

Prairie Industry Perspective

Construction Industry

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“...the construction industry remains cautiously optimistic about the future.”

The construction industry experienced both highs and lows throughout 2021. While construction starts increased as firms worked on a strong backlog that resulted from COVID-19-related work stoppages in 2020, many obstacles also arose, including supply chain snarls, skyrocketing material costs and a challenging labor market. These obstacles will likely persist to some extent in 2022—along with additional challenges brought on by new COVID-19 variants—however, the construction industry remains cautiously optimistic about the future.

Recent Industry Performance

During 2021, total construction starts increased 12.0%, reaching \$901.0 billion, according to Dodge Data & Analytics (“Dodge Data”). Meanwhile, the Dodge Momentum index grew 23.0% in 2021, the highest annual gain since 2005. Richard Branch, chief economist for Dodge Construction Network—an umbrella brand which combines Dodge Data with the Blue Book Network—notes, “The increase in construction starts was impressive given the many challenges the industry faced during the year. Higher material prices, labor shortages, and multiple waves of COVID infections threatened to dampen the recovery. However, construction remained resilient and persistent throughout the year in the face of these difficult issues.”

While Branch anticipates that these challenges will continue throughout 2022, he says that the construction industry is “well-positioned to make further gains fed by a growing pipeline of nonresidential projects waiting to break ground and the infusion of money directed towards infrastructure.” Overall, Dodge Data forecasts that construction starts will increase by 6.0% in 2022.

Other economists in the construction industry generally agree with Branch’s assessment and forecast. Ken Simonson, chief economist for the Associated General Contractors of America (“AGC”) notes, “Looking at 2022, I would say I’m nervously optimistic.” While construction looks to continue its upswing, Simonson is concerned that the Omicron variant and vaccine hesitancy among construction workers could hamper growth somewhat in 2022. “It means there is a much greater risk for severe illness from COVID...it adds to the difficulty construction firms will have fielding a full, healthy and eligible workforce,” he says.

Following is a more detailed look at the performance of the residential, nonresidential and nonbuilding construction sectors in 2021 as well as the forecast for 2022.

Residential Construction

Dodge Data indicates that residential construction starts grew 20.0% in 2021, reaching \$421.6 billion. Specifically, single-family starts were up 18.0%, and multifamily starts increased 25.0%.

Meanwhile, the National Association of Home Builders (“NAHB”) reports slightly different data, indicating that, in 2021, total housing starts reached 1.6 million, a 15.6% increase over the 1.4 million total in 2020. Single-family starts in 2021 reached 1.1 million, up 13.4% from the prior year. Further, the NAHB reports that multifamily starts in 2021 were up 22.1% from 2020. On a regional and year-to-date basis (January through December of 2021 compared to that same time frame one year prior), combined single-family and multifamily starts were 22.2% higher in the Northeast, 16.9% higher in the West, 15.3% higher in the South and 10.9% higher in the Midwest.

Looking to 2022, Dodge Data anticipates that single-family housing starts will rise by 4.0% in dollars and by 3.0% in total units. Meanwhile, multifamily housing starts are expected to increase by 5.0% in dollars during 2022 and by 2.0% in total units. According to Dodge Data, residential starts in the Northeast region will rise by 10.0%, with starts in the West up 9.0%.

Further, ConstructConnect’s “Construction Starts Forecast” estimates that there will be a 10.5% increase in total residential work for 2022.

At the same time, the NAHB forecasts a 1.7% drop in overall residential starts during 2022, due to an anticipated decline of 6.2% for multifamily housing. Single-family housing is projected to increase by just 0.2%. “Home builder confidence has cooled somewhat over the course of 2021,” after peaking in November 2020, says Robert Dietz, NAHB’s chief economist. However, he notes, “Even a flat level of single-family starts for 2022 would represent more than a 20% gain over the 2019, pre-COVID construction levels.” Dietz indicates that affordability will be a “key emerging constraint in 2022 for home buyers, given the substantial and unsustainable run-up in home prices during 2020 and 2021.”

With regard to the remodeling market, according to the Leading Indicator of Remodeling Activity (“LIRA”) published by the Remodeling Futures Program at the Joint Center for Housing Studies of Harvard University (“Joint Center”), spending on home improvements and repairs will likely expand at a stronger pace in 2022 than in 2021, but by year-end, growth may ease somewhat. The LIRA projects double-digit gains in renovation and maintenance expenditure that will peak during the third quarter of 2022 before starting to decelerate to a more stable growth rate. Overall, the LIRA anticipates that annual spending on home improvements and repair will reach \$430.0 billion by the second half of 2022. “Strong increases in home sales activity, household incomes, and home equity levels are supporting a faster expansion of the home remodeling market over the coming year,” notes Carlos Martin, project director at the Joint Center. “As owners continue to navigate the ups and downs of the pandemic’s trajectory, the focus on home improvements for changing wants and needs remains in sharp relief.” At the same time, though, Abbe Will, associate project director at the Joint Center, says that growth could be tempered by the rising costs of labor and construction materials, climbing interest rates and difficulty retaining contractors.

Nonresidential Construction

Dodge Data reports that, during 2021, nonresidential construction starts increased 12.0%, reaching \$285.6 billion. More specifically, institutional starts rose 5.0%, commercial starts grew 8.0% and manufacturing starts were up 89.0%.

With regard to the outlook for 2022, Dodge Data forecasts that commercial construction starts will rise by 12.0% in value during 2022. Notably, warehouse construction starts are expected to rise by 13.0% during the year. According to Branch, warehouse construction continues to “stagger the imagination” as e-commerce and online shopping remains popular. In addition, retail, hotel and office construction are projected to recover in 2022 after taking sizeable hits as a result of the COVID-19 pandemic and are forecast to grow by 14.0%, 24.0% and 10.0%, respectively.

Dodge Data also projects that institutional building starts will grow 6.0% in 2022, with education and healthcare construction starts both expected to increase by 9.0%.

Meanwhile, ConstructConnect's "Construction Starts Forecast" estimates that there will be a 13.4% increase in total nonresidential work in 2022.

