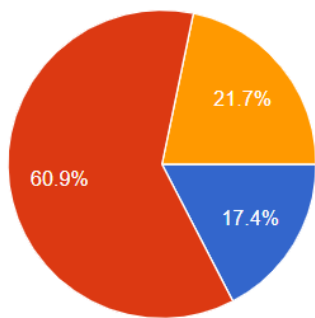


NEMA Management provides project management and owner’s representation services on the development, design, and construction of complex capital projects. Understanding current market trends and pricing is more important than ever. We reached out to planners, architects and contractors to gauge the condition of market conditions in our region.

Our team surveyed and received responses from over forty design and building industry experts. This information allows us to gain a stronger, real time understanding to better guide our clients and project teams. We share this summary in the spirit of collaboration for the benefit of our clients and partners. We hope our findings help inform your decisions and spark conversations. We encourage you to reach out to our team with any questions or if you would like to discuss our findings in greater detail.

[Contact NEMA Management here.](#)

Overall Costs: What trends in overall costs are you seeing?



The majority general contractors indicated that prices are holding steady, with 22% respondents indicating costs beginning to increase as the construction market has adjusted to the COVID-19 environment. Traditionally the Triangle market is insulated from the swings of the larger national economy, and this cycle is no different. Larger general contractors and specialty contractors have been able to book work to build their 2021 backlog, with some firms booking work into 2022.

Escalation and volatility are becoming a concern with significant increases in steel, swings in lumber, and forecasts increases in drywall and other materials. The long-term shortage of qualified labor in trades and construction management is also applying upward pressure on pricing.

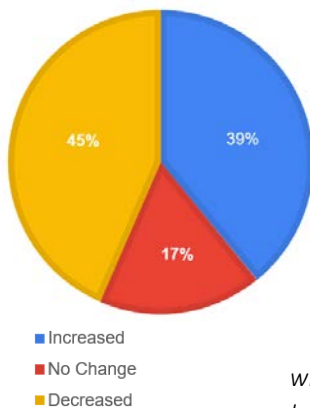
From our Partners:

“Instead of the consistent increase escalation we saw through 2019, we are seeing a varied response in pricing. Generally, trades with longer backlog (drywall, MEP’s) have been relatively flat, while trades with shorter backlogs have been more aggressive in booking work, so prices have declined.”

“Structural and engineered trades are swamped.”

“Overall, construction cost increases are up just slightly (less than previous 5 years). Lumber / Plywood, PVC, copper, aluminum costs have gone up. HVAC equipment costs have increased.”

Fourth Quarter Rebound



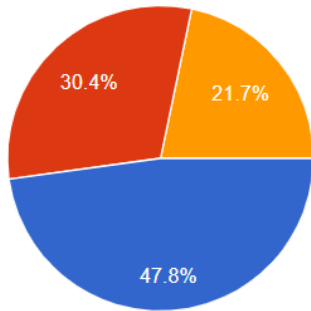
39% of the contractors indicated that their work levels have increased from the first half of 2020. Diversity across market sectors has raised some boats higher than others. The most successful firms had established competencies in life sciences, healthcare & multi-family pivoting away from the stalled markets of hospitality, office and higher education.

From our Partners:

“Office = smaller projects and more inbound clients. Life Science = local growth as well as inbound”

“Office [and] Hospitality - on hold or delayed until pandemic resolves itself and markets figure out what the future holds. Retail down due to online shopping. [Science & Technology], Warehouse, Pharma, Industrial up.”

Growing Pipeline Since Q2 2020



Our conversations with designers and contractors indicate a consistent theme that the private sector is busy planning shovel ready projects. The public sector is working through projects that have funding in place, while longer term projects are on hold due to decreased tax revenue. Early adopters are starting projects now to be at the front of the line when the market opens. Many firms are working through entitlements, permitting & budgets.

- Increased Activity
- No Change
- Decreased Activity

Sector Impacts: What market sectors have been significantly impacted, and how so?

