

SOUTH CAROLINA Construction Trends Report YTD 2019 (August 2019)



South Carolina Construction Starts are Down

Key Takeaways

- Statewide construction starts have decreased across most sectors over the past year while indicators tracking pre-development activities are up. Construction activity is expected to remain strong in 2020 with only a moderate slowdown over 2019.
- Construction costs across all sectors are expected to remain steady in South Carolina. Volatility in material pricing has diminished while the backlog of under construction work remains strong.
- LCK Construction Tip:** Workforce resources continue to be scarce despite the slowdown in construction starts. Recruitment of design and construction talent remains a challenge. Employers are competing for the best means to attract and retain staff.

Overview

Construction Starts: Statewide construction starts have decreased in four of six key sectors over the past year. Starts for government buildings increased in all of the state's major markets except Columbia. Commercial construction starts have been strong in both Columbia and Charleston. Manufacturing starts decreased across the state.

Construction Workforce: According to the Bureau of Labor Statistics, as of August 2019, there are 101,700 construction employees in South Carolina, representing 4.66% of the total nonfarm employment. Construction employment has increased by 300 jobs over the last 12 months.

U.S. Material Pricing: Pricing volatility which began in early 2018 has stabilized. Over the past three months pricing has decreased less than one percent for the following materials: pre-engineered metal buildings, steel pipe & tube, steel mill products, insulation materials, and diesel fuel. Crushed stone and gravel is the sole material sector seeing an increase of more than one percent. Pricing for materials that drove earlier market volatility are trending downward while other materials are stable. Stability is expected to continue unless unexpected tariff activities drive costs upward.

U.S. Construction and Development Lending: According to the FDIC, construction and development loan volume totaled \$357 billion as of June 30, 2019, up \$10.3 billion since June 30, 2018. While volume is increasing, the rate of increase continues to ease. Percent change on a trailing-twelve-month basis is at 1.95% compared to a high of 9.24% in the second quarter of 2015.

U.S. Architectural Billings: The year-to-date AIA Architectural Billing Index for architects in the south is 52.3 which indicates increased design activity and points toward growth in future construction starts. (A score of less than 50 indicates decreased billing activity.)



LCK's Market Synopsis

Relative to prior period	YTD 2019	2020
CONSTRUCTION STARTS	↓	↔
CONSTRUCTION WORKFORCE	↑	↔
MATERIAL PRICING	↔	↔
CONSTRUCTION & DEVELOPMENT LENDING	↑	↔
ARCHITECTURAL BILLINGS	↑	↔

Statewide Key Construction Starts

2019	2019 YTD (\$ Millions)	2019 YTD v. 2018 YTD % Change
Selected Sectors		
Commercial	950.9	-8.91%
Multifamily	340.9	-54.50%
Manufacturing	72.8	-83.12%
Education	457.8	-43.54%
Healthcare	215.5	+10.74%
Government Buildings	130.9	+20.76%

Source: Bureau of Labor Statistics, Dodge Data and Analytics



Key Market Summary

Charleston Metropolitan Area

Charleston Construction Starts

	2019 YTD (\$ Millions)	2019 YTD v. 2018 YTD % Change
Selected Sectors		
Commercial	502.2	+26.24%
Multifamily	25.0	-92.22%
Manufacturing	0.20	-99.79%
Education	122.4	-58.32%
Healthcare	16.5	-19.90%
Government Buildings	28.5	+126.19%

Construction Starts: Total year-to-date construction starts in Charleston have decreased in four of six sectors over the past year. The commercial sector boasts a 26% increase in starts valued at just over \$500 million. The multifamily and manufacturing sectors show decreases in excess of 90%. The manufacturing sector remains strong despite the trend of decreased starts. A significant backlog, low vacancy, and increasing rents are expected to lead to future sector growth.

Construction Workforce: The Charleston-North Charleston construction workforce has 23,100 workers, a 4.52% increase year-over-year. From August 2018 to August 2019, 1,000 workers were added.

