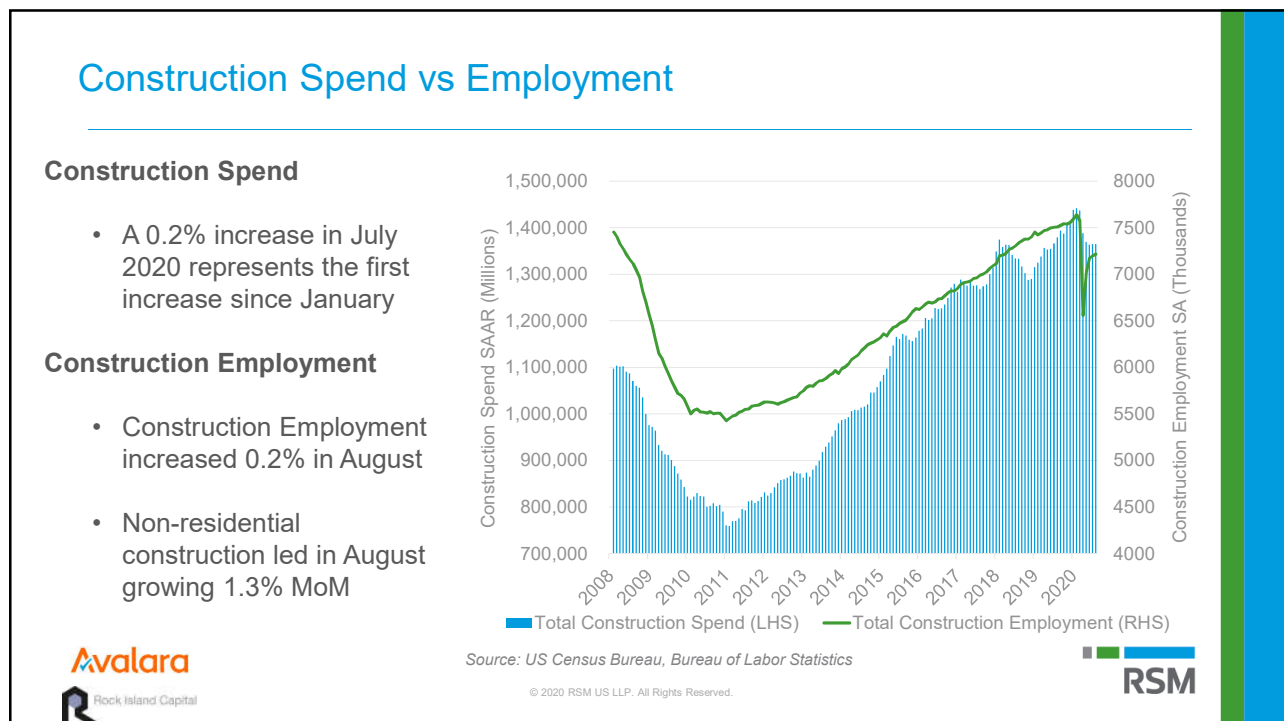


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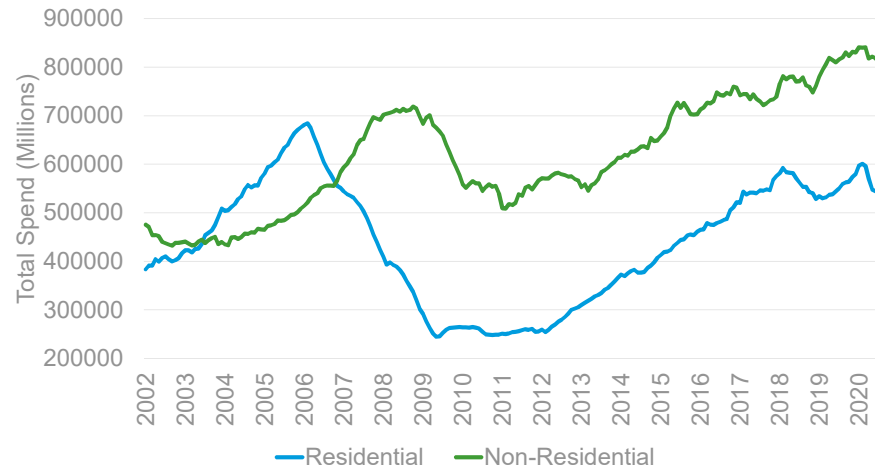
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CONSTRUCTION SPENDING