The pandemic's early impact to hospitality and retail has expanded to office, higher education & public projects as it became clear that recovery runway was longer than most anticipated. Pharmaceutical, life sciences, & industrial are booming. Senior living, multifamily continue at a steady trajectory as we anticipate growing migration from denser urban markets to the Triangle. A red-hot single family residential market continues to put tension on the pricing of multifamily materials, simultaneously applying upward pressure on rents.

From our Partners:

"Office = smaller projects and more inbound clients. Life Science = local growth as well as inbound"

"Tenant Improvements/Office- Dropped Off completely for Q2 and Q3. Now coming back around as we have seen a slight increase in the past month."

"Higher Education has decreased significantly due to the pandemic for obvious reasons; Healthcare has slowed or delayed due to the pandemic. There are a fair amount of healthcare projects in planning stage or near shovel ready, but RFQ/RFP releases have delayed; Large Commercial Office projects have slowed due to the pandemic. We anticipate these will re-emerge once the vaccine is available in Spring / Summer '21. Smaller Commercial Office (Renovations) remain steady; Civic/Community projects has decreased significantly due to the pandemic for obvious reasons. We anticipate these projects will come back slowly - Q4 '21 and '22; Senior Living remains steady"

What is Keeping Builders Up at Night?

Similar to our Q2 survey, many of the respondents listed the uncertainty of project releases due to the economic impact of COVID, the new Administration, and the what the new normal will look like. General contractors are concerned about their pipeline as projects in design are being placed on hold or moving at a more cautious pace. Subcontractors are chasing more work to cover overhead. A theme consistent with our region is that we are best positioned to bounce back to the new status quo.

From Our Partners:

"Volume of work, and the resources internally/externally to fulfill them."

"This second wave. Are we going to go into lockdown scaring everyone again which leads to being pushed or canceled? So frustrating because I feel we are on the goal line about to punch it with an upcoming vaccine."

"I'm concerned that the work from home model is too effective and cost efficient for end users to justify the same SF need that we've seen."

"Disconnect of client perception. National data is skewing regional performance and causing a disconnect of perception."

Client Concerns Remain the Same

The last two quarters of 2020 were more of the same client concerns from the Q2. Uncertainty has shifted to timing of the recovery based on vaccine distribution and extended to market demands post-pandemic. Clients have a greater concern over timing of the market, balancing capital spend on planning, starting projects ahead of the wave to avoid escalation, and opening in a favorable leasing environment.

Current Client Concerns:

“Increased costs and project delivery times”

“Financing is more difficult. Office and hospitality on hold until pandemic resolves itself.”

Clients with projects underway are eager to get them completed quickly for fear of the unknown. Clients with projects in planning or precon are cautiously waiting for the "right" time to start their projects.

In general, Owners have slowed the release of projects (new RFQ/RFPs). Owners have also become more skeptical of early and advanced preconstruction / pricing efforts. We are seeing a slight uptick in lump sum bidding conversion after original decision was to follow CM-R (GMP delivery).

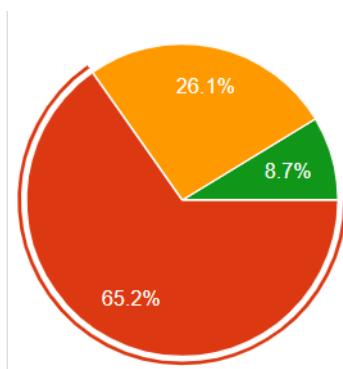
From Our Partners in Q2:

“Still looking and staying active in the market but too nervous to go forward with any significant progress.”

“Majority of our Life Science clients have existing projects that are still being delayed by Exec leadership (CFOs) but are signaling that there are even more projects coming on the horizon.”

“Other clients are eager to see significantly lower construction costs, which so far has not borne fruit. Escalation has stopped, but costs have yet to truly dip. I feel this will likely change the longer the uncertainty remains, but owners appear to want immediate dividends while the sub and vendor market are still working off significant backlog which is keeping prices high.”