The January 2022 forecast issued by the American Institute of Architects ("AIA") also anticipates "a healthy rebound" for nonresidential construction. Overall, according to the AIA's Consensus Construction Forecast Panel ("Panel")—which is an average of the forecasts issued by eight leading economists—total nonresidential construction spending is projected to increase 5.4% in 2022, with specific construction segments recording the following pattern: total commercial construction, up 4.7%; office construction, up 0.8%; retail and other commercial construction, up 7.5%; hotel construction, down 0.4%; total industrial construction, up 9.4%; total institutional construction, up 4.4%; health construction, up 6.2%; education construction, up 3.5%; religious construction, down 1.1%; public safety construction, down 1.3%; and amusement and recreation construction, up 7.7%. However, the Panel notes, "The uncertainty surrounding combatting COVID and its variants have added tremendous uncertainty to future building needs."

Looking further ahead, the Panel projects that, in 2023, nonresidential construction will continue to experience strong growth, with all sectors expected to see increases as follows: total commercial construction, up 5.3%; office construction, up 3.6%; retail and other commercial construction, up 4.9%; hotel construction, up 13.5%; total industrial construction, up 8.4%; total institutional construction, up 6.0%; health construction, up 6.0%; education construction, up 6.1%; religious construction, up 1.2%; public safety construction, up 5.6%; and amusement and recreation construction, up 6.0%.

Nonbuilding Construction

According to Dodge Data, nonbuilding construction starts increased 0.4% in 2021, reaching \$193.9 billion. Environmental public works starts and utilities/gas plants starts grew 21.0% and 6.0%, respectively, while highway and bridge starts dropped 6.0% and miscellaneous nonbuilding starts fell 16.0%.

Looking ahead, Dodge Data projects that total nonbuilding construction will increase by 6.0% in 2022. Highway and bridge construction will also likely grow by 6.0%. According to Branch, the Infrastructure Investment and Jobs Act of 2021 ("IIJA") is the main catalyst for the increase. He notes that the program will have "a profound impact on construction starts" over the next several years and that, in 2022, it will "increase public works construction starts by \$11 billion over and above if the bill had not passed."

Alison Black, the American Road & Transportation Builders Association's ("ARTBA") senior vice president and chief economist, suggests the IIJA will provide a significant boost in transportation investment "that will impact every state highway, bridge and transit program." Black adds, "The increase in the federal-aid highway program is the largest boost in funding since the first two years of the program over 60 years ago." As a result of the increase in funding, the ARTBA expects to see a 6.0% increase in highway and bridge funding in 2022. However, Black says issues with supply and inflation remain. "The increase in fuel and input prices [was] a challenge [in 2021] for the entire construction industry, and some contractors...also faced significant delays for select materials," she notes. "Most economists believe the price increases are a temporary supply-side issue. So, while the price pressures will likely continue through the first part of 2022, we expect project costs to moderate as supply issues are resolved."

Meanwhile, according to a summary from the American Association of State Highway and Transportation Officials, funds for the federal-aid highway program, including bridges, represent the largest share of the IIJA, with about \$351.0 billion to be spent over five years. *Engineering News-Record* (“ENR”) reports that, for the federal government’s fiscal year 2022 (October 1, 2021, to September 30, 2022), approximately \$59.2 billion will be disbursed by the Federal Highway Administration (“FHWA”) among the states according to an established formula; this formula includes factors such as a state’s population and highway lane-miles. *ENR* says state departments of transportation “will be key players, because they will let the lion’s share of the contracts and obligate the vast majority of the funds for those projects. They will be reimbursed by FHWA.”

In addition, the IIJA provides transit programs \$91.0 billion over five years, which is a 77.0% increase over the levels that were provided as part of the 2015 Fixing America’s Surface Transportation Act, notes Nuria Fernandez, the head of the Federal Transit Administration. In a November 15, 2021, interview with *ENR*, Fernandez indicated that the current backlog for upgrades and repairs to transit projects is \$105.0 billion.

For the water sector, Radhika Fox, the U.S. Environmental Protection Agency’s (“EPA”) assistant administrator for water, notes that the EPA will work with states and localities to begin the rollout of the \$50.0 billion the IIJA set aside for water infrastructure. Fox notes that, of those funds, \$23.4 billion will be “funneled through the existing clean- and drinking-water state revolving fund programs, essentially ‘supercharging’ them.”

In addition, the new water infrastructure measure includes \$15.0 billion in funding for lead service-line replacements and \$10.0 billion to address per- and polyfluoroalkyl substances, more commonly referred to as PFAS. According to the Brookings Institution, the cost to replace the lead service lines in the U.S. is estimated at over \$45.0 billion.

While the funds set aside for lead service line work is far less than that sum, Fox indicates that communities that are disproportionately affected by lead contamination will be prioritized.

Construction Industry Trends/Drivers

Major trends and drivers currently impacting the construction industry include the following:

- *Material Costs and the Supply Chain* – The COVID-19 pandemic is causing construction materials to take significantly longer to get to job sites; some materials do not arrive at all. Indeed, the AGC notes that lead times are “16 weeks to unknown for items as diverse as lockers, glass, structural steel detailing, ductile iron fittings and other pipe material, insulation, aluminum extrusion, signal poles, and airfield lighting.” Due to supply chain issues and soaring inflation, material costs have skyrocketed. According to the U.S. Bureau of Labor Statistics (“BLS”), construction input prices increased 22.3% in December 2021 when compared to December 2020. Specifically, in December 2021, construction input prices rose in all segments compared to one year prior as follows: plumbing fixtures and fittings, up 5.4%; fabricated structural metal products, up 42.4%; iron and steel, up 87.2%; steel mill products, up 127.2%; nonferrous wire and cable, up 29.2%; softwood lumber, up 12.6%; concrete products, up 8.5%; prepared asphalt, tar roofing and siding products, up 12.5%; crude petroleum, up 53.7%; natural gas, up 97.6%; and unprocessed energy materials, up 64.3%. As a result of increasing materials costs, the AGC reports that more than 50.0% of construction firms have had projects canceled, scaled back or postponed. In addition, 93.0% of construction firms surveyed by the association cite rising materials costs as a factor that is undermining their ability to profit from their work. Moreover, 37.0% of construction firms say that they have not been successful in passing on those added costs to project

owners. Looking ahead, Associated Builders and Contractors' ("ABC") chief economist Anirban Basu says, "Thanks to the Omicron variant, [supply chain] disruptions will persist through the first quarter of 2022. That translates into additional upward pressure on construction materials prices..." However, Basu anticipates that "at some point later this year, materials prices will begin to normalize. The expectation remains that global supply chain disruptions will steadily fade as 2023 approaches as will the demand shock associated with economic reopening."

