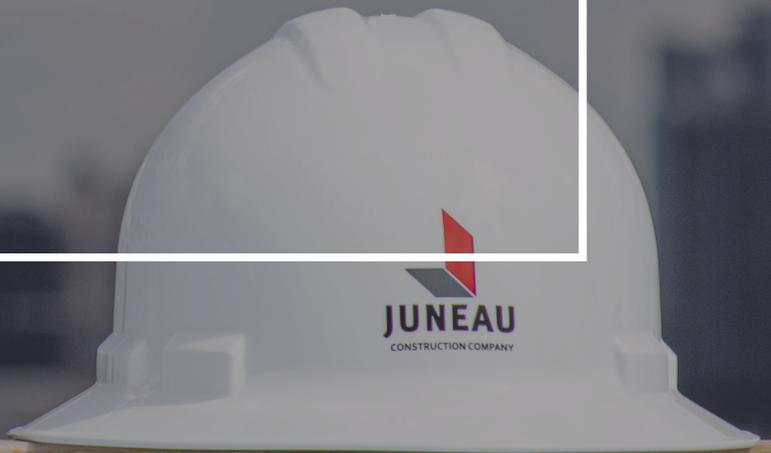




JUNEAU
CONSTRUCTION COMPANY

Market Perspective

October 2021





Things moving forward will never be the same as this is something we have never experienced before in our lifetimes.”

- Les Juneau



Grove Central Station
23 story high rise in Coconut Grove, FL



A Message from Our President

- Les Juneau

As to the current status of the construction industry from our seat as a Southeast regional contractor, we have a few observations:

- » Multi-Family / Mixed-Use use product survived a pandemic related pause and is moving forward stronger than ever
- » Hospitality is making a comeback, particularly in the Florida market
- » Higher Education projects are being released on a modest level, however, student housing still remains robust
- » Office Buildings particularly as part of mixed-use developments are becoming more prevalent
- » Technology that provides for, and leads to, efficiency on the job site continues as a prerequisite for delivering best in class projects
- » The industry suffered from a labor shortage pre-pandemic and it continues
- » Recruiting of young people into the construction workforce, and retaining them, will define the future success of the industry

In a nutshell, a lot has transpired over the past year, and while we still build from the bottom up, things moving forward will never be the same as this is something we have never experienced before in our lifetimes.

Market Perspective: Unemployment Rates in Construction

Data series	Back data	Jun. 2021	Jul. 2021	Aug. 2021	Sep. 2021
Employment (in thousands)					
<u>Employment, all employees</u> (seasonally adjusted)		7,413	7,425	(P) 7,425	(P) 7,447
<u>Employment, production and nonsupervisory employees</u> (seasonally adjusted)		5,494	5,517	(P) 5,510	(P) 5,518
Unemployment					
<u>Unemployment rate</u>		7.5%	6.1%	4.6%	4.5%
Job openings, hires, and separations (in thousands)					
<u>Job openings</u>		344	377	(P) 365	
<u>Hires</u>		441	430	(P) 381	
<u>Separations</u>		352	402	(P) 431	

Source: U.S. Bureau of Labor Statistic
<https://www.bls.gov/iag/tgs/iag23.htm>

Pandemic Unemployment Rates

The first half of 2021 saw construction unemployment rates fall to 6.1% in July 2021, from 16.6% in April 2020. This proves that the industry is bouncing back from the pandemic lows, however ‘full employment’ has not been reached and we have not seen the lows of 3.2% that we saw in September of 2019.

One would argue that there is skilled labor still on the sideline looking for opportunities to re-enter the workforce. However, construction costs continue to rise, but instead of fully focusing on the labor shortage, now the crux is commodity pricing.