General Contractor Market Stabilization: Optimistic Outlook shifted from Q2 2021 to Q4 2021



When we asked this question in Q2 69% of our respondents expected market stabilization would occur before the end of Q1 2021—about 9 months from when we first asked the question. Currently 65% believe the market will stabilize by Q3-Q4 2021.

From Our Partners

“The vaccine will lead the way to a return to "normalcy" where schools / universities fill back; elective surgeries resume; etc. This allows revenue back into the economy and allows clients to forecast spending.”

“Events coming back. What makes our market so great is the Live, work, play environment. We need to bring back the "play"”.

“Figure out what an office environment looks like after all of the remote working. Travel will need to increase for hospitality and aviation to improve.”

“Getting a better picture of the economic / tax plan for the new administration”

- Q1-Q2 2021
- Q3-Q4 2021
- Q1-Q2 2022
- Q3-Q4 2022

Materials & Supply Chains: Are you seeing any significant changes in pricing or lead times/material supply chains?

We had a range of response from contractors. There is an overall trend of longer lead times, increased material prices, (especially in commodities used in residential building, such as lumber, drywall & appliances. Supply chains are experiencing random disruption. Our recommendation is to choose materials/finishes with confirmed lead times, expedite submittals and procurement, and to monitor fabrication and delivery times.

From Our Partners

HVAC & Generator lead times have increased. Pricing for manufacture/supplier have increased.

“Lead times have increased across the board but are stabilized at longer time periods.”

“Yes, primarily due to shortages, we are seeing increased lead times for certain materials and equipment (sheet rock/studs, fiberglass insulation, PVC piping and lumber).”

“Lumber supply is low and thus prices are climbing. Appliances (refrigerators) and computers are long lead items. With everyone home so much, they are replacing old appliances and buying computers to work from home and school from home. There are also rumblings of a gypsum shortage affecting drywall prices.”

Labor Impacts: Long-term issues with short-term spikes due to COVID-19.

Prior to COVID, the construction labor market was constrained by a shortage of available trades and management talent. Since Q2 2020, subcontractors have shifted from declining sectors to active sectors so that talent remains in high demand. Jobsites have adapted well, managing trades in pods. COVID-19 outbreaks are impacting and prolonging schedules on an intermittent basis, increasing overall schedules.

From Our Partners

Yes. Skilled labor is in high demand throughout the trades and office personnel.

Surprising no. Finding good quality tradespeople & professions (PM's & estimators) is still challenging.

“Overall no real change. There continues to be a labor shortage. Projects are of course affected temporarily when there is a positive COVID case reported as crews are sent home to quarantine.”

“No overall impacts to labor availability. Related to CV-19, we experienced early pandemic stage adaptation to positive incidence rates - as it related to new jobsite protocols. Now that the pandemic has endured, our workforce (labor) has adapted and we do not see significant labor resource shortages or impact.”

Trade Costs Trends: Volatile, Spiking Upward

INC	INCREASING PRICES
NC	NO CHANGE IN COSTS
DEC	DECREASING PRICES
DNR	DID NOT REPORT

There is a high level of volatility in trade costs, that is project specific. The underlying trend of scarcity in the market is punctuated by project timing of bids. Contractors are reporting overwhelming response in finishes bids one week, followed by low participation the next. In general projects that have a shorter fuse, and higher certainty are more attractive to bidders. We expect that prices will be flat with some escalation over the next two quarters. If the backlog of planned and permitted projects hit the market quickly one can expect a lack of bid participation and a spike in costs.