- *Labor Shortages and Construction Unemployment* – The construction industry has recovered 92.1% of the jobs that were lost since the beginning of the COVID-19 pandemic; according to ABC and the BLS, the construction industry added 160,000 net jobs in 2021. Meanwhile, the construction unemployment rate grew to 5.0% in December 2021. Moving forward, ABC's Basu anticipates that the construction labor market will remain tight in 2022, with contractors "competing fiercely for talent." Notably, the AGC reports that 89.0% of construction firms are currently hiring hourly craft positions and 86.0% of firms are hiring salaried positions; all positions have proven difficult to fill. During the COVID-19 pandemic, about 1.5 million baby boomers retired earlier than expected, among them many in the skilled building trades. In addition, those who are looking for jobs prefer remote work. Basu notes, "...for employers who need workers on site...it could be challenging to recruit." While the construction industry has struggled to find workers for quite some time, the competition for workers is expected to intensify as funding from the IIJA is pumped into the economy. As a result, wages are expected to increase rapidly. At the same time, though, Basu anticipates that rising inflation may positively affect the construction labor market by forcing people back into the labor market since "more people will have difficulty paying their bills."
- *Construction Backlog Indicator Falls Slightly, While Construction Confidence Index Continues to Rise* – ABC reports that their "Construction Backlog Indicator," which includes commercial, institutional, heavy industrial and

infrastructure construction, fell in December 2021. During the month, the total construction backlog was 8.2 months, down 0.2 months from November 2021. At the same time, though, December 2021's reading was up 0.9 months when compared to December 2020. According to ABC's Basu, "Backlog fell in the infrastructure category, but activity in that category is set to heat up in 2022 as federal infrastructure funds tied to the Infrastructure and Jobs Act of 2021 begin to flow." Basu continues, "Backlog in the heavy industrial category also declined on a monthly basis, but over the past year backlog in this segment has climbed dramatically as manufacturers attempt to address goods shortages and more CEOs consider bringing some of their supply chains back to America." Meanwhile, ABC's "Construction Confidence Index" increased for all three metrics—sales, profit margins and staffing—in December 2021 when compared to both November 2021 and December 2020. All three indices were above 50.0, which indicates that contractors anticipate growth during the first six months of 2022. Basu notes, "Demand for construction services in America remains strong."

- *Civil Contractors Optimistic in the Face of Supply Chain Challenges* – According to Dodge Data, in 2021, 92.0% of civil contractors reported that their projects have been impacted by the fluctuating cost of construction materials, and 89.0% were concerned about materials costs increasing through early 2022. Regardless, 71.0% of civil contractors are highly optimistic about the volume of work going into 2022. Indeed, 53.0% anticipate revenue increases, while 63.0% project that their profit margins will either grow or be stable in 2022.
- *The Distribution of IIJA Funds* – As mentioned previously, on November 15, 2021, President Biden signed the IIJA, which will infuse the construction industry with over \$1.0 trillion over five years. ABC's Basu anticipates that the impact of the IIJA will start to be felt during the third and fourth quarters of 2022.

According to *ENR*, funds for existing programs will be distributed quickly, while funds for new programs established by the IIJA will be distributed more slowly as the programs are developed. Notably, *Construction Dive* reports that the “first major infusion of funds” from the IIJA was announced in late 2021; the EPA is distributing \$7.4 billion to remediate water infrastructure and lead pipes. Then, in early January 2022, the Biden administration announced the Bridge Formula Program, which will allocate \$26.5 billion from the IIJA to construct, replace and repair approximately 15,000 highway bridges. While the program is the largest bridge investment since the Interstate highway system was established, the American Society of Civil Engineers estimates that 79,500 U.S. bridges need to be replaced and 45,000 are considered structurally deficient. For more information on the IIJA and its potential impacts on the construction industry, see Prairie’s recent article [“New Federal Infrastructure Funding and Surface Transportation Reauthorization Signed into Law.”](#)

- *NAHB Builder Confidence Survey* – According to the latest NAHB/Wells Fargo Housing Market Index, in January 2022, builder sentiment fell for the first time in four months. Indeed, the NAHB/Wells Fargo Housing Market Index (“HMI”) dropped from 84.0 in December 2021 to 83.0 in January 2022. (The HMI measures builder perceptions for the following six months on a scale of “good,” “fair,” or “poor.” Any reading above 50.0 indicates that builders view the outlook as positive.) Overall, the NAHB indicates that sentiment fell due to the fact that, despite robust consumer demand, home builders are becoming increasingly concerned about inflation and supply chain disruptions. NAHB Chairman Chuck Fowke notes, “Higher material costs and lack of availability are adding weeks to typical single-family construction times.” Robert Dietz, NAHB’s chief economist, adds, “The HMI data was collected during the first two weeks of January and do not fully reflect the recent jump in mortgage interest rates. While lean existing home inventory and solid buyer demand are supporting the need for new construction, the combination of ongoing increases for building materials, worsening skilled labor shortages and higher mortgage rates point to declines for housing affordability in 2022.”
- *Multifamily Construction Expected to Thrive in 2022* – *Construction Dive* notes, “While the COVID-19 pandemic has hammered many areas of commercial real estate, the multifamily sector has emerged as a clear winner.” While apartment rents fell in 2020, they recovered in 2021, reaching record highs. As rents grew, the value of apartment properties increased. According to Real Capital Analytics, the value of apartment properties grew 16.8% from October 2020 to October 2021 (latest available), and the number of investors outpaced the number of properties for sale. Due to both strong rents and sales, developers are looking to build more apartments in 2022.
- *Labor Shortages and Employee-Owned Construction Companies* – In Prairie’s *2nd Annual Construction Survey*, published in January 2022, survey respondents from employee-owned construction companies reported that they experienced a labor shortage in 2021 and that the environment for recruiting has been more difficult, particularly for tradespeople and subcontractors. Indeed, 81.0% of employee-owned companies who participated in Prairie’s *2nd Annual Construction Survey* reported that it was more challenging to recruit in 2021 than it was in 2020, and 91.0% of respondents cited labor resource availability as a major operational concern for 2022. However, Prairie’s survey found that having an Employee Stock Ownership Plan (“ESOP”) has had a positive influence on worker retention in employee-owned construction companies. For more information on trends in employee-owned construction companies, see Prairie’s *2nd Annual Construction Survey*.
- *U.S. Supreme Court Blocks COVID-19 Vaccine Mandate for Large Employers* – The Occupational Safety and Health Administration (“OSHA”) recently mandated that employees of businesses with 100 or more workers receive the COVID-19 vaccine or submit negative COVID-19 tests on a weekly basis in order to enter the workplace. The mandate also required unvaccinated employees to wear masks while working indoors. Three days after the OSHA mandate took effect, the U.S. Supreme Court blocked the Biden administration from