Columbia Metropolitan Area

Columbia Construction Starts

	2019 YTD (\$ Millions)	2019 YTD v. 2018 YTD % Change
Selected Sectors		
Commercial	65.4	+64.32%
Multifamily	37.8	-68.71%
Manufacturing	15.1	-11.70%
Education	77.2	-43.81%
Healthcare	41.0	+32.26%
Government Buildings	8.9	-29.92%

Construction Starts: Four of six sectors in the Columbia market showed a decrease in starts as compared to last year. Commercial and healthcare starts are up compared to a year ago with just over \$100 million of construction initiated. Education starts will pick up in 2020 as multiple new schools for Lexington School District 1 and Richland School District 2 are planned to commence construction.

Construction Workforce: The Columbia workforce has 18,000 workers, a 2.27% increase year-over-year. From August 2018 to August 2019, 400 workers were added.

Greenville-Anderson-Mauldin Metropolitan Areas

Greenville Construction Starts

	2019 YTD (\$ Millions)	2019 YTD v. 2018 YTD % Change
Selected Sectors		
Commercial	129.2	-24.09%
Multifamily	86.2	-5.59%
Manufacturing	0.2	-98.41%
Education	30.9	+70.72%
Healthcare	7.8	-25.00%
Government Buildings	82.6	+1,300.00%

Construction Starts: Only two sectors in the Greenville market showed an increase in starts over the past year. A steep increase in government buildings starts is due to the Carrol A. Campbell Jr. United States Courthouse, a ten-story federal courthouse started this year in downtown Greenville. As with other markets in South Carolina, manufacturing starts are down.

Construction Workforce: The Greenville-Anderson-Mauldin construction workforce has 20,700 workers, a 6.7% increase year-over-year. From August 2018 to August 2019, 1,300 workers were added.

Spartanburg Metropolitan Area

Spartanburg Construction Starts

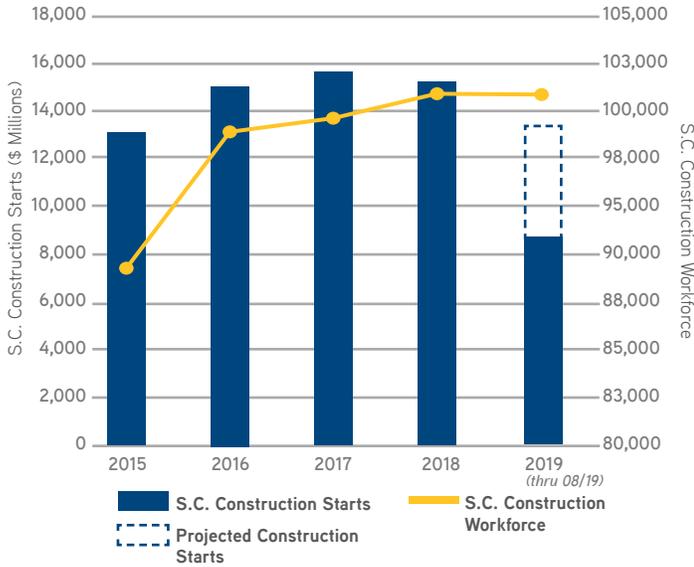
	2019 YTD (\$ Millions)	2019 YTD v. 2018 YTD % Change
Selected Sectors		
Commercial	100.2	-11.87%
Multifamily	23.5	104.35%
Manufacturing	1.9	-96.53%
Education	1.2	-99.05%
Healthcare	0.9	-98.75%
Government Buildings	1.3	+100.00%

Construction Starts: Spartanburg's multifamily and government buildings sectors showed an increase in start growth while all other sectors decreased. School districts within Spartanburg County recently completed several new facilities. As the population grows, so will education starts. Significant manufacturing construction currently underway is likely contributing to low starts. The manufacturing real estate sector remains robust despite lower starts in 2019.