Market Perspective: Impact on Construction Materials

Random Length Lumber Continuous Contract

ADD TO WATCHLIST

🔒 CLOSED
\$745.10
 ▼ -14.80 -1.95%

Last Updated: Oct 18, 2021 3:04 p.m. CDT
 - Delayed quote



SETTLEMENT PRICE 10/18/2021

\$749.00

VOLUME: 151
 67% VS AVG
 65 DAY AVG: 224.08

745.00 DAY RANGE 780.00 448.00 52 WEEK RANGE 1,733.50

HRC Steel Futures Continuous Contract

ADD TO WATCHLIST

☀️ OPEN
\$1,892.00
 ▼ -6.00 -0.32%

Last Updated: Oct 18, 2021 2:17 p.m. EDT
 - Delayed quote



SETTLEMENT PRICE 10/18/2021

\$1,893.00

VOLUME: 14
 70% VS AVG
 65 DAY AVG: 20.12

1,892.00 DAY RANGE 1,898.00 637.00 52 WEEK RANGE 1,945.00

Source: www.marketwatch.com

Construction Materials Continue to Rise

The availability of building materials has become an issue throughout the industry over the past 12 months, and this has caused a significant rise in lumber, steel, PVC and other related building materials. The price of US Midwest Domestic Hot-Rolled Coil Steel has risen from \$490/TN on 7/1/2020 to \$1,916/TN on 10/1/2021, representing a 391% increase over a 12-month period.

volatile rising from \$500/1000 BF on 7/1/2020 to \$1,670/1000BF on 5/10/2021, and falling back down to the \$600 level in September. Due to the volatility lumber suppliers are weary of guaranteeing their pricing, and in many cases will only honor their price for days, if that. We project that guaranteed lumber package pricing will start to trend back downward, if the commodity pricing can sustain levels in the \$500 range for a period of time.

Similarly, lumber has been extremely

Market Perspective: What our Trade Partners are Saying

Material Increases

"Any thermo-plastic or copper products will continue to trend upwards. But it is now starting to creep into other items as well, such as switch gears and light fixtures. Material is still our biggest issue."

- Electrical

"At this time, since we can't predict these increases, we have no choice but to be upfront with the GC's and Owners. We have gotten to the point of receiving biweekly to monthly increases from our manufactures on a regular. Since the pandemic began, we have seen 70-80% increase on all of material pricing."

- Roofing

"All metal materials are now double the price since the pandemic started. And they are projecting that gypsum board material will be double the price by the beginning of Q1 2022."

- Drywall

More Work, More Demand

"So far the labor shortages have not been an issue for us. We have more work in the books than we have ever had before."

- Electrical

"Surplus of jobs coming in, which is good. Labor crews are in high demand."

- Exteriors

"Labor shortages have been mainly affecting the framing sub market more than the fiber cement market; but if there is a slow down for framing, this will become a domino effect on the rest of the job."

- Siding

Early Buyout

"Some manufactures have been giving us about 30-45 days heads up before the material increase goes into effect. The only way we can guarantee pricing is by buying out the full amount of material for the whole job. Most owners and GCs have been receptive to the idea and it ultimately is the only way we can hold our prices especially how copper is trending we can't afford to take the risk."

- Electrical

"When PO's are issued we are able to lock in pricing; but, the good thing is all manufactures have been giving us a heads up in order to prepare accordingly."

- Exteriors

"We've been buying material whenever possible to increase our inventory and store in our warehouse to mitigate any material shortage issues on current projects that may interfere with critical paths."

- Siding

Raw Material Shortages

"Material increases are stemming from a shortage in the raw materials. It has come to the point that they can't even forecast what we will have available at any given moment, which makes it hard to plan for a project during the Preconstruction efforts."

- Electrical

"Steel raw materials are causing most of the material increases. Anything made from steel or metal has skyrocketed."

- Exteriors

"Material continues to be a big unknown for our sub market, regarding both cost and procurement."

- Roofing



The Future of Wood Frame Structures

Our preconstruction teams are constantly in communication with our clients on how current market conditions may affect their projects or deals moving forward. In many instances, particularly in Central Florida, hollow core block and plank has become much more competitive and attractive structural alternate to wood framing. While a wood framed project is still marginally more affordable than a block and plank structure, the gap is quickly narrowing, and we are seeing a trend where our clients prefer to program new multifamily projects around hollow core block and plank, or tunnel form, in an effort to eliminate (or reduce) the price volatility current seen in the market.



