

Insight on Industry Trends:
Construction Outlook
and Wage Survey

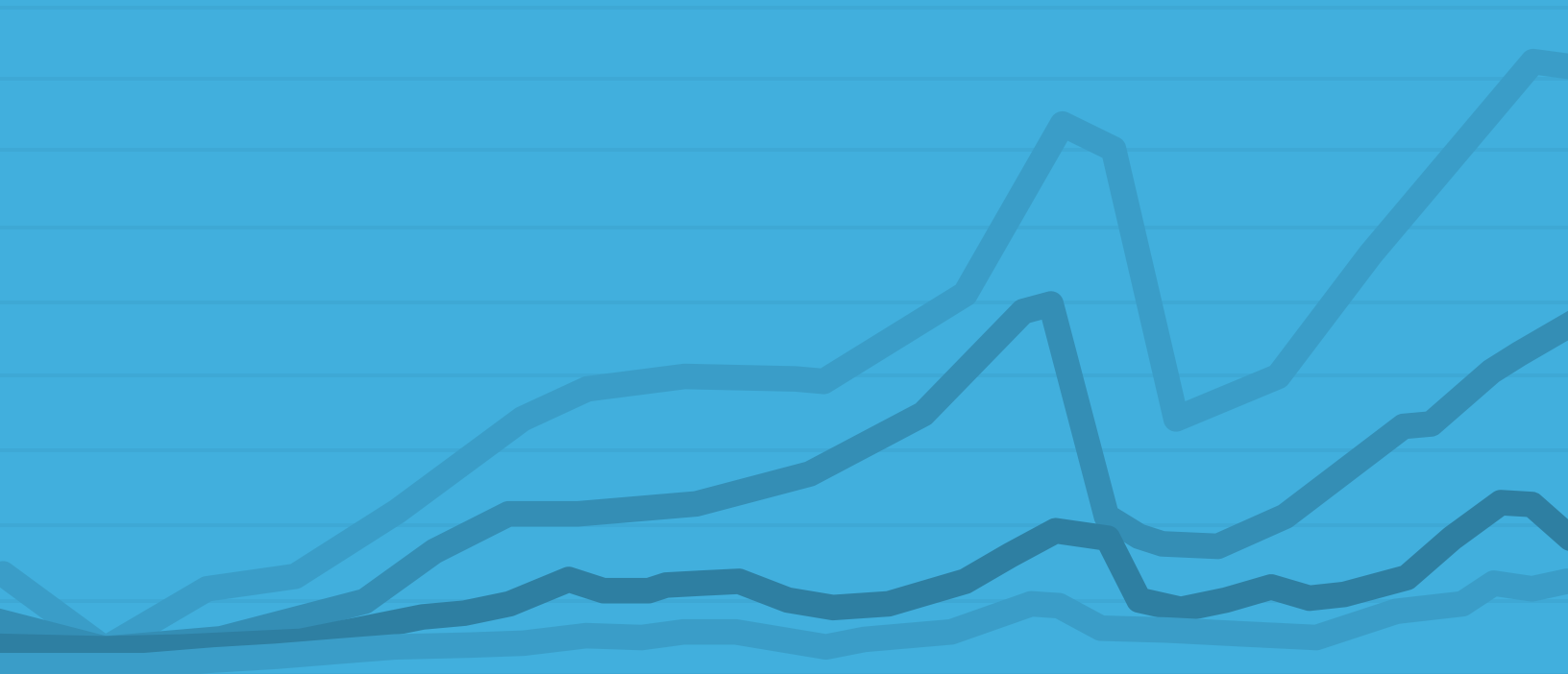


2018 Wage Survey Suggests Another Strong Year for the Construction Industry

This CliftonLarsonAllen report focuses on construction industry trends in wages and hiring. These two issues can raise a lot of questions in the minds of construction business owners. Contractors want to know how to retain and attract talented management and tradespeople. They are concerned about the amount of compensation and benefits to offer. And there are a whole new set of issues raised by changes in the tax code that are beyond the scope of this report. In short, while there are always challenges in the construction industry, there is much to be hopeful about in the coming year.