enforcing it. As a result, President Biden asked states and businesses to voluntarily institute vaccination requirements in the face of the growing spread of the Omicron variant. According to Ben Brubeck, ABC's vice president of regulatory, labor and state affairs, "This is a big win in removing compliance hurdles for the construction industry, which is facing multiple economic challenges, including a workforce shortage of 430,000, rising materials prices and supply chain issues." At the same time, Brubeck notes that ABC supports voluntary worker vaccinations so that employees can remain safe on construction job sites.

Recent M&A Trends for the Construction Industry

The U.S. construction industry has a low level of market share concentration, according to industry analyst IBISWorld, with the five largest companies controlling less than 5.0% of industry revenue. However, since the construction industry comprises a wide variety of specialty trades, market concentration can vary. Indeed, painting contractors, carpentry contractors, tile installers and masonry and stone contractors have very low market concentrations, while heavy and engineering construction as well as building construction have higher concentrations. Regardless, the construction industry has seen increasing merger and acquisition ("M&A") activity in recent years, which has caused market share concentration to increase.

During 2021, deal volume in the engineering and construction sector increased by 14.0% when compared to pre-pandemic levels due to the low cost of capital and favorable capital market trends, according to PwC. At the same time, fewer megadeals caused the average deal size to decrease in 2021 when compared to 2020; however, overall deal value increased in 2021. PwC reports that, during the first quarter of 2021, engineering and construction deal value totaled \$25.0 billion, and deal volume reached 729. Then, during the next three quarters, activity saw the following pattern: the second quarter of 2021, \$31.0 billion in value and 780 in volume; the third quarter of 2021, \$41.0 billion in value and 725 in volume; and the fourth quarter of 2021, \$11.0 billion in value and 256 in volume.

Following are several notable recent transactions in the construction industry:

- *Quanta Services Acquires Blattner Holding Company* – Quanta Services—a Houston, TX-based specialty contracting services company in the energy, pipeline, utility and communications industries—acquired Avon, MN-based Blattner Holding Company ("Blattner") in October 2021. Blattner was founded in 1907 and is a provider of construction, procurement, front-end engineering and project management services to companies in the renewable energy field, namely those who develop solar, wind and energy storage products. According to Duke Austin, president and CEO of Quanta Services, "We are excited to complete the acquisition of Blattner and look forward to collaborating with our customers to shape North America's energy transition to a carbon-neutral economy." Austin continues, "Pairing Blattner's large-scale and leading renewable energy solutions with Quanta's electric transmission and substation solutions positions us to deliver a comprehensive approach for our customers. Together we are focused on what we believe are the most attractive areas of the electric infrastructure complex."
- *STO Building Group Acquires RC Andersen Construction* – In November 2021, New York City-based STO Building Group ("STO") acquired New Jersey-based general contractor RC Andersen Construction ("RC Andersen"). The terms of the sale were not disclosed. Notably, this is STO's third acquisition of a major construction firm in the past two years, with the firm purchasing Utah-based Layton Construction in 2019 and Seattle-based Abbott Construction in 2020. In addition to these three firms, STO's companies include Structure Tone, LF Driscoll, Structure Tone Southwest, Pavarini Construction Company, Pavarini McGovern, Govan Brown, Ajax Building Company and BCCI Construction Company. According to STO's CEO Robert Mullen, "RC Andersen's particular expertise will only enhance the specialized knowledge and experience we're able to offer clients in [the industrial and distribution facility] sector, as well as provide RC Andersen's existing clients with extended