ōLiv | Auburn, AL

Market Perspective: Resiliency in Student Housing

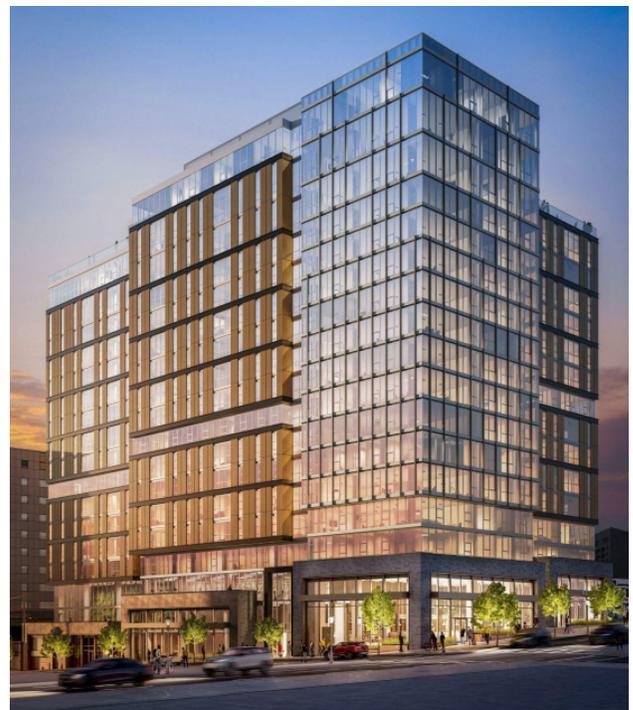


Off Campus Student Housing

Student housing continues to remain active and is one of Juneau’s busiest market sectors in 2021, along with co-living multifamily products. Our ‘under construction’ student housing portfolio consists of nearly 4,000 beds of concrete high rise, load bearing metal stud, and wood framed structure types. All come with pros and cons, but without a doubt, the concrete frame reigns supreme with pricing predictability and has been the least impacted by rising commodity pricing. We predict that throughout 2021 and into 2022, if commodity pricing does not stabilize, many ‘mid-rise’ structures that would traditional be wood frame or metal will be prograded around cast in place concrete to prevent redesign due to costs that are outside of our control.

The student housing industry as a whole remains bullish as rent growth is in the 2%-4% range and occupancies are well above 90% range. We project acquisitions

of new product will occur in the next 12 months which will further fuel demand for new product at off campus locations for top tier Universities.



*Hub Atlanta | 20 stories | Prefab Exterior High Rise
Atlanta, GA*



Benefits of Prefabrication on Student Housing Projects

Juneau is under construction on two student housing projects that are utilizing prefabricated components. These prefabricated components are providing enhanced value to these projects from a time and schedule standpoint, but also from a QA/QC perspective.

The first project is a 1.5M+ SF on campus student housing project at the University of South Carolina, pictured above, called Campus Village. This project is utilizing a Prescient load bearing metal panel structural system. The second project is a 20-story off campus student housing project located on an extremely tight site in downtown Atlanta, called Hub Atlanta. This project is utilizing a prefabricated exterior skin system that is being constructed offsite by a local trade partner.

We have found that there are six common benefits to using prefabrication to enhance project efficiency:

1. Increased Quality Control: The complete skin assembly and/or structural system is assembled in a controlled manufacturing

environment, preventing any risk and errors.

2. Increased Speed and Efficiency: Since the skin and/or structural system is pre-assembled, the material can be installed much faster and aids in a compressed schedule. Furthermore, it reduces opportunity for weather impacts.

3. Increased Flexibility: There is a greater control and flexibility of supply chain since the materials can be procured early and stored off site at the manufacturing facility and not at the jobsite.

4. Decreased Costs: The prefabricated systems cost less than systems built on site.

5. Decreased Waste: Since prefabricated materials come pre-assembled and to-size, there is significantly less waste on the jobsite from unused materials.

6. Allows for a Safer Jobsite: Prefabricated systems drastically reduces the amount of work needing to be performed from swing stages and other methods.

Market Perspective: Closing Thoughts from Our President

What Does the Future Hold?

It is often said that no matter how long one works at something, learning opportunities present themselves most days. So even after 40 years of working at this job called construction, the last 365 days have presented a very full range of emotions, and a careers worth of learning experiences. The learning experiences I speak about here though are not so much about pouring concrete or erecting steel, but more-so from a “life experiences” perspective.

- #1** **We** continue to learn how to navigate a still raging pandemic and have learned to appreciate more than ever the women and men of Juneau and our trade partners for their sacrifices each and every day.

- #2** **Matters** of social injustice, political turmoil and rising crime are prevalent in society and deserve attention within the walls of our business.

- #3** **Work-life** balance, not a new issue, but one that I am certain all of us have thought about during the last 18 months.

Nothing has prepared us for the experiences of the last 365 days, but what we learn from them and how we respond as people and businesses will define future success as these events are truly once in a lifetime game changers.

INTERESTED IN SEEING WHAT TODAY'S PRICING LOOKS LIKE ON YOUR NEXT DEAL?

Reach out to our Preconstruction Department!



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