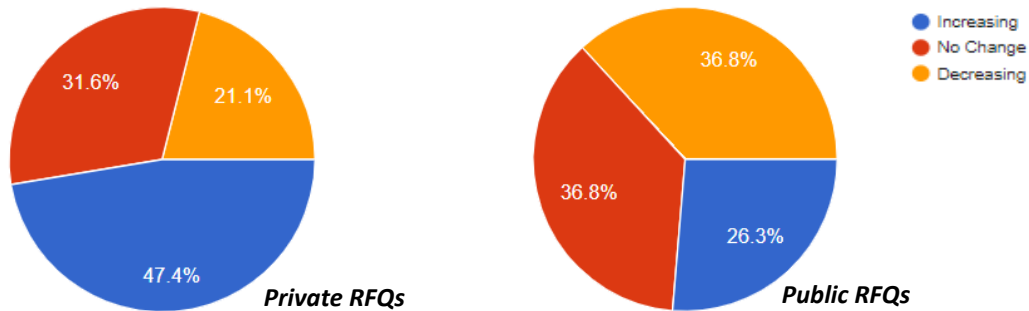
NEMA GC Market Survey Q4 2020 Results																							
Contractor	GC A	GC B	GC C	GC D	GC E	GC F	GC G	GC H	GC I	GC J	GC K	GC L	GC M	GC N	GC O	GC P	GC Q	GC R	GC S	GC T	GC U	GC V	GC X
2019-2021 Revenue Projection	DNR	DNR	DNR	DNR	INC	INC	DEC	DEC	INC	INC	DNR	INC	DEC	DEC	INC	NC	INC	INC	DNR	INC	INC	DNR	DNR
Precon Activity Q1 to Q4 2020	DEC	DEC	NC	DEC	INC	INC	NC	DEC	INC	INC	DEC	INC	DEC	DEC	INC	NC	NC	INC	NC	INC	NC	INC	INC
Overall Pricing since Q1 2020	DEC	INC	INC	NC	INC	DEC	DEC	INC	INC	INC	INC	DEC	DEC	DEC	NC	NC	NC	NC	NC	NC	NC	INC	INC
Sitework & Utility	NC	INC	NC	NC	NC	INC	DEC	NC	NC	NC	NC	NC	DEC	NC	NC	NC	DEC	DEC	DEC	NC	DEC	NC	NC
Concrete	NC	INC	NC	NC	NC	NC	DEC	INC	INC	NC	INC	INC	NC	DEC	NC	NC	NC	NC	NC	INC	NC	NC	NC
Masonry	NC	INC	NC	NC	NC	NC	DEC	NC	NC	NC	NC	NC	NC	NC	NC	NC	NC	NC	NC	INC	NC	NC	NC
Steel	NC	INC	NC	NC	NC	NC	DEC	INC	INC	INC	NC	INC	DEC	NC	NC	INC	INC	INC	INC	NC	INC	NC	INC
Doors Hardware	NC	NC	INC	NC	NC	NC	DEC	NC	NC	NC	NC	NC	NC	NC	NC	NC	NC	NC	INC	NC	INC	NC	NC
Roofing	NC	INC	INC	NC	NC	NC	DEC	INC	NC	NC	DEC	NC	NC	NC	NC	NC	DEC	NC	INC	NC	NC	NC	NC
Gypsum Assemblies	NC	INC	INC	NC	NC	DEC	DEC	INC	INC	INC	NC	INC	DEC	NC	INC	NC	INC	NC	INC	NC	INC	NC	NC
Finishes	NC	INC	INC	NC	NC	DEC	DEC	NC	NC	INC	NC	NC	DEC	DEC	NC	NC	INC	NC	NC	NC	NC	NC	NC
FFE	NC	NC	NC	NC	NC	DEC	DEC	NC	INC	NC	NC	NC	DEC	NC	NC	NC	NC	NC	NC	NC	INC	NC	NC
Conveyance	NC	NC	NC	NC	NC	DEC	DEC	NC	NC	NC	NC	NC	INC	NC	NC	NC	NC	NC	NC	NC	NC	NC	NC
HVAC	INC	INC	INC	NC	NC	NC	DEC	NC	NC	NC	INC	INC	DEC	DEC	NC	NC	INC	INC	NC	NC	INC	NC	NC
Plumbing	INC	INC	INC	NC	NC	DEC	DEC	INC	NC	INC	INC	INC	DEC	DEC	NC	NC	NC	INC	NC	NC	NC	NC	NC
Fire Protection	NC	NC	INC	NC	NC	NC	DEC	INC	NC	INC	INC	INC	DEC	DEC	NC	NC	NC	NC	NC	NC	NC	NC	NC
Electrical	NC	INC	INC	NC	NC	DEC	DEC	NC	INC	INC	INC	INC	DEC	DEC	NC	NC	NC	INC	NC	NC	NC	NC	NC