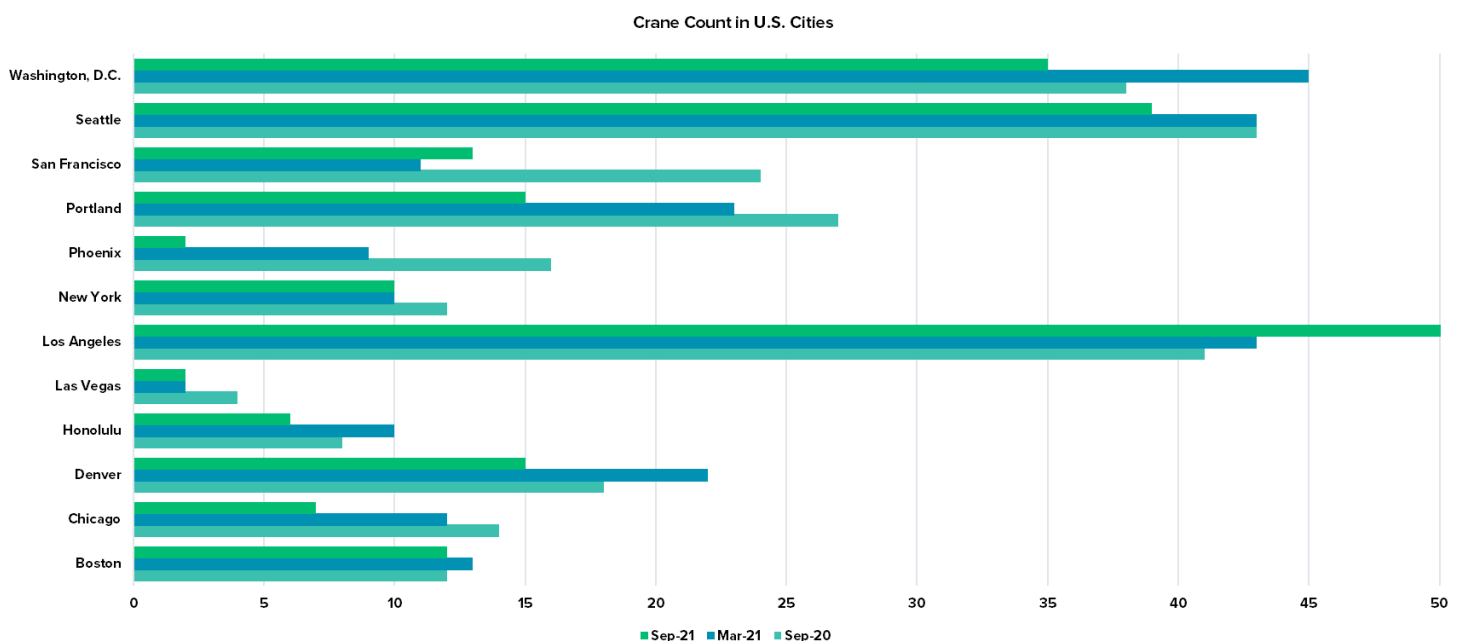
services and geographic reach across our platform.” *Construction Dive* notes that STO’s “family of companies model” helped the firm move from number 14 on *ENR*’s list of the top 400 contractors to number six in just the past two years.

- *MasTec, Inc. Acquires Henkels & McCoy Group* – MasTec, Inc. (“MasTec”)—a Coral Gables, FL-based construction company focused primarily on the development, building and maintenance of communications, utility and other infrastructure—acquired Pennsylvania-based Henkels & McCoy Group (“Henkels”) in a \$600.0 million transaction in December 2021. According to *ENR*, Henkels ranks at number five on the list of the largest utility contractors in the U.S. Jose Mas, CEO of MasTec, notes that the acquisition allows the firm to diversify its portfolio of services and positions it for strategic growth opportunities. Mas says, “We believe that the addition of Henkels, coupled with MasTec’s existing operations, creates a market leading utility contractor with significant expertise, scale and capacity that can provide a complete and compelling suite of service offerings to our customers as they work to transition to renewable energy generation, modernize power grid systems and reduce carbon emissions.”

- *Satterfield & Pontikes Construction Acquires Eagle Contracting* – Houston, TX-based Satterfield & Pontikes (“S&P”) Construction acquired Dallas-Fort Worth-based Eagle Contracting, a general contractor in the water and wastewater industry, in December 2021. The terms of the sale were not disclosed. S&P Construction was founded in 1989 and provides pre-construction, construction and consulting services to both the public and private sectors throughout the region as well as nationally. In addition to Eagle Contracting, S&P’s specialty construction subsidiaries include Rollcon, Westway Construction, Greco Structures, Pontikes Development and Rocket Concrete Pumping. S&P’s CEO George A. Pontikes Jr. says, “One of S&P’s core values is to ‘do the right thing for the right reason’ and with Eagle we are certain we will maintain that in the water specialty market.”

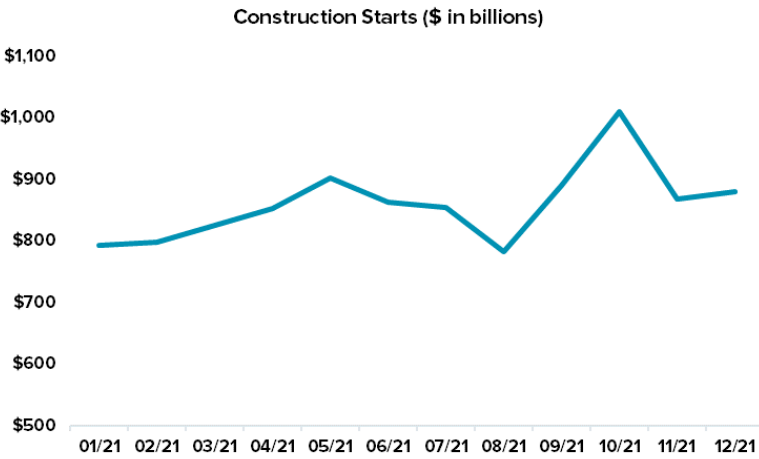
With regard to the longer-term outlook for M&A in the construction industry, IBISWorld anticipates that activity will increase over the five years to 2026 as larger construction firms look to expand their market share across different geographic regions and construction subsectors.

Construction Industry Trends



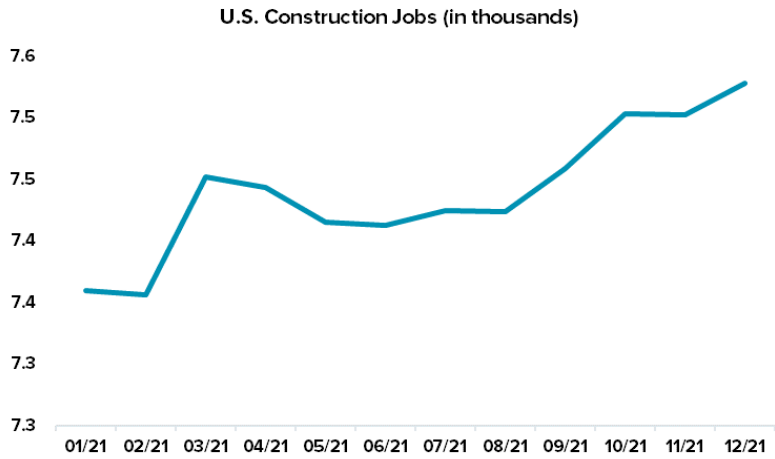
Source: *Construction Dive* and Rider Levett Bucknall