Construction Spend



Source: RSM US LLP, US Census Bureau

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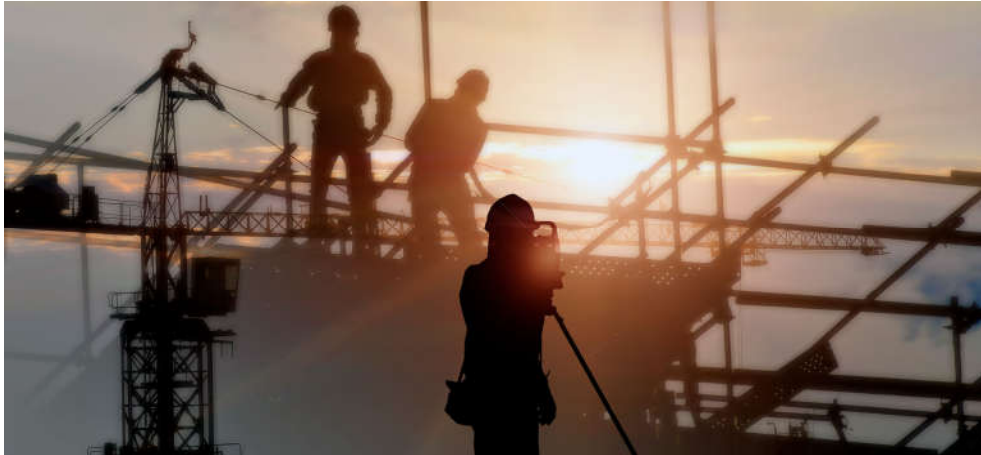


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LOOKING AHEAD

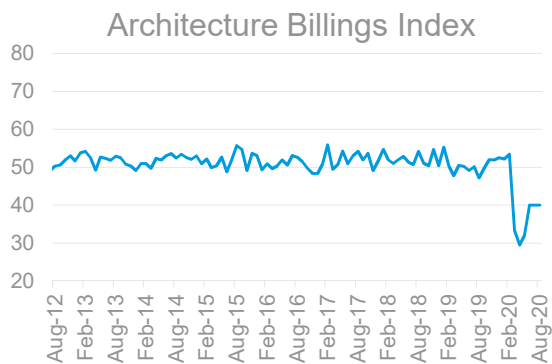
Looking Ahead



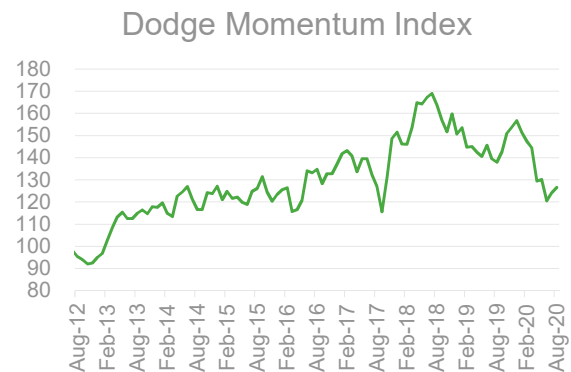
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Leading Indicators



Source: American Institute of Architects



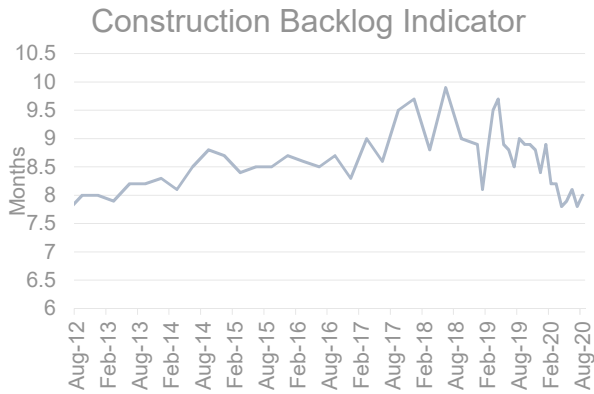
Source: Dodge Data & Analytics



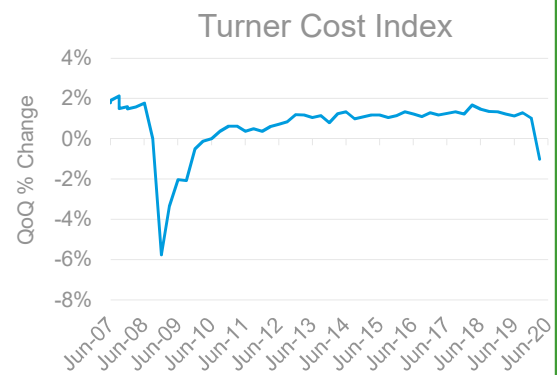
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Leading Indicators