Key Take-Aways from Contractor Surveys

- MEP continues to experience labor shortages.
- Prices and lead times are increasing, with random spikes and availability issues.
- Sitework and early trades are becoming more active as COVID-19 paused projects resume.
- Supply chain issues seem to be minimal and manageable. Some increase in lead times should be anticipated.
- Price escalation has slowed however steel is experiencing escalation, and residential materials are volatile.
- Shovel ready projects are increasing, expect a wave of projects—and price increases—proportionate to the rate of project bidding.

Designer RFQs are Increasing

Architects continue to see a slowing of the decline in billings, and an increase in of contracts signed for new work nationally. New project inquiries are at their highest in twelve months. Multifamily contracts are at their highest level in two years. Institutional work remains soft ([Reference AIA.](#)). In the Triangle Region 11% of designers saw an increase in RFQs in Q2 2020. In Q4, 26% of designers seen an increase in RFQs.

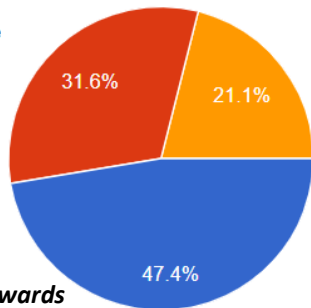


How has the market evolved since Spring of 2020?

- More life science activity
- Multi-family continues to move forward
- Perhaps slightly more positive but still uncertain.
- It has generated new business for the S&T sector
- Slowly. People seem to be in a wait and see mode
- Covid strategies - see below; office and retail eking by
- Continues to be mostly flat, other than some specialty labs.
- It is no less chaotic now than it was when the pandemic started.
- After the initial blow, much of the market has tried to look beyond it.
- Residential work in our market remains strong. Mixed use and co-working is up.
- The overall market seems hot, again, life sci. increasing, significant cautious movement
- things were pretty bleak in the summer, but now that projects are starting back, it is beginning to look better for 2021
- We have seen a strong presence of renovation efforts, our interior team has landed several new efforts within Senior Living, a few Hospitality and Multifamily efforts.
- I think we're beginning to see an influx of Northern and Western based Cos from larger Urban based Cities moving into the Triangle's less dense but tech-oriented area
Certainly more video calls and less face-to-face interaction. Increased online capabilities for plan reviews and permit issuance are allowing folks to cut down on travel time, plan printing, etc.
- Our niche in the market is strangely amplified. We're grateful, and understand some of the reasons, but not all of them. This is a black swan event and we never fully understand it until well into the future.
- We have only seen a temporary pause in residential development in March / April. But it has come back very strong. Office seems to be a wait and see. Generally, if it was started it's not on hold. But, not much new being seen. In healthcare, we have continued to study workflow/processes including nursing station locations and processing of patient Also, in Life Sciences, there has been an influx of projects around logistics and cold storage to address distribution of vaccines.

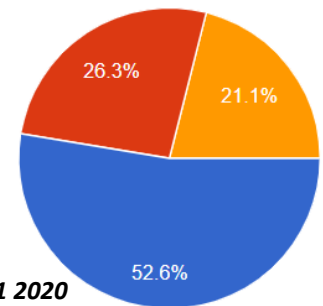
Project Awards are Increasing

- Increased
- No Change
- Decreased



Project Awards

Close to half of the firms we surveyed have had an increase in project awards. Several firms have been working overtime and are growing their staff. Multi-specialty firms have covered decreases in institutional and higher ed sectors with private sector work including interior reconfigurations, multifamily and industrial projects.