Executive summary

- Nearly three-quarters of respondents say their construction business is thriving.
- Increases in construction wages continue to outpace increases in the average private market wages.
- Forty percent of contractors surveyed have more employees than the previous year.
- Eighty-seven percent of respondents anticipate wage increases in 2018, and more than 20 percent of respondents anticipate 2018 wage increases of more than 6 percent.
- Four out of five contractors expect to hire additional employees within the next 12 months or sooner, and nearly 40 percent have immediate hiring needs.



Overview of Participants

Data for this report were collected from 142 surveys received from January 9 through February 13, 2018, from contractors in Colorado, Nevada, and Utah.

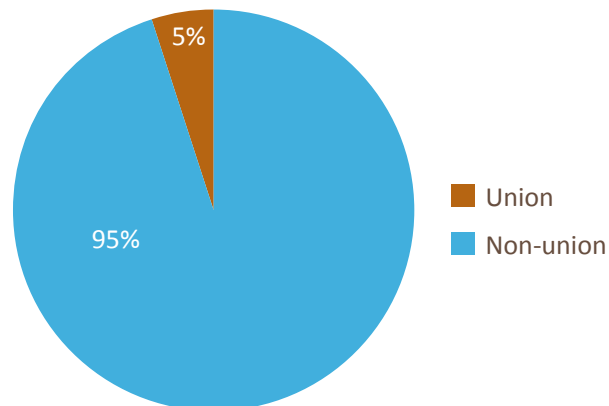
General Contractor

Commercial	26%
Industrial.....	3%
Highway	3%
Residential	8%
Other.....	2%

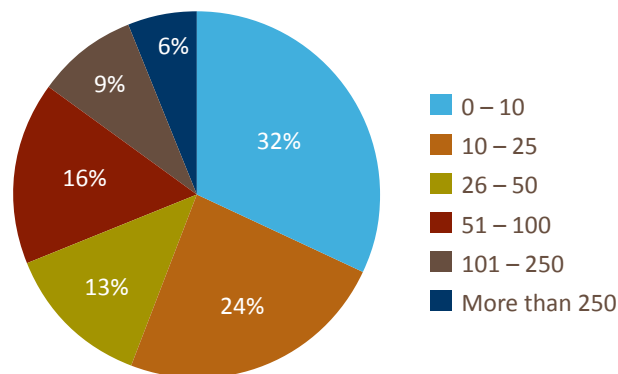
Subcontractor

Acoustical and drywall.....	3%
Concrete.....	4%
Carpentry and framing	1%
Electrical.....	8%
Excavation.....	3%
HVAC.....	1%
Landscaping	1%
Masonry	1%
Mechanical.....	4%
Painting.....	1%
Paving	1%
Plumbing.....	8%
Roofing	1%
Steel fabrication and erection.....	2%
Tile ceramic	2%
Utility	1%
Other subcontractor	14%