Construction Industry Trends



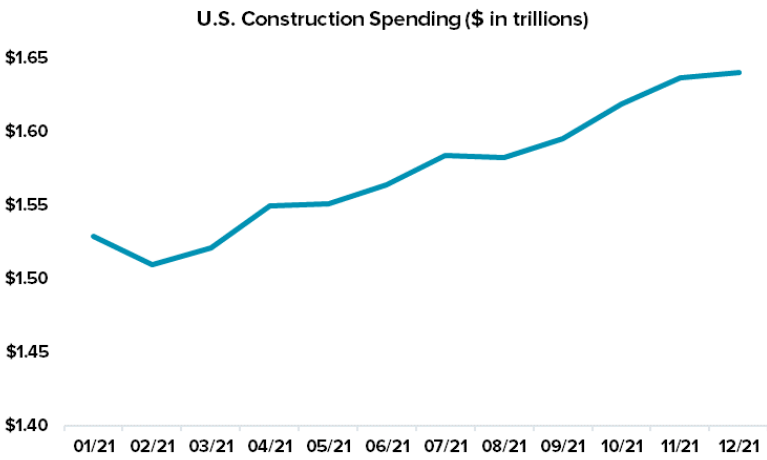
Source: *Construction Dive* and Dodge Data & Analytics

Dodge Data & Analytics measures the seasonally-adjusted value of total U.S. construction starts each month, as well as the value of starts in nonresidential, residential and nonbuilding categories.



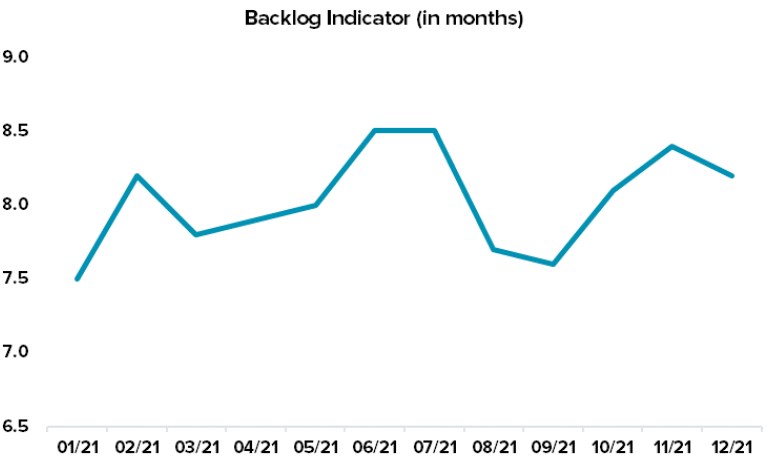
Source: *Construction Dive* and U.S. Bureau of Labor Statistics

The Bureau of Labor Statistics releases job gains or losses in the industry and divides the figures into residential and nonresidential sectors.



Source: *Construction Dive* and U.S. Census Bureau

While often revised in subsequent months, construction spending figures each month from the U.S. Commerce Department examine the private and public construction sectors. Within the private sector, the report tracks single-family residential, multifamily residential and nonresidential.



Source: *Construction Dive* and Associated Builders and Contractors

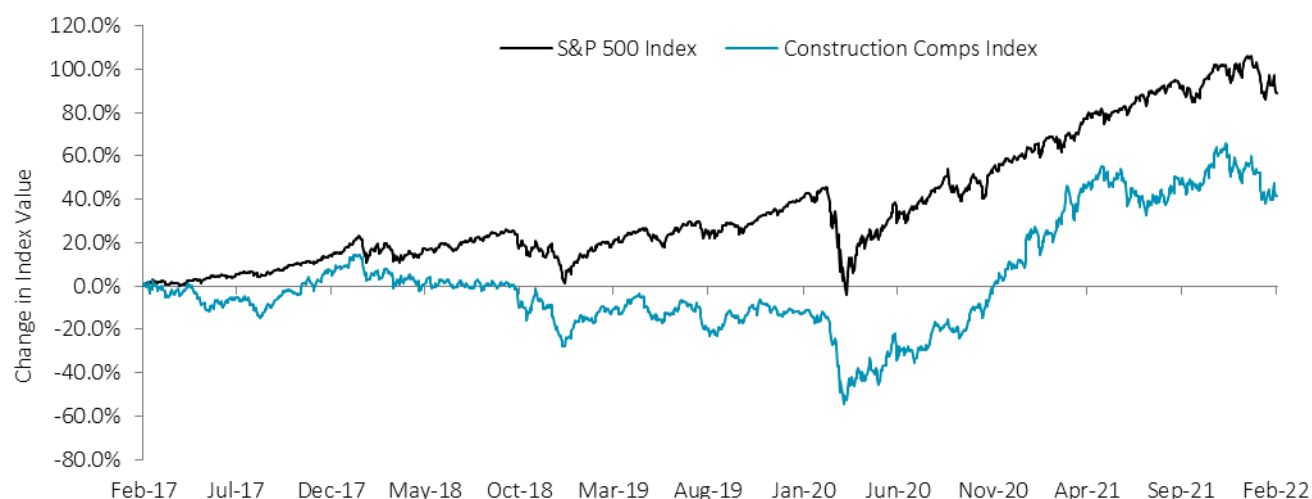
The Associated Builders and Contractors' backlog indicator is a forward-looking economic metric that reflects the amount of work under contract that will be performed by commercial and industrial construction contractors in the months ahead.