Source: Associated Builders and Contractors



Source: Turner Construction

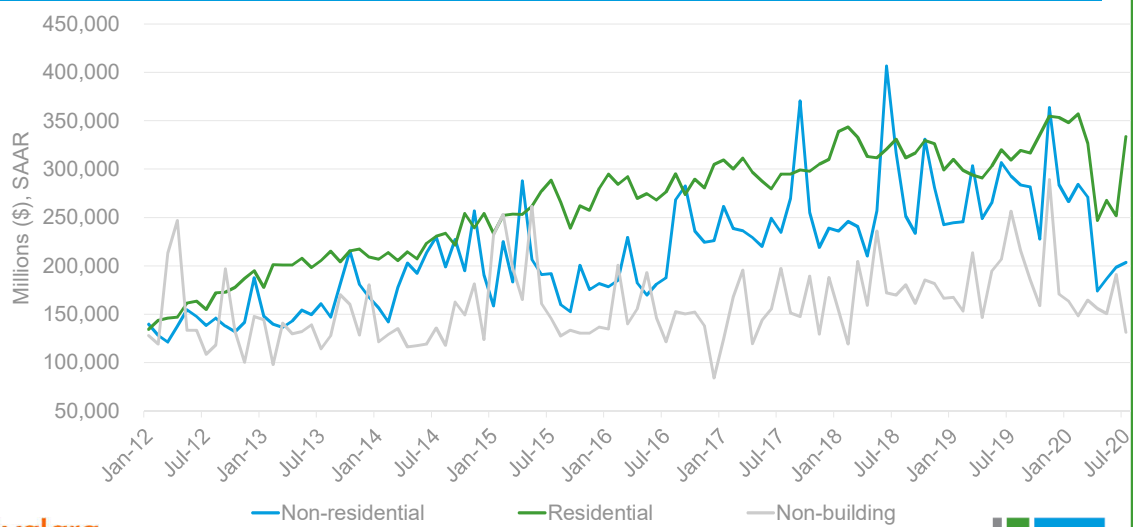


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Construction Starts




Source: Dodge Data & Analytics


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PRICING ISSUES

Volatile Pricing Will Be An Issue

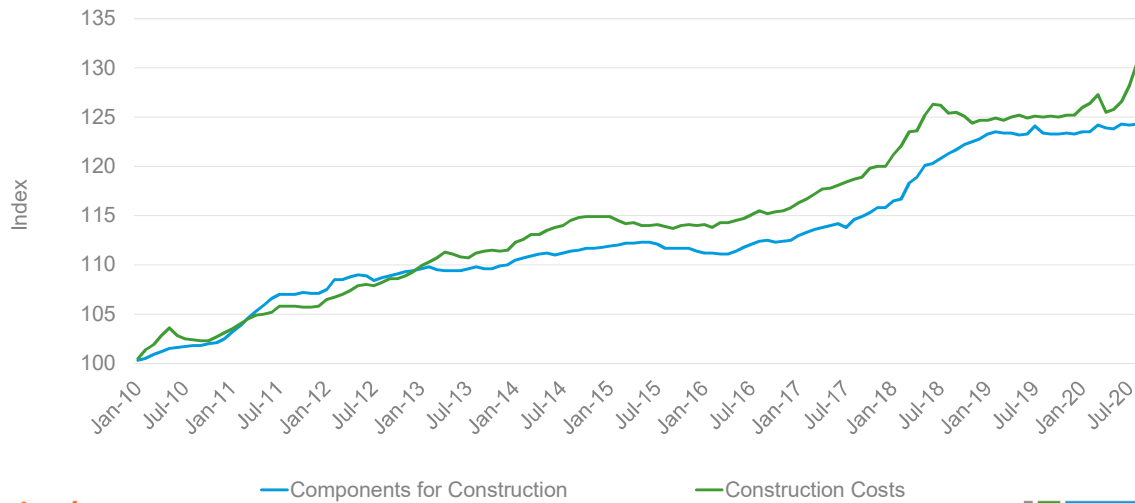


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Construction Producer Price Index