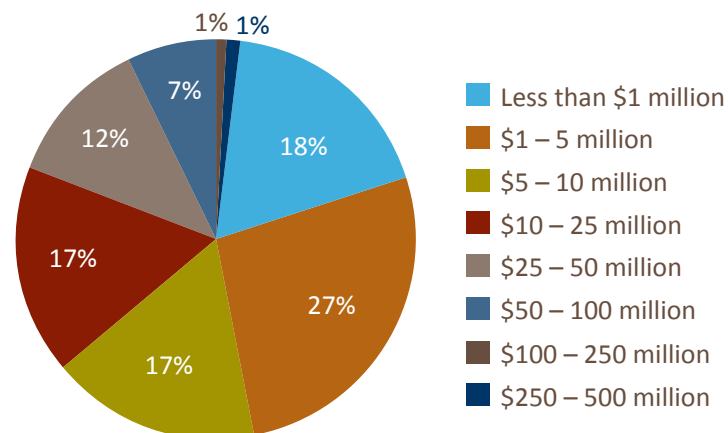
Workforce



Average number of employees

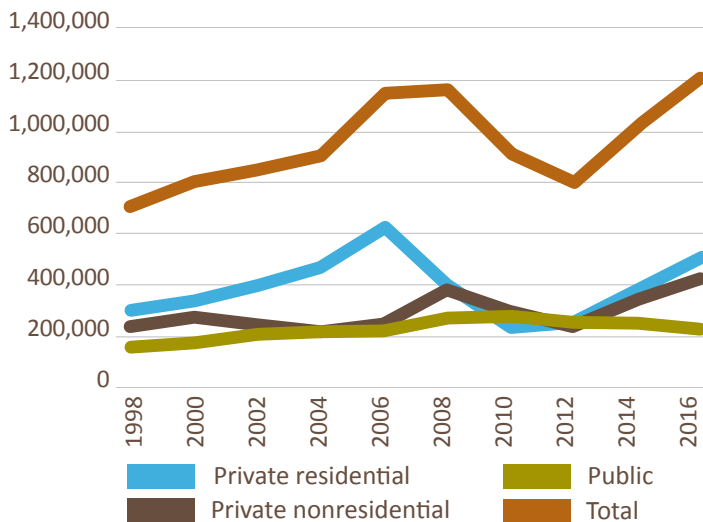


Projected Gross Revenue for 2017



Economic Impact

Value of Construction in Place in the United States



Source: www.census.gov.construction

National economy

The U.S. economy entered 2018 with high levels of business and consumer optimism. Consumer confidence, as measured by the Conference Board's index, hit a 17-year high in November, and the small business confidence index from the National Federation of Independent Business survey is at its highest level in 34 years. Consumers are optimistic about improving business conditions and the job market, and the small business and corporate sectors expect higher sales and improved profits in 2018.

In 2018, the gross domestic product (GDP) is expected to grow by 2.8 percent, giving the U.S. economy the best back-to-back years in more than a decade. Consumer spending, which accounts for about 70 percent of U.S. economic activity, is expected to be strong. Business spending will likely be up 3 – 4 percent, supported by the improving global economy.

The Federal Open Market Committee raised the federal funds rate to 1.5 percent in December 2017, the third increase in the past year. The expectation is that the Federal Reserve will raise rates three more times in 2018, pushing up the federal funds rate above 2 percent.

Source: <https://www.federalreserve.gov/monetarypolicy/2018-02-mpr-summary.htm>

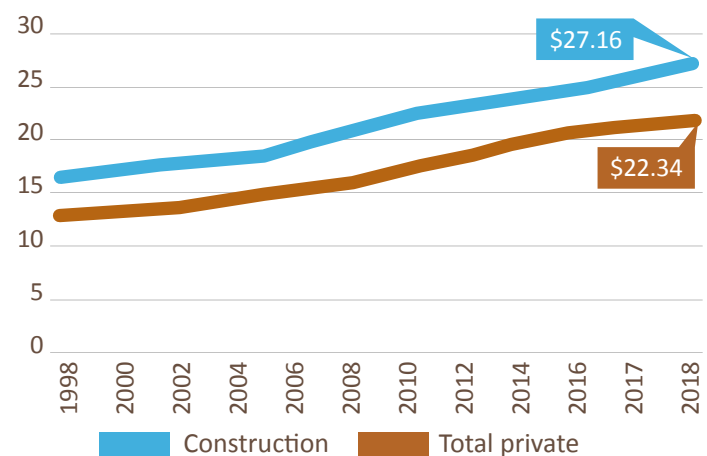
How tight is the labor market?

Although there is no way to know with precision, the labor market appears to be near or possibly a little beyond full employment. The unemployment rate of 4.1 percent is somewhat below most estimates of its longer-run normal rate, and the labor force participation rate appears to be stabilizing at its current rate of 63 percent.

However, despite reports that employers are now having more difficulties finding qualified workers, hiring has continued rapidly. Payroll employment gains have gradually slowed from an average of 250,000 per month in 2014, to an average of 180,000 per month in 2017. Job growth remains consistent with further strengthening in the labor market. Finally, the pace of wage gains has been moderate. While wage gains have likely been held down by the sluggish pace of productivity growth in recent years, serious labor shortages would probably bring about larger increases than have been observed thus far.