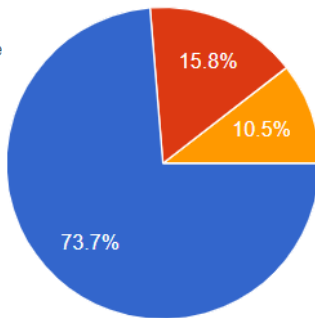
Work Volume since Q1 2020

What type of design changes are you implementing or are being requested by owners to address COVID 19?

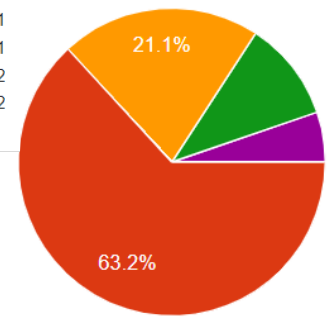
- Not None.
- much right now.
- New office space standards.
- More space per employee, one way flow
- touchless features; mechanical upgrades
- Decentralized non-homework opportunities.
- Outdoor learning environments, outdoor social spaces.
- Increased air flow for HVAC, changes in elevators, touchless devices
- All over the board. Is the future a six foot office or will things return to normal?
- dining solutions, touch free restroom design, increase in outdoor destinations/dining.
- increased need for specialty testing/containment labs. otherwise, no design changes (so far).
- Something we have always strive to do anyway - bring the outside in, provide outdoor amenity.
- Less dense arrangements, hand washing stations, HVAC improvements, UV-C light treatment in ducts.
- More social distancing in club areas. Dialogue about unit design. Bigger balconies, more space for at home offices
- Bi-polar ionization, touchless, spaced out workstations, higher partitions, high-intensity UV lights, outdoor amenities.
- Less travel, more virtual interaction, some interim impact on thinking about planning, and consideration that the workplace will forever be changed.
- Have not seeing a lot of design changes. I am sure office space will change. Are seeing larger apartments to accommodate. more time at home / work from home. Residential development trending back to suburbs again.
- Classroom layouts in schools and universities; elevator technology moving toward touchless operation; office workspaces. are moving to more socially distant and/or private offices; some offices prepping for employees to work from home but providing a safer workspace when they do return to the office.
- Healthcare - Two primary considerations in the midst of the COVID 19 pandemic is the amount of outside air and room pressurization. Ideally, the supply air is 100% outdoor with no recirculation, which also requires all of the air to be exhausted to the exterior. We have worked with many of our clients to provide a thorough analysis of their systems capabilities, including supply and return fan capacities, heating and cooling capacities, ductwork sizing, the impacts of exhausting a virus to the exterior.

Since Q1 2020, how has construction pricing changed?

- Increased
- No Change
- Decreased



- Q1-Q2 2021
- Q3-Q4 2021
- Q1-Q2 2022
- Q3-Q4 2022
- Unsure



Market Stabilization: When do you think the economic market will stabilize?

Designers: What is keeping you up at night?

- Uncertainty
- Excessive screen time
- Diversity in market sectors
- Design Work ;) we are VERY busy
- The future of work and workplace.
- Commercial Building Utilization Rates
- the volatility because of the political climate.
- How to build and maintain relationships during COVID.
- Grim outlook for restarting higher ed projects next year.
- The impact of the coming governmental budget shortfalls.
- just making sure we have enough work for 2021 and beyond
- Overall economy and the national debt. It is not sustainable as is.
- What is really going to happen in 2021? Will projects start, then slide?
- Current workload in the last 3 months has certainly put a strain on work life balance.
- Will the office market rebound quickly enough and how will state academic work be impacted by lack of funds
- Keeping up with the workload. Maintaining work quality when the quantity is demanding enormous attention.
- Hoping that the interior workplace doesn't change drastically, and we go back to all enclosed offices and siloed environments
- Keeping and Attracting talent; not being able to provide proper mentoring to young professionals as continue their growth as professionals; the loss of the culture we've developed in our office
- We are very busy. Unable to hire to meet demand. Development timeframes, commitments by developers seem to get shorter and shorter not recognizing the gauntlet that is required to get an approval.

