

The Associated General Contractors of America works to ensure the continued success of the commercial construction industry by advocating for federal, state and local measures that support the industry; providing opportunities for firms to learn about ways to become more accomplished; and connecting them with the resources and individuals they need to be successful businesses and corporate citizens. Over 27,000 firms, including more than 6,500 of America's leading general contractors, nearly 9,000 specialty-contracting firms and its nationwide network of chapters. Visit the AGC Web site at www.agc.org.

Sage exists to knock down down

SUMMARY

The outlook for the construction market in 2024 is decidedly mixed as contractors predict transitions in demand for projects, the challenges they will face and the types of technology they will embrace. Amid these changes, however, contractors are still struggling to cope with significant labor shortages, the impacts of higher interest rates and costs and a supply chain that, while better, is still far from normal.

Demand for different types of projects is changing. Respondents to this year's Outlook survey are less confident about growth prospects for many market segments than they were a year ago. They are most optimistic about a range of public-sector market segments, including water and sewer projects, transportation, federal, and bridge and highway work. Conversely, they predict private sector demand will be less robust for segments like manufacturing and multifamily residential and will decline for lodging, retail and private office construction.

Contractors have also tempered last year's high expectations for new federal investments in infrastructure and other construction projects. Nowhere did contractors' expectations for growth in a market segment drop more between last year and this year than in the highway and street and other transportation construction segments. A relatively few firms report having picked up work because of new federal investments in 2023. A growing number of firms likely have found that the federal review process and complex new Buy America rules associated with these projects are limiting the benefits of the federal funds.

While contractors remain most confident about the outlook for the construction market in 2024, they are less optimistic about the outlook for the construction market in 2025. Contractors are most optimistic about the outlook for the construction market in 2024, but less optimistic about the outlook for the construction market in 2025.

Perhaps because of the challenges they face, contractors plan to invest in new technologies that promise to make their operations more efficient and productive. Many firms report they will make new or continued investments in drones, artificial intelligence tools and offsite production. Many firms will also continue investing in information technology tools to make their accounting, project management and other functions more efficient. But even as firms make these investments, many worry that they lack the time and personnel to properly implement and train for these new technologies.

In other words, 2024 offers a mixed bag for construction contractors. On one hand, demand for many types of construction should continue to expand. And firms will continue to invest in the tools they need to be more efficient, productive, and profitable. Yet contractors are less enthusiastic about most market segments than they were at the start of 2023. Meanwhile, they face significant challenges when it comes to finding workers, coping with rising costs and weathering the impacts of higher interest rates.

If Washington can get out of its own way in moving infrastructure projects forward; if the Federal Reserve can successfully manage the “soft landing” they have been pursuing; and if the industry can find a way to successfully recruit and retain more workers, 2024 should be a good year for most construction firms. AGC of America will do everything in its power to make sure those “ifs” turn into “whens.”

CONTRACTORS EXPECT DEMAND FOR PROJECTS TO INCREASE BUT ARE LESS CONFIDENT THAN A YEAR AGO

On balance, contractors remain upbeat about the available dollar value of projects to bid on in 2024. But the optimism regarding opportunities for most project types is less widespread than it was a year ago.

The net reading—the percentage of respondents who expect the available dollar value of projects to expand compared to the percentage who expect it to shrink—is positive for 14 of the 17 categories of construction included in the survey, as it was in the 2023 survey. However, a smaller share than last year expects the markets they compete in to expand in the coming year.

As in the 2023 survey, respondents are most optimistic about infrastructure, power, and federal construction projects, although the order has changed somewhat. Specifically, the highest net positive reading in the 2024 survey—32 percent—is for water and sewer construction, which had the third-highest reading a year ago. That

The largest increase in optimism from the previous survey is for data center construction, with a net positive reading of 20 percent. That is up from 12 percent a year ago.

On balance, contractors are optimistic, as well, about the education sector. The net reading

quarter anticipate larger increases. Eighteen percent of respondents say their headcount will grow by 11 to 25 percent, and 4 percent of respondents anticipate an increase in headcount of more than 25 percent.

A large majority of firms took steps in 2023 to attract and retain workers. Sixty-three

experienced postponement or cancellation of a project that had been scheduled for the first half of 2024.

More than half (53 percent) of firms say a project was postponed or canceled due to rising costs (for construction, insurance, etc.), while 38 percent of firms cite rising interest rates as a cause of deferrals. In addition, 34 percent cite reduced funding availability. Delays in likely completion dates and reduced demand for completed projects are each listed as reasons for deferral by 11 percent of respondents.

SUPPLY-CHAIN PROBLEMS HAVE DIMINISHED, NOT DISAPPEARED

Although only 23 percent of respondents say they have not had any significant supply-chain problems, that is a marked improvement over the previous

Three industry-specific concerns are cited by a majority of respondents. Fifty-eight percent list rising direct labor costs (pay, benefits, employer taxes), while 56 percent pick worker quality and 54 percent list materials costs.

Most of these concerns are cited less often in the 2024

CONTRACTORS PLAN TO INVEST IN DRONES, ARTIFICIAL INTELLIGENCE, AND OFFSITE PRODUCTION

Construction firms have been seeking ways of adapting to the shortage of skilled workers and improving jobsite safety and productivity. In particular, nearly 40 percent of firms say they will either increase their investment in drones (26 percent) or make an initial investment (14 percent). Thirty percent of firms will make an initial investment in artificial intelligence (19 percent) or increase their investment (11 percent). And almost 30 percent plan to make more use of offsite production (21 percent) or start to (9 percent).

In contrast, few firms expect to invest in robotics (15 percent) or autonomous equipment or vehicles (14 percent). Even fewer firms—12 percent—are ready to invest in 3-D printing.

AGC Outlook Survey: Firms' adoption of technology



CONTRACTORS HAVE DIVERSE PLANS FOR SOFTWARE INVESTMENT

Nearly all firms plan to increase or keep level their investment in software. Only 1 percent of respondents expect to decrease investment in any of the 15 technologies included in the survey.

The most likely candidates for increased software spending are accounting software and project management software—for each type, 38 percent of respondents expect to increase their investment. Close behind is document management software, with 35 percent of respondents expecting to increase investment. Other software types with high expected investment increases include building information modeling (BIM) software (33 percent), mobile devices (32 percent), and cloud-based software (31 percent).

Thirty-five percent performed between \$50.1 million and \$500 million worth of work and 7 percent performed over \$500 million worth of work. Eighteen percent of firms have fewer than 20 employees, while 39 percent have between 20 and 99 employees. Firms with 100 to 499 employees account for 30 percent of respondents and firms with 500 or more employees comprise 12 percent of the total.

Twenty-nine percent of firms report they employ union workers most or all of the time, while 60 percent are either exclusively open-shop or only occasionally employ union labor. The remaining 11 percent do not self-perform or directly hire craft personnel.

Firms and their employees were not compensated or in any other way reimbursed for completing the survey.

The regions covered in the survey included the following states:

Northeast

Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont

South

Alabama, Arkansas, Delaware, District of Columbia, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, West Virginia

Midwest

Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, Wisconsin

West

Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, Wyoming