Construction wage increases continue to outpace the average private market wages. Construction wages increased 7 percent between January 2016 and January 2018, while the total private market increased only 4.8 percent during the same period.

Average Hourly Earning



Source: U.S Department of Labor, Bureau of Labor Statistics

Utah economy

The 2018 forecast for the Utah economy shows a modest slowdown in employment growth. For the first time in four years, employment growth could dip below three percent. Almost all sectors of the Utah economy are projected to perform well, but the largest job increases in 2018 are expected to be in professional and business services, construction, and health care.

Labor shortages

Tight conditions in Utah's labor market continued in 2017. The annual unemployment rate held steady at 3.5 percent, the fourth consecutive year the rate has been below 4 percent. No relief is expected for most employers, as the unemployment rate is projected to drop slightly to 3.3 percent in 2018. Large public and private projects will increase pressure on the labor market, particularly for the construction sector.

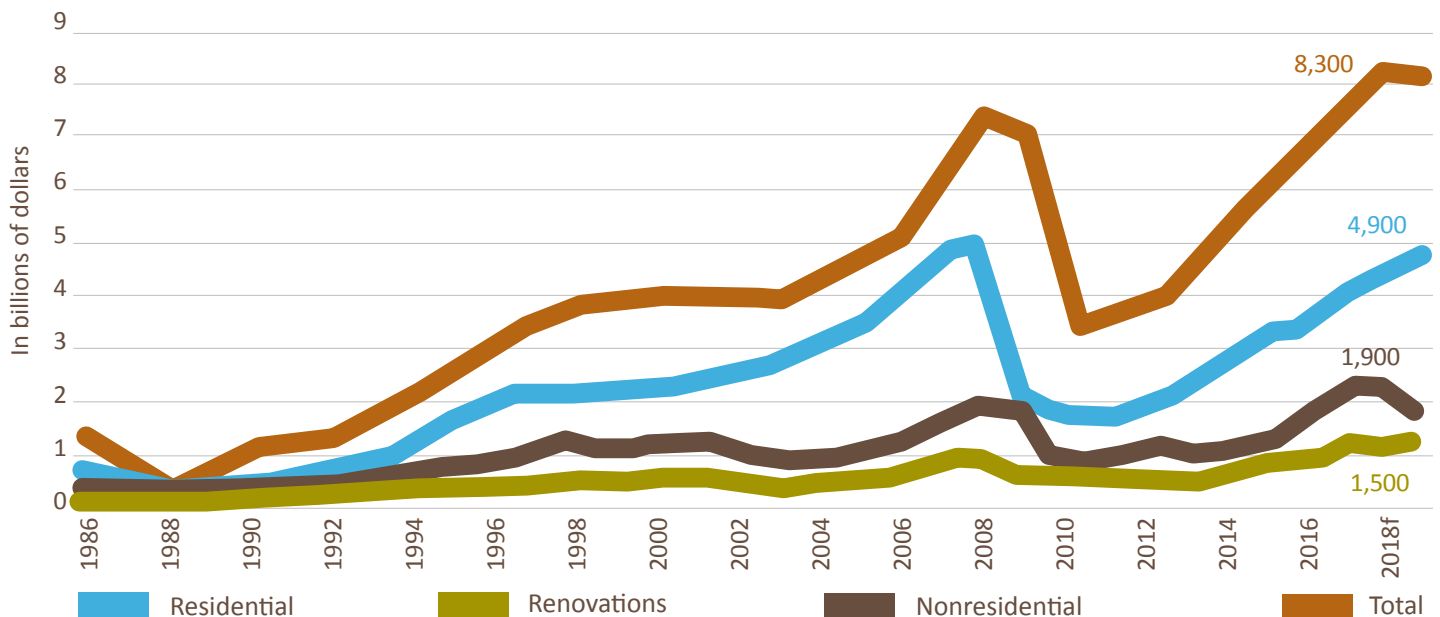
- \$3 billion redevelopment of the Salt Lake International Airport, which is near midpoint
- \$600 million state prison with a completion date of 2020
- 855,000 square foot Amazon fulfillment center
- \$1 billion in state road construction over the next three years
- \$600 million in public school construction planned over the next three years

Utah's 2018 construction outlook

The 2018 forecast for the value of permit-authorized construction in Utah is \$8.3 billion, off about 2 percent from 2017. The value of residential construction is expected to increase by 2 percent to \$4.9 billion due to increases in labor and material costs. The number of residential units is forecast to increase from 23,500 units in 2017 to 25,500 units in 2018. Most of the increase in residential construction will be concentrated in the single-family sector.