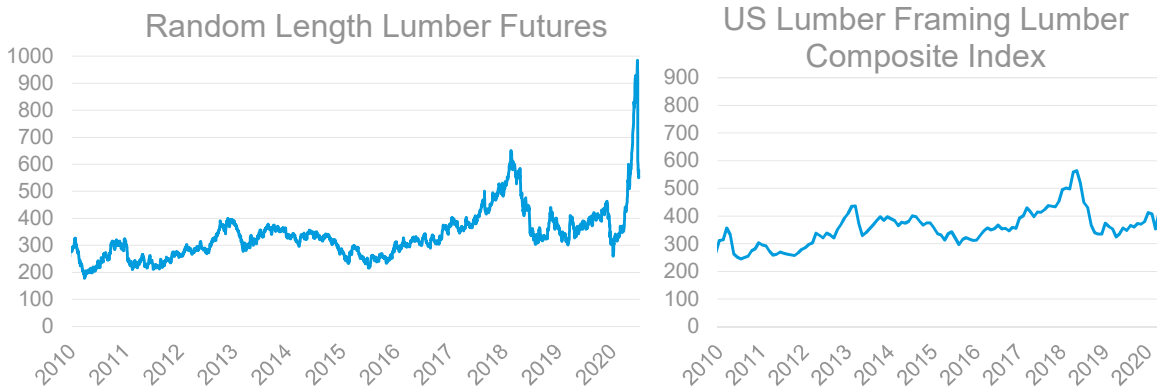


Source: Bureau of Labor Statistics

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Lumber Prices




Source: Bloomberg

Source: Random Lengths





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RETURNING TO WORK

Getting People Back To The Job Site

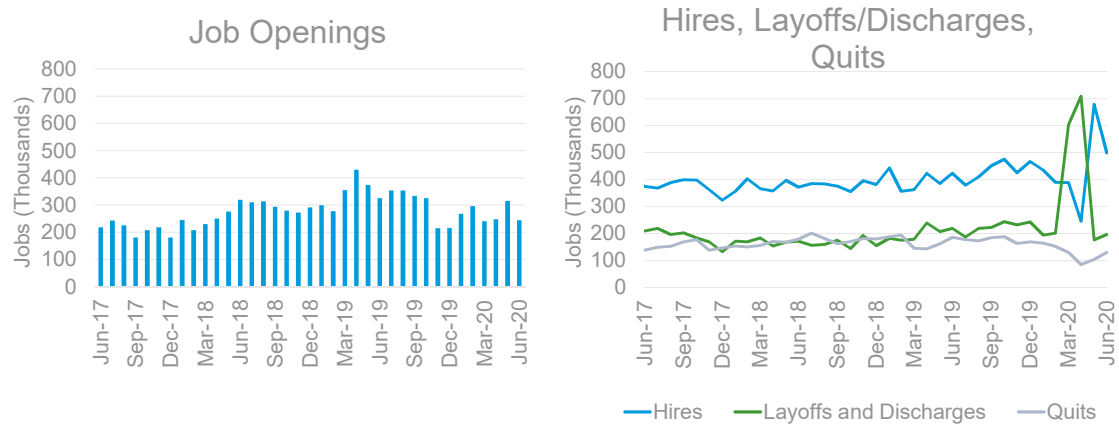


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Construction JOLTS



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GOVERNMENT FUNDED PROJECTS

Uncertainties Regarding Government Funded Projects



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State GO Bond Ratings

Name	Moody	S&P	Fitch	KBRA	Name	Moody	S&P	Fitch	KBRA	Name	Moody	S&P	Fitch	KBRA
Alabama	Aa1	AA	AA+		Kentucky					Ohio	Aa1	AA+	AA+	
Alaska	Aa3	AA-	A+		Louisiana	Aa3	AA-	AA-		Oklahoma	Aa2	AA		
Arizona					Maine	Aa2	AA			Oregon	Aa1	AA+	AA+	
Arkansas	Aa1	AA			Maryland	Aaa	AAA	AAA		Pennsylvania	Aa3	A+	AA-	
California	Aa2	AA-	AA		Massachusetts	Aa1	AA	AA+		Puerto Rico	Ca	D	D	
Colorado					Michigan	Aa1	AA	AA		Rhode Island	Aa2	AA	AA	
Connecticut	A1	A	A+	AA-	Minnesota	Aa1	AAA	AAA		South Carolina	Aaa	AA+	AAA	
D.C.	Aaa	AA+	AA+		Mississippi	Aa2	AA	AA		South Dakota				