What are you hearing from your clients?

- [Need more] Time
- Financing uncertainties
- Schedule, getting approvals
- What will the new office look like?
- How to fill office and retail space.
- Material costs in particular lumber and appliances
- Bi-Polar Ionization; touchless; exterior amenities; UV lights
- I'm hearing a positive outlook for 2021 starting in the Quarter 2
- Is the office going to come back, can we sustain until some sort of normalcy?
- Just general concerns about the economy and risk to the development market
- Uncertainty with understanding end-user wants/needs during and post COVID
- Lack of funding, lack of need for new space given the success of working from home.
- They are being asked by their management to deliver projects faster than ever before.
- Schedule concerns and getting projects permitting as quickly as possible so lending can be secured.
- productivity and accountability from their staff-how to measure due to work from home and hybrid work model-how to grow the firm??
- Projects seem to be lingering in design for lack of decision making or late coming information from clients.
- Varies by market- one consistent question we hear a lot about is food and beverage interface- how do we facilitate dining platforms- this is across the board- in all markets.
- In healthcare, separation of staff and patients in both the outdoor environment through separation of parking, etc. and indoor environment. This was important, pre-covid but is now critical. For our higher education clients, hybrid learning models are being considered to support students that are able to attend classes in person or virtual classes for those that are not able.

Key Take-Aways from Designer Surveys

- Clients are planning, designing & permitting a pipeline.
- Diverse designers are weathering the storm better than more specialized, niche firms.
- Clients continue to take their time to “wait and see” regarding long term design changed due to COVID-19.
- Design changes contemplated to address a COVID-19 long term concerns. Ex. Less dense office, suburban sites, outdoor amenity space, larger common space, touchless technologies, indoor air quality (bipolar ionization, UV light, outside air).

Overall Conclusion

- The COVID-19 Construction discount has passed. Multifamily, Pharma, Lifesciences, and Industrial are booming. Public projects that had funding in place have resumed from a Q2 pause.
- Construction pricing is trending upward, with volatility caused by rising steel, and residential materials. Subcontractor participation is less predictable, as construction activity shifts from stalled sectors to growing sectors.
- Owners and contractors have a concern with market timing and are hoping to avoid a bubble if too many shovel ready projects hit the street at the same time. Lenders are requiring a higher premium and more equity which has provided restraint.
- We maintain that equity will increase real estate investments for yield and inflation hedge. We continue to be bullish on the Triangle market for a stronger and faster recovery. We are optimistic that this market will capitalize on the new trends resulting from the pandemic. We will continue to monitor the market as it continues to change and look forward to sharing our ongoing findings.

We would like to thank our contributing partners for their time in sharing their insights:

ACH Constructors	Center Studio Architecture	HH Architecture	Lord Aeck Sargent	Resolute Building
August Construction Solutions	Choate Construction	Housing Studio	LS3P Architects	Rodgers
Barnhill Contracting	CJMW Architecture	Integrated Design	McAdams	Samet
Barringer Construction	Clancy and Theys	J.D. Beam	McDonald York Building	Shelco
Bobbitt Construction	CT Wilson Construction	JDavis	Muter Construction	T.A. Loving Company
Brasfield & Gorrie	Duda Paine Architects	JM Thompson Company	New Atlantic Contracting	Wake Land Design
BSA LifeStructures	Ewing Cole	LeChase Construction	Perkins Eastman	Whiting Turner
Built Form	Gestalt Architecture & Design	Little	Ratio	WithersRavenel

[Click here to be included in our next survey.](#)

All rights reserved. No part of this publication may be reproduced or distributed without the prior written permission of the NEMA Management.