The value of permit-authorized nonresidential construction in 2018 is forecast to decline by 21 percent to \$1.9 billion in 2018, a level of activity still well above the annual average since 2000 (\$1.6 billion). In 2018, the traditional sectors of nonresidential construction — office, industrial, retail, hospitals, and churches — will continue to have solid activity, benefitting from Utah's strong job market and expanding population.

Source:
Economic Report to the Governor prepared by the Utah Economic Council

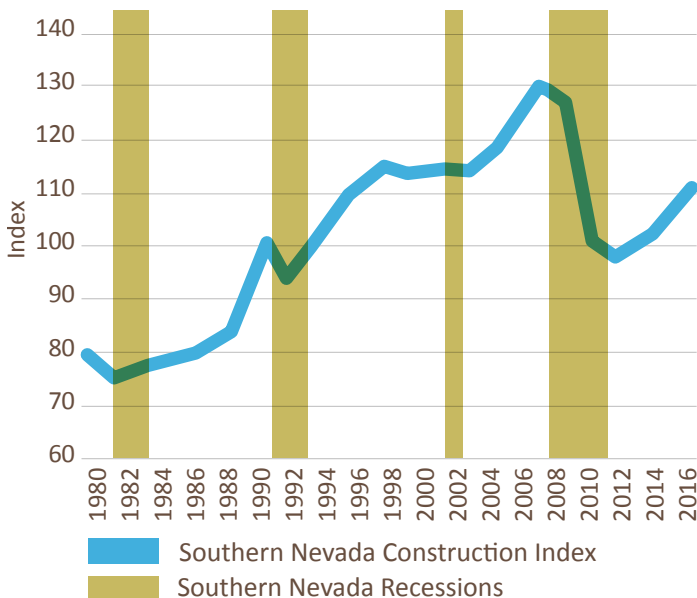


Economic Impact (Continued)

Nevada economy

Nevada posted generally positive signals in economic activity. Based on November 2017 data, employment is up 2.7 percent over last year, and taxable sales and gasoline sales (in gallons) in October climbed by 5.2 and 3.0 percent, respectively, year-over-year. November gaming revenue declined by 2.3 percent compared to a year ago.

Clark County Construction Index



The 2017 Clark County construction index performed better on a year-over-year basis, rising 3.1 percent. Commercial permits fell 31.7 percent, but there was a 35.6 percent rise in housing permits in November 2017. Construction employment continued its rise, increasing 16.3 percent from the previous year. Even with the continued rise, construction employment remains below its pre-recession peak.

Nevada's 2018 construction outlook

In 2018, Nevada will continue to experience a shortage of construction tradespeople and laborers. RCG Economics data showed about 82,700 construction jobs recorded in Nevada for September 2017, reflecting a 5.5 percent year-over-year growth. According to the Collier's Q3 2017 Las Vegas Research and Forecast Report, the Las Vegas Valley is an estimated 10,000 construction workers short for projects to be built in 2018.