Delaware	Aaa	AAA	AAA	AAA	Missouri	Aaa	AAA	AAA		Tennessee	Aaa	AAA	AAA	
Florida	Aaa	AAA	AAA		Montana	Aa1	AA	AA+		Texas	Aaa	AAA	AAA	AAA
Georgia	Aaa	AAA	AAA		Nebraska					Utah	Aaa	AAA	AAA	
Guam		BB-			Nevada	Aa1	AA+	AA+		Vermont	Aa1	AA+	AA+	
Hawaii	Aa2	AA+	AA+		New Hampshire	Aa1	AA	AA+		Virgin Islands				
Idaho					New Jersey	A3	A-	A-	A	Virginia	Aaa	AAA	AAA	
Illinois	Baa3	BBB-	BBB-		New Mexico	Aa2	AA			Washington	Aaa	AA+	AA+	
Indiana					New York	Aa1	AA+	AA+	AA+	West Virginia	Aa2	AA-	AA	
Iowa					North Carolina	Aaa	AAA	AAA		Wisconsin	Aa1	AA	AA+	AA+
Kansas					North Dakota					Wyoming				

Source: Bloomberg State GO Bond Rating



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RED HOT HOUSING

Homebuilders Climbing In A Steep Recovery




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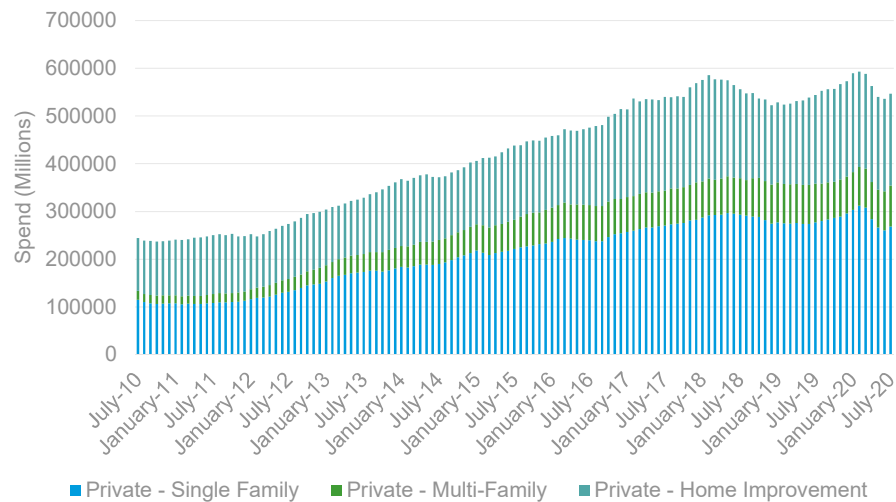
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Private Residential Construction Spend

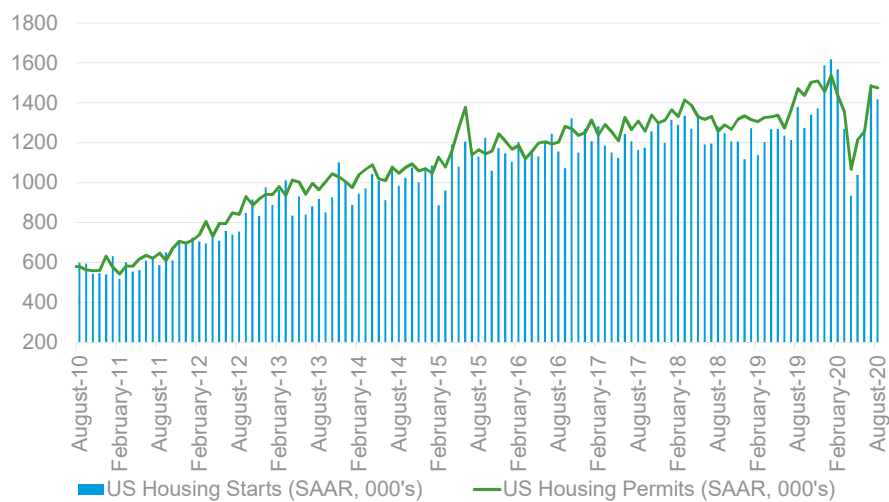


Source: US Census Bureau

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Housing Starts vs. Permits



Source: US Census Bureau

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