

WELCOME TO

***Navigating the New Normal:***  
**A Strategic Dive into Marcum's**  
**National Construction Survey**

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# SURVEY BACKGROUND

- 4<sup>th</sup> Marcum National Construction Survey
- Distributed to industry professionals and trade associations across US regions; split union and non-union
- Survey collection ran from February through March and published report released in August
- Why?

# DOWNLOAD RESULTS



# 2023 TAKEAWAYS

## Positive Takeaways

- Healthy backlogs
- Supply chains improving
- Most material costs stabilizing
- Optimism for opportunities, although lessened from 2022 levels

## Top Threats

- Challenges securing skilled labor and labor costs
- Rising interest rates
- Impact of recent inflation
- Banking (tightened credit)

# INTEREST RATES

At your company, which of the following do you anticipate will result from rising interest rates? (select all that apply)	2023
Delay decisions on purchasing equipment	37%
Delay or cancelation of projects	50%
Exploring alternative financing options	35%
Exploring joint venture opportunities	11%
Challenges passing additional costs onto customers	53%
Pull back on overhead spending	42%
Less projects to bid	42%

# INFLATION

At your company, which of the following do you anticipate will result from increased inflation?	2023
Delay decisions on purchasing equipment	34%
Delay or cancellation of projects	55%
Exploring alternative financing options	27%
Exploring joint venture opportunities	11%
Challenges passing additional costs onto customers	59%
Pull back on overhead spending	43%
Less projects to bid	41%

# G&A EXPENDITURES

Over the past year, your company's general and administrative overhead expenditures have:	2020	2021	2022	2023
Decreased	11%	20%	9%	8%
Stayed about the same	41%	47%	31%	32%
Increased	48%	33%	60%	60%



# FUTURE G&A EXPENDITURES

In the future (next 12 months), your company's budget for general and administrative overhead expenditures will:	2020	2021	2022	2023
Increase	36%	31%	55%	43%
Stay about the same	49%	57%	36%	40%
Decrease	15%	12%	9%	17%

# FINANCING

Do you feel that over the past year the ability to obtain financing has:	2020	2021	2022	2023
Decreased	10%	12%	13%	26%
Stayed about the same	72%	77%	68%	70%
Increased	18%	11%	19%	4%

# TOP PRIORITIES

Which of the following actions are among your company's top priorities? (select all that apply)	2020	2021	2022	2023
<b><u>Cutting operational costs</u></b>	40%	37%	37%	47%
Getting into new construction trades	11%	13%	21%	9%
<b><u>Organizational planning</u></b>	45%	39%	43%	55%
Managing your material vendors	18%	14%	36%	28%
Restructuring company to position for growth	31%	28%	40%	38%
Seeking M&A opportunities	15%	13%	23%	18%
Seeking new markets	38%	39%	38%	39%
<b><u>Strategic planning</u></b>	56%	57%	46%	61%
<b><u>Finding solutions for skilled labor</u></b>	45%	41%	42%	50%
Other (please specify)	6%	3%	4%	4%

# LABOR THREATS

What do you see as the biggest threat to your business over the next 12 months?	2020	2021	2022	2023
Banking (tightened credit)	6%	3%	4%	10%
Increased difficulty in securing bonding	2%	1%	4%	1%
Labor costs	8%	7%	7%	14%
<b><u>Securing skilled labor</u></b>	<b>34%</b>	<b>26%</b>	<b>27%</b>	<b>39%</b>
<b><u>Lack of work</u></b>	<b>19%</b>	<b>22%</b>	<b>8%</b>	<b>12%</b>
<b><u>Material costs</u></b>	<b>5%</b>	<b>12%</b>	<b>23%</b>	<b>8%</b>
Unfunded pension liability	1%	1%	1%	1%
The current political climate	10%	11%	8%	11%
COVID-19	-	10%	14%	1%
Other, please list	15%	7%	4%	3%

# REGIONAL OPPORTUNITIES

In the next 3 years in your region, do you see your business having:	2020	2021	2022	2023
More opportunities	53%	54%	59%	37%
Fewer opportunities	15%	21%	13%	26%
Same amount of opportunities	32%	25%	28%	37%

# BACKLOG

Do you expect your construction backlog at the beginning of 2023 to be:	2020	2021	2022	2023
Lower than the beginning of 2022 by more than 15%	13%	27%	11%	19%
Lower than the beginning of 2022 by less than 15%	11%	17%	12%	13%
About the same as the beginning of 2022	29%	27%	29%	27%
Higher than the beginning of 2022 but by less than 15%	25%	22%	27%	24%
Higher than the beginning of 2022 by more than 15%	22%	7%	21%	17%

# CONSTRUCTION COMPANIES FACE CHALLENGES

*By Anirban Basu, Marcum LLP Chief Construction Economist*

## Key Takeaways

- Mix of optimism and pessimism
- Healthy backlog indicating plentiful work in some verticals while others experience slow down due to high-rate environment
- Consider your end market's performance outlook and act now
- New vertical opportunities as a result of the Biden-era legislation and economic transformation
- Explore ways to add verticals and build relationships

# OVERCOME LABOR SHORTAGES WITHOUT OVER-HIRING

*By Joseph Natarelli, Marcum LLP Partner and National Construction Leader*

## Key Takeaways

- Skilled labor challenges persist despite the slowing economy
- Strategies to combat labor shortages include:
  - Joint ventures
  - Subcontractor Arrangements
  - Planning – anticipating future needs based on financing and people well in advance



# IT'S NEVER TOO EARLY TO BUILD AN EXIT STRATEGY

*By Roger Gingerich, Marcum LLP Partner and Midwest Construction Leader*

## Key Takeaways

- 70% of business owners don't have a succession plan
- Succession and exit planning is imperative at every stage of business growth
- An exit planning professional can help business owners:
  - Explore exit options
  - Identify improvement opportunities to maximize business value
  - Conduct a readiness assessment

# Disclaimer

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THANK YOU

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