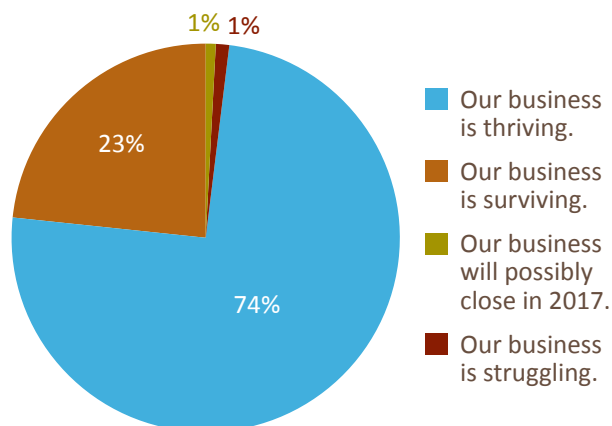
Source:
cber.unlv.edu/publications/2018-Outlook-NEVADA_SOUTHERN_NEVADA1.pdf



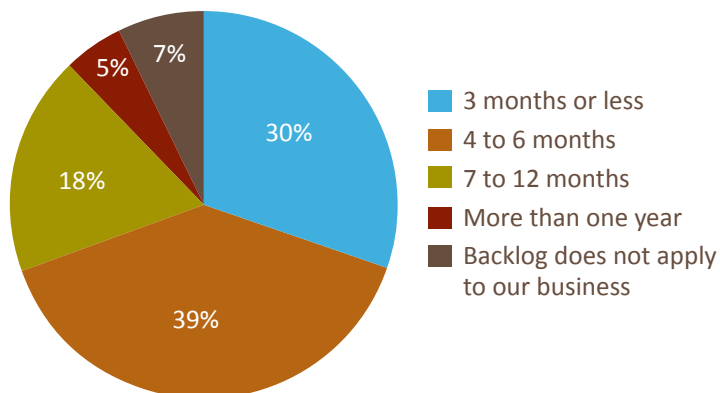
Survey Results

Nearly three-quarters of respondents say their business is thriving.

Current Business State

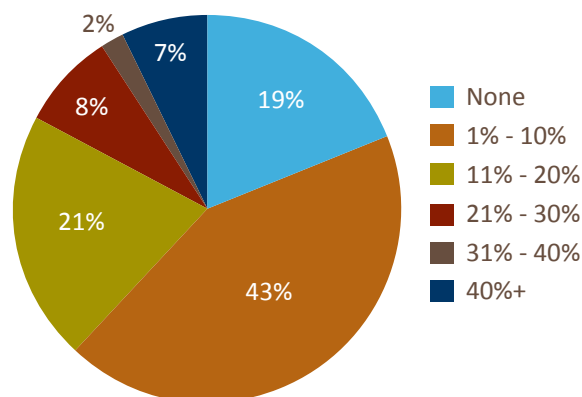


Backlog in Months



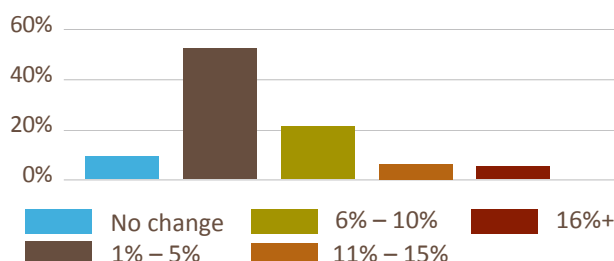
Thirty-eight percent of contractors report an increase in revenue between 2016 and 2017 of 11 percent or more.

Change in Revenue From 2016 to 2017



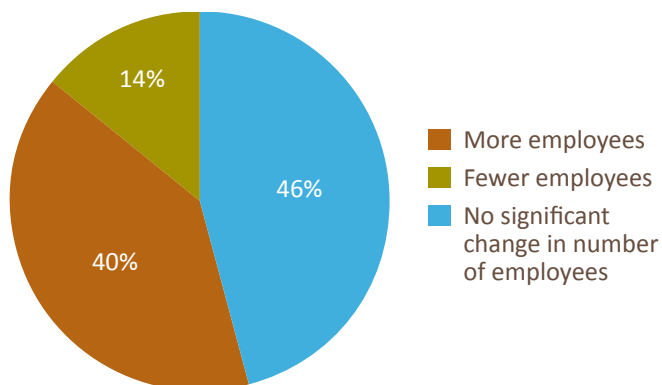
Thirty percent of survey respondents gave 2017 wage increases of 6 percent or more. The national average was only a 3 percent increase.