Publicly-Traded Construction Companies

(\$ in millions)	Stock		Equity	Enterprise	% of 52-	LTM		Revenue Growth		LTM Margins		EV / LTM		EV / NFY	
Company	Ticker	Country	Value	Value	Wk. High	Revenue	EBITDA	1 Year	3 Years	G. Profit	EBITDA	Revenue	EBITDA	EBITDA	
Argan, Inc.	AGX	United States	\$600	\$123	68.2%	\$501	\$62	46.1%	(3.9%)	19.5%	12.4%	0.2x	2.0x	1.8x	
Tutor Perini Corporation	TPC	United States	569	1,418	54.9%	4,955	367	(3.7%)	3.5%	9.8%	7.4%	0.3x	3.9x	4.0x	
Sterling Construction Company, Inc.	STRL	United States	853	1,079	96.4%	1,528	143	7.1%	13.8%	13.5%	9.4%	0.7x	7.5x	7.6x	
Comfort Systems USA, Inc.	FIX	United States	3,118	3,429	84.1%	2,917	251	1.4%	12.4%	18.7%	8.6%	1.2x	13.7x	11.0x	
Construction Partners, Inc.	ROAD	United States	1,361	1,621	59.0%	1,005	84	25.4%	13.7%	12.2%	8.4%	1.6x	19.3x	12.4x	
Dycom Industries, Inc.	DY	United States	2,666	3,290	83.9%	3,120	234	(2.1%)	0.9%	15.9%	7.5%	1.1x	14.0x	10.4x	
EMCOR Group, Inc.	EME	United States	6,146	6,045	84.8%	9,545	642	7.0%	6.4%	15.5%	6.7%	0.6x	9.4x	9.0x	
Fluor Corporation	FLR	United States	3,002	2,231	82.6%	14,057	193	(8.1%)	(4.8%)	2.6%	1.4%	0.2x	11.6x	5.1x	
Granite Construction Incorporated	GVA	United States	1,616	1,368	80.2%	3,642	195	4.0%	4.1%	11.2%	5.4%	0.4x	7.0x	5.3x	
Great Lakes Dredge & Dock Corporation	GLDD	United States	899	1,098	84.3%	688	114	(5.2%)	9.2%	19.6%	16.6%	1.6x	9.6x	7.1x	
IES Holdings, Inc.	IESC	United States	885	1,016	77.9%	1,702	114	38.4%	22.7%	18.2%	6.7%	0.6x	8.9x	-	
Infrastructure and Energy Alternatives, Inc.	IEA	United States	487	731	50.8%	1,926	112	2.4%	45.7%	9.6%	5.8%	0.4x	6.5x	5.4x	
Limbach Holdings, Inc.	LMB	United States	82	96	58.7%	494	16	(14.3%)	(2.1%)	16.0%	3.2%	0.2x	6.1x	3.5x	
MasTec, Inc.	MTZ	United States	6,643	8,126	72.8%	7,779	885	21.7%	5.7%	15.6%	11.4%	1.0x	9.2x	8.8x	
MYR Group Inc.	MYRG	United States	1,552	1,506	76.3%	2,460	157	11.3%	19.0%	12.9%	6.4%	0.6x	9.6x	9.0x	
Orion Group Holdings, Inc.	ORN	United States	95	159	45.4%	609	19	(17.6%)	1.4%	9.2%	3.1%	0.3x	8.4x	5.0x	
Primoris Services Corporation	PRIM	United States	1,406	2,067	62.5%	3,511	294	3.7%	10.0%	11.9%	8.4%	0.6x	7.0x	6.8x	
Quanta Services, Inc.	PWR	United States	14,237	15,739	79.8%	11,969	1,014	5.0%	4.3%	15.2%	8.5%	1.3x	15.5x	10.1x	
Aecon Group Inc.	TSX:ARE	Canada	855	1,057	79.3%	2,673	58	13.8%	9.7%	7.7%	2.2%	0.4x	18.2x	4.8x	
Bird Construction Inc.	TSX:BDT	Canada	410	416	88.7%	1,052	59	58.9%	16.9%	8.3%	5.6%	0.4x	7.1x	4.8x	
					Median	78.6%	\$2,567	\$150	4.5%	7.8%	13.2%	7.1%	0.6x	9.0x	6.1x
					Mean	73.5%	\$3,807	\$251	9.8%	9.4%	13.2%	7.2%	0.7x	9.7x	6.6x

Note: Valuation date as of 02/14/22.

Construction Index Performance vs. S&P 500



Despite significant declines in March 2020, the construction industry has rebounded and is now trading in line with the S&P 500.