Sources: Dodge Data and Analytics, Bureau of Labor Statistics

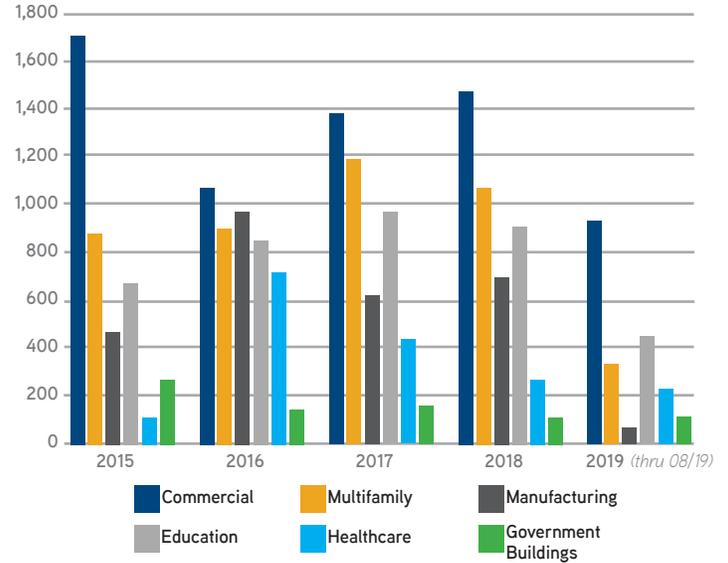
*Note: The Bureau of Labor Statistics combines the categories of mining, logging and construction for the MSAs
MSA information for the Spartanburg Construction Workforce was unavailable.*

S.C. Construction Starts and S.C. Construction Workforce



Source: Dodge Data and Analytics, Bureau of Labor Statistics, LCK

Total S.C. Construction Starts by Sector (\$ Millions)



Source: Dodge Data and Analytics, LCK

2019 South Carolina Historical Construction Starts Summary Statistics (\$ in Millions)

	2015	2016	2017	2018	THRU 08/2019
Commercial	\$1,705	\$1,098	\$1,397	\$1,454.8	\$950.9
Multifamily	\$873	\$884	\$1,197	\$1,065.5	\$340.9
Manufacturing	\$462	\$938	\$619	\$737	\$72.8
Education	\$687	\$847	\$958	\$956	\$457.8
Healthcare	\$131	\$703	\$418	\$234	\$215.5
Government Buildings	\$269	\$136	\$172	\$141	\$130.9
South Carolina Construction Workforce	89,700	99,300	99,900	101,400	101,700

"Cumulative to Date" figures include delayed entries and adjustments affecting projects entered in previously reported months.

Source: Dodge Data and Analytics, Bureau of Labor Statistics

Construction Forecast

Material pricing has stabilized and is expected to continue to be relatively unchanged into 2020. Demand for all types and products of real estate remains high. The FDIC confirms loan volume is increasing and is in a healthy standing for future lending growth.