Wage Rate Increase in 2017



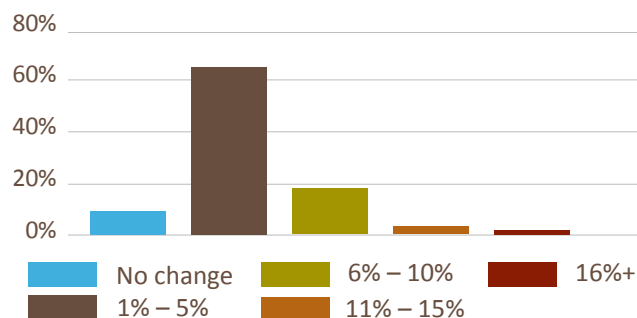
Forty percent of contractors surveyed have more employees than the previous year.

Number of Employees



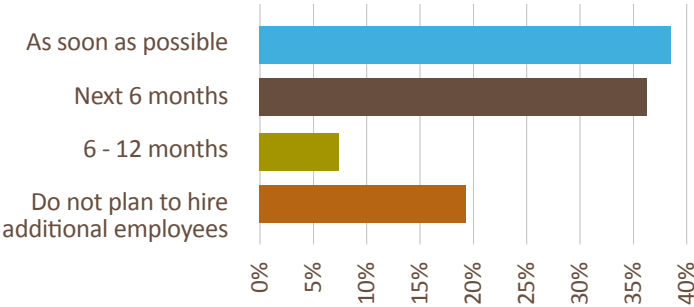
Eighty-seven percent of respondents anticipate wage increases in 2018, with over 20 percent of respondents anticipating 2018 wage increases of more than 6 percent.

Wage Increase Anticipated in 2018



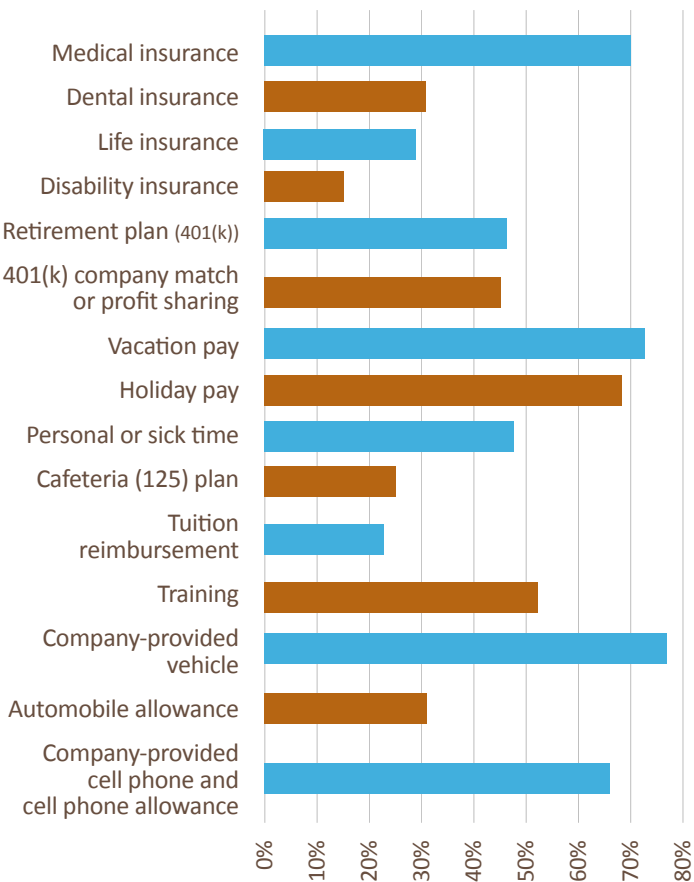
Four out of five contractors expect to hire additional employees within the next 12 months or sooner, and nearly 40 percent have immediate hiring needs.

When do you expect to hire additional employees?



