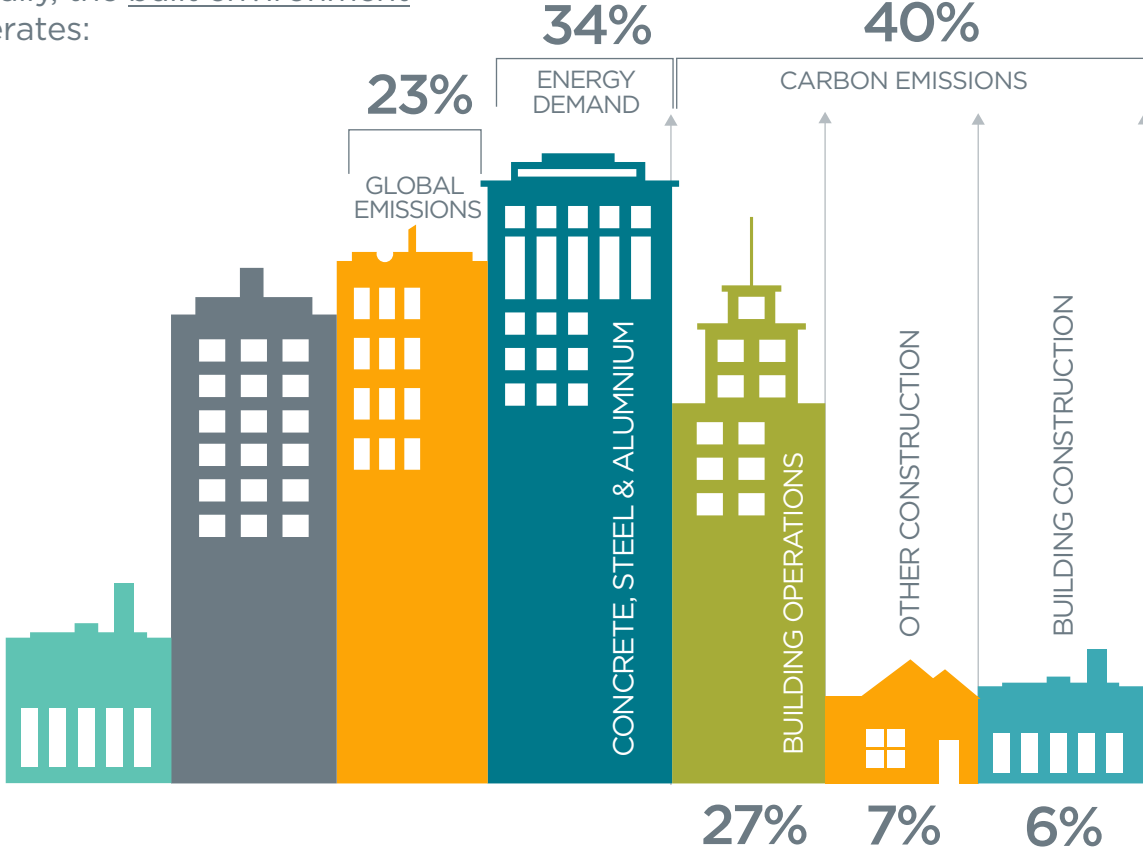


## Construction and Real Estate Trends

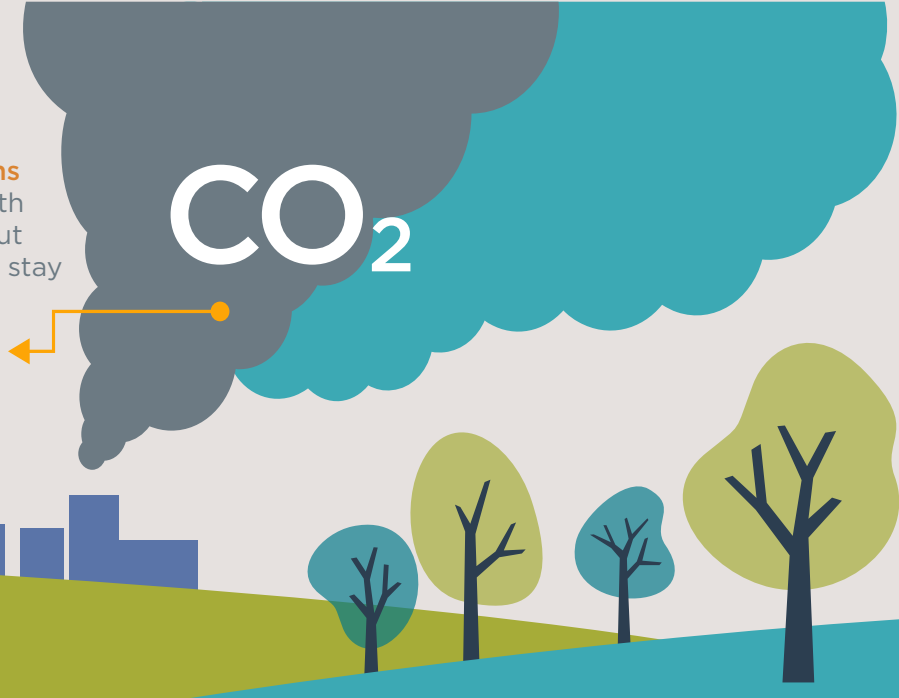
### Sustainable Construction by the Numbers

Globally, the built environment generates:



### Did you know?

**Operational carbon emissions** can be reduced over time with energy-efficient upgrades, but **Embodied carbon emissions** stay the same once a building is constructed.



This matters because the industry may experience:

- Higher utility, maintenance, and insurance costs
- Higher costs to bring an outdated building up to code
- Lower tenant demand in a carbon-intensive building
- Lower portfolio returns in certain markets, especially Coastal areas and regions prone to natural disasters
- Physical disruptions due to natural disasters

### Other Current Challenges

#### Interest Rates

Interest rates tend to trickle down to the economy 12 to 18 months after rates start to rise. The Fed started to raise rates in March 2022.

Inflation in June 2023 is 3% higher YoY (4.8% excluding food and energy).

#### Interest Rate Increases In 2023

July 26	5.5%
May 3	5.25%
March 22	5%
February 1	4.75%
January 1	4.5%



How does this impact construction and real estate?

- Higher borrowing costs
- More volatility in materials prices
- Less demand for some construction segments
- Lower profits

#### Strategies:



2/1 temporary rate buydown for home builders



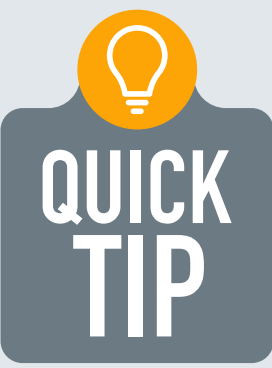
Receivables collection strategy for construction contractors



Alternative real estate transactions (leasebacks or preferred equity financing)



Cash flow planning for construction contractors



Virginia and North Carolina have repealed the “pay if paid” clause, which means that project owners have 60 days from receiving an invoice to pay. Even though both Washington, D.C. and Maryland uphold the clause, they also allow conditions to circumvent it by adding “pay-when-paid” clauses in contracts.

### Skilled Labor: Did you know...

**47%**

of young adults are interested in pursuing careers in skilled trades? Training, recruitment, and education are needed to fill the hiring gap for construction’s future employees.

**25%**

More vacant construction jobs than workers to fill them

**342,000**

Number of new workers who must be added to payroll in 2024 to meet expected needs - on top of normal hiring



#### Strategies:

- Work Opportunity Tax Credit
- Hire for diversity
- Offer competitive wages and benefits
- Promote a safety-first work culture