Note: Valuation data as of 2/14/2022

Sources: S&P Capital IQ and public data

Notable Closed M&A Transactions — Construction Industry

#	Date Closed	Target Name:	Acquirer Name:	Classification
1	2/7/2022	Dykstra Construction, LLC	JF Acquisition, LLC	Commercial Construction and Engineering
2	2/2/2022	OMEGA & Associates, Inc.	TranSystems Corporation	Commercial Construction and Engineering
3	2/1/2022	Pevida Highway Designers, LLC	Ardurra Group, Inc.	Heavy Construction
4	2/1/2022	Pacheco Koch Consulting Engineers, Inc.	Westwood Professional Services, Inc.	Heavy Construction
5	2/1/2022	SGA NarmourWright Design	Greenberg Farrow Architecture Incorporated	Specialty Contract Work
6	1/31/2022	SPF Water Engineering, LLC	HDR, Inc.	Commercial Construction and Engineering
7	1/28/2022	Assured Comfort Heating & Air, Inc.	Southern HVAC Corporation	Specialty Contract Work
8	1/25/2022	Phillips Architecture PA	Redline Design Group, P.A.	Specialty Contract Work
9	1/25/2022	Merit General Contractors, Inc.	Russell Construction Co., Inc.	Commercial Construction and Engineering
10	1/23/2022	Precis Engineering, Inc.	Arcus Design Ltd	Commercial Construction and Engineering
11	1/20/2022	BRH-Garver Construction L.P.	Kidd & Company, LLC	Heavy Construction
12	1/20/2022	Prosser, Inc.	PRIME AE Group, Inc.	Commercial Construction and Engineering
13	1/19/2022	ESD	Oakline Studio LLP	Commercial Construction and Engineering
14	1/18/2022	R-Mech Heating, Cooling, & Plumbing, Inc.	Heartland Home Services, Inc.	Specialty Contract Work
15	1/18/2022	Strain Electric, Inc.	Peninsula Capital Partners, LLC	Specialty Contract Work
16	1/18/2022	Southeast Construction & Restoration, Inc.	Commercial Restoration Company, LLC	Commercial Construction and Engineering
17	1/13/2022	Commonwealth Electrical Technologies, Inc.	Eaglestone, LLC	Specialty Contract Work
18	1/10/2022	Progressive Engineering & Construction, Inc.	EnSafe, Inc.	Commercial Construction and Engineering
19	1/6/2022	Simpson Engineers & Associates, P.C.	WGI, Inc.	Heavy Construction
20	1/5/2022	Clark Apex, Inc.	RoadSafe Traffic Systems, Inc.	Specialty Contract Work
21	1/5/2022	Edwards Electrical and Mechanical, Inc.	Comfort Systems USA, Inc. (NYSE:FIX)	Specialty Contract Work
22	1/5/2022	Petillo Incorporated	Sterling Construction Company, Inc. (NasdaqGS:STRL)	Heavy Construction
23	1/5/2022	Alliance Engineering, Inc.	Merrick & Company, Inc.	Heavy Construction
24	1/3/2022	Boyd Construction Company	Reno Building, LLC	Commercial Construction and Engineering
25	1/3/2022	Parisi Construction Co., Inc.	Walbec Group, Inc.	Commercial Construction and Engineering
26	12/31/2021	Meiners Electrical Services, LLC	Leadec Holding BV & Co. KG	Specialty Contract Work
27	12/28/2021	Kimes & Stone Construction Co., Inc.	Sterling Construction Company, Inc. (NasdaqGS:STRL)	Heavy Construction
28	12/23/2021	Phend & Brown, Inc.	Rieth-Riley Construction Co., Inc.	Heavy Construction
29	12/20/2021	Henkels & McCoy Group, Inc.	MasTec, Inc. (NYSE:MTZ)	Specialty Contract Work
30	12/20/2021	Eagle Contracting L.P.	Satterfield & Pontikes Construction, Inc.	Specialty Contract Work
31	12/17/2021	Deerfield Construction Co., Inc.	ADB Companies, LLC	Specialty Contract Work
32	12/3/2021	Jake Marshall, LLC	Limbach Facility Services LLC	Specialty Contract Work
33	12/1/2021	PARC design lab, PLLC	Shepley Bulfinch, Inc.	Specialty Contract Work
34	11/23/2021	Coastland Civil Engineering, Inc.	DCCM, LLC	Heavy Construction
35	11/22/2021	Oregon Mainline Paving, LLC	Knife River Corporation	Specialty Contract Work
36	11/17/2021	Front Line Power Construction, LLC	Orbital Energy Group, Inc. (NasdaqCM:OEG)	Specialty Contract Work
37	11/17/2021	Donadio and Associates, Architects, P.A.	Spiezel Architectural Group, Inc.	Specialty Contract Work
38	11/9/2021	Union Corrugating Company	Cornerstone Building Brands, Inc. (NYSE:CNR)	Building Products
39	11/1/2021	Deuchler Engineering Corporation	Fehr Graham & Associates, LLC	Commercial Construction and Engineering
40	10/26/2021	Menold Construction, Inc.	BluSky Restoration Contractors, LLC	Commercial Construction and Engineering
41	10/15/2021	Hampton Roads Mechanical Contractors, Inc.	Amalgam Capital, LLC	Specialty Contract Work
42	10/15/2021	SEGRITY, LLC	Basler Electric Company Inc.	Specialty Contract Work
43	10/11/2021	Fulghum Macindoe & Associates, Inc.	Ardurra Group, Inc.	Heavy Construction
44	10/7/2021	Englekirk Structural Engineers, Inc.	WSP Global Inc. (TSX:WSP)	Heavy Construction
45	9/10/2021	C K Earnhardt & Sons, Inc.	Construction Partners, Inc. (NasdaqGS:ROAD)	Specialty Contract Work
46	9/8/2021	Hi-Tech Concrete Pumping Services, LLC	Concrete Pumping Holdings, Inc. (NasdaqCM:BBCP)	Specialty Contract Work
47	9/7/2021	Pro Com Home Services LLC	Opendoor Technologies Inc. (NasdaqGS:OPEN)	Commercial Construction and Engineering
48	9/2/2021	Blattner Holding Company, Inc.	Quanta Services, Inc. (NYSE:PWR)	Specialty Contract Work
49	9/1/2021	Tecta America Corporation	Leonard Green & Partners, L.P.	Specialty Contract Work
50	8/24/2021	Methuen Construction Company, Inc.	MWH Constructors, Inc.	Commercial Construction and Engineering

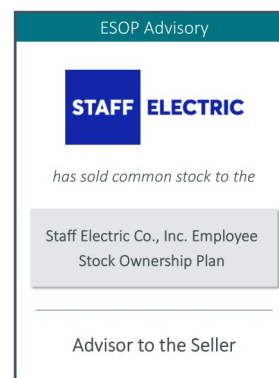
Sources: S&P Capital IQ and public data

About Prairie Capital Advisors

Prairie offers investment banking, ESOP advisory, valuations & opinions and financial reporting valuations to support the growth and ownership transition strategies of middle-market companies. Headquartered in Oakbrook Terrace, Illinois, Prairie is a leading advisor to closely-held companies nationwide.



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Transaction Highlights

About Deerfield Construction Group, Inc.

Incorporated in 1993 and headquartered in Lockport, Illinois, Deerfield is a telecommunications construction company. Since its inception, the Company has been one of the leading and preferred contractors at the forefront of the construction, maintenance and upgrading of the Midwest's cellular, wireless and microwave systems for many of the region's carriers. With its vast expertise and knowledge, coupled with its highly trained and safety-oriented staff, Deerfield prides itself on completing projects in the most efficient and timely manner, at the highest level of quality of any telecommunications contractor.

Deerfield Construction Group, Inc. was acquired by ADB Companies, LLC, a portfolio company of Warren Equity Partners.

About Staff Electric Co., Inc.

Headquartered in Menomonee Falls, Wisconsin, Staff Electric operates as an electrical contractor with three overarching values: quality, integrity and experience. These core beliefs drive everything the Company does—for its customers, this means that Staff Electric leverages technology and experience to maximize efficiency and deliver the best solutions. As experts in design/build, BIM, power, lighting solutions and more, Staff Electric continually strives to explore uncharted methods to invent and implement processes no one ever has before, all while upholding a standard of excellence in customer service, quality, innovation and safety.

Staff Electric Co., Inc. has sold common stock to the Staff Electric Co., Inc. Employee Stock Ownership Plan.

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