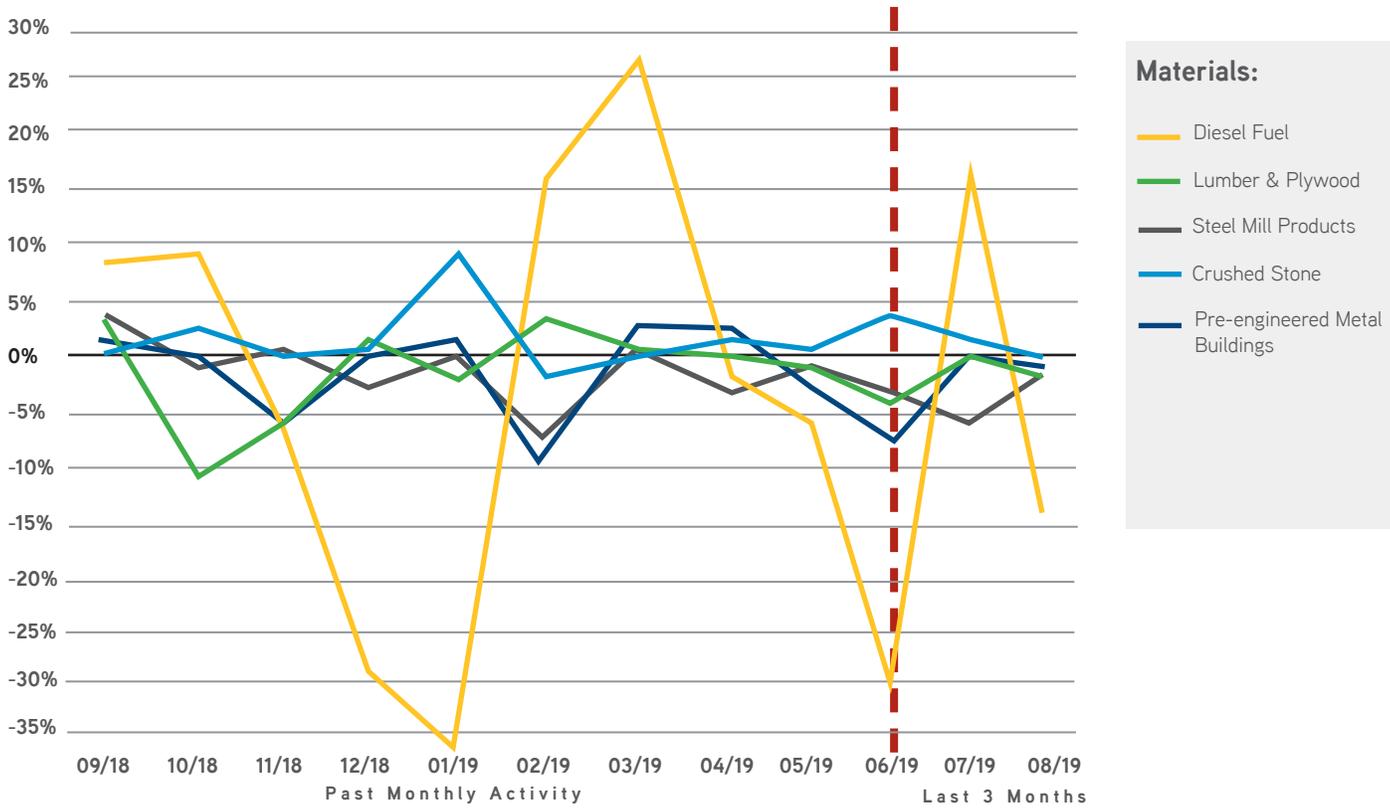
Positive construction starts vary from region to region but are strongest in the commercial, healthcare, and government buildings sectors. Construction workforce growth is expected to outpace growth in construction starts going forward. However, due to the workforce shortages that have mounted in previous years, the

upward trend is not anticipated to relieve the strong demand for new workforce in the industry.

Architectural billings are projected to rise into 2020 with increased design activity, thus signaling a continuation of future construction growth.

Institutions, developers, and corporations alike have discovered the advantage of outsourcing project management services to a professional firm such as LCK as an attractive solution to overcome the workforce shortages being experienced in the construction marketplace.

Top 5 Material Price Variations Over the Last 3 Months



12 Month Producer Price Index Percentage Changes (Month over Month)

KEY CONSTRUCTION MATERIALS

	09/18	10/18	11/18	12/18	01/19	02/19	03/19	04/19	05/19	06/19	07/19	08/19	Avg. last 3 months
Diesel Fuel	8.2%	9.2%	-6.9%	-29.7%	-34.3%	16.9%	27.7%	-3.6%	-6.3%	-31.1%	16.6%	-13.4%	-9.3%
Asphalt Paving	1.4%	2.4%	-4.8%	-1.1%	15.3%	-0.4%	-2.5%	-9.2%	0.5%	2.4%	0.7%	-0.4%	0.9%
Asphalt Roofing Material	7.0%	3.1%	-1.6%	4.4%	-3.0%	-1.5%	-7.2%	6.5%	2.8%	-2.1%	-0.1%	0.7%	-0.5%
Cement	0.1%	0.5%	-0.3%	-0.1%	2.3%	-0.4%	0.6%	4.5%	-1.5%	3.0%	-0.9%	-0.8%	0.4%
Concrete Block	-0.1%	0.00%	0.9%	1.6%	2.0%	0.3%	0.5%	1.7%	0.4%	2.6%	-0.6%	-0.1%	0.6%
Reinforced Concrete Pipe	2.7%	-3.3%	6.2%	-6.1%	4.9%	0.7%	0.6%	0.9%	2.7%	1.8%	-0.5%	0.0%	0.4%
Precast Concrete	1.6%	0.3%	1.5%	3.9%	2.5%	-0.6%	-0.1%	0.5%	1.2%	0.1%	0.6%	0.6%	0.4%
Brick	0.0%	-0.2%	0.0%	0.6%	1.3%	0.5%	0.1%	0.3%	-0.3%	-0.5%	2.1%	-0.1%	0.5%
Glass	0.4%	-0.5%	0.1%	-0.1%	1.4%	0.1%	-1.0%	0.5%	0.1%	-0.4%	0.5%	1.0%	0.4%
Plastic Construction Products	0.3%	0.6%	0.4%	0.1%	1.9%	-0.5%	0.5%	-0.3%	-0.6%	0.1%	0.7%	-0.9%	0.0%
Gypsum Products	-1.9%	-2.5%	-8.0%	-2.3%	-2.7%	-1.4%	-4.0%	3.3%	-8.5%	-8.3%	6.8%	0.3%	-0.4%
Insulation Materials	0.5%	1.8%	-1.0%	1.7%	3.3%	0.7%	-4.1%	3.4%	-11.6%	-0.1%	1.9%	-5.4%	-1.2%
Lumber & Plywood	-3.0%	-11.2%	-6.4%	1.9%	-2.5%	4.2%	0.2%	-0.1%	-2.0%	-4.9%	-0.7%	-2.5%	-2.7%
Steel Mill Products	3.0%	-1.9%	1.0%	-2.9%	1.1%	-7.1%	0.3%	-3.7%	-1.3%	-4.2%	-5.3%	-2.6%	-4.0%
Crushed Stone/Gravel	0.2%	2.4%	-0.2%	0.3%	8.6%	-1.7%	-0.1%	1.5%	0.1%	3.8%	1.3%	-0.3%	1.6%
Steel Pipe & Tube	2.8%	-4.4%	-3.0%	4.5%	-0.5%	-8.6%	0.9%	-3.1%	-5.9%	-5.1%	-1.9%	3.1%	-1.3%
Sheet Metal	1.1%	3.1%	0.9%	-1.8%	2.1%	0.0%	-0.1%	-2.8%	0.0%	-0.1%	-0.3%	0.2%	-0.1%
Structural Steel	0.0%	0.2%	-0.1%	0.0%	0.1%	-4.1%	-0.2%	-0.1%	0.0%	-1.0%	-0.1%	0.3%	-0.3%
Pre-engineered Metal Buildings	2.1%	-0.2%	-6.4%	-0.5%	1.7%	-9.9%	2.8%	2.9%	2.2%	-8.1%	-0.9%	-1.9%	-3.6%

Source: Bureau of Labor Statistics



UNIQUE PERSPECTIVE PROJECT MANAGEMENT SERVICES

PROJECT MANAGEMENT

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PROPERTY ASSESSMENTS

CONSULTING

COST MANAGEMENT

INSPECTION SERVICES

4

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25

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EXPERIENCE

AVERAGING

130+

PROJECTS
ANNUALLY

\$418+

MILLION
VOLUME IN PROGRESS

LCK is a woman-owned business whose core service is project management as an owner's representative for real estate development projects. Whether a renovation or greenfield assignment, LCK brings the expertise needed to migrate a project from conception, through design and construction, to ribbon cutting. Since 1994, LCK has played a key role in managing the construction of first-class facilities for national corporations as well as local non-profits, municipalities, school districts, higher education, healthcare, religious organizations and real estate investors. Success for LCK has been defined by our ability to consistently deliver value-added project management solutions that result in quality projects built on time and within budget. LCK is the project management services partner of Colliers International South Carolina, a full service commercial real estate firm with offices in Columbia, Charleston, Greenville, and Spartanburg, South Carolina.

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