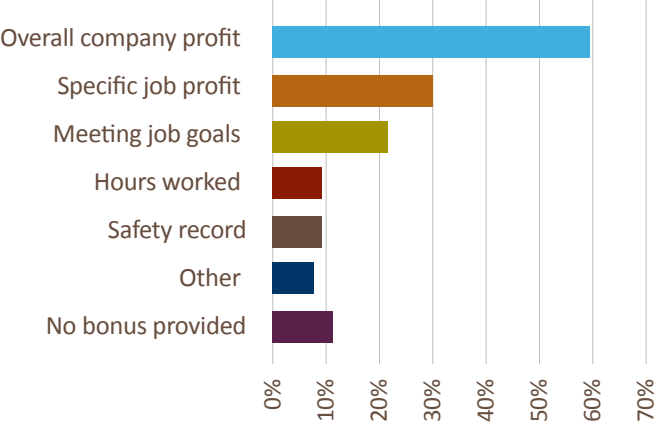
Medical insurance, vacation, holiday pay, and cell phone continue to be the top benefits offered to employees.

What benefits does your company provide and pay all or some of the cost?



The primary factor for most bonus calculations is overall company profit. Fifty-nine percent of respondents said company profit impacted bonuses.

Basis for employee bonuses



2018 Industry Wages - Mountain West

Colorado, Nevada, Utah

		Average Wage		Median Wage		Average	2017 Average Wage	
		Low	High	Low	High	Bonus	Low	High
Project Supervision	Superintendent	\$58,791	\$77,469	\$59,452	\$75,000	\$6,756	\$57,393	\$75,916
	Assistant Superintendent	51,614	64,351	45,000	61,100	4,011	43,778	56,074
	Senior Project Manager	83,867	102,889	84,000	99,836	14,206	84,238	101,098
	Project Manager	64,126	81,489	65,000	80,000	7,359	60,677	78,661
Estimators	Chief Estimator/Engineer	89,625	101,877	81,250	97,500	16,843	89,827	103,331
	Project Estimator	59,528	77,987	60,000	78,000	6,525	57,364	81,877
	Project Estimator - Apprentice	45,172	58,531	50,000	59,842	2,877	-	-
Office/Accounting	Secretary/Receptionist	29,752	36,539	30,000	35,000	1,093	27,772	34,879
	Accounting Clerk	37,677	46,613	35,140	45,760	1,815	36,284	45,983
	Office Manager	48,839	60,166	47,880	57,392	3,326	43,690	55,509
	Controller/Supervisor	67,791	79,437	63,700	80,000	9,021	69,901	81,542
	HR Manager	58,395	66,080	50,000	65,000	4,448	58,105	71,560
	CFO	102,434	132,219	96,000	117,050	16,374	103,984	119,554
Other	Dispatcher	20.26	26.60	18.62	24.04			
	Runner >	12.67	14.99	13.01	16.00			
	Purchasing Agent >	19.61	25.87	20.00	28.61			
	Safety Manager	29.59	38.42	28.57	38.46		28.80	35.88
General Laborers	Apprentice	13.03	16.50	13.25	16.00		12.74	17.07
	Journeymen	17.34	22.70	16.50	22.00		18.57	25.75
Carpenter Finish	Apprentice	12.95	21.16	12.00	18.00			
	Journeymen	23.42	27.33	21.00	24.50			
	Foreman	28.40	35.90	23.00	28.50			
Carpenter Rough	Apprentice	13.59	17.90	13.50	17.00		14.30	19.55
	Journeymen	17.57	22.29	17.50	21.50		19.23	26.47
	Foreman	21.50	25.63	21.50	25.00			
Concrete	Apprentice	14.56	17.02	15.00	18.00		13.79	17.17
	Journeymen	21.98	22.23	21.63	22.00		19.64	23.71
	Foreman	23.23	26.66	22.00	26.72		21.75	28.23
Drywall	Apprentice	13.50	16.75	13.50	16.50			
	Journeymen	19.20	24.60	19.00	25.00			
	Foreman	23.50	26.50	23.00	27.50			
Electrician	Apprentice	14.83	23.36	14.00	23.90		17.70	25.52
	Journeymen	26.18	31.30	26.00	32.00		25.48	30.41
	Foreman	31.29	34.23	30.00	34.00		28.64	32.06

> Caution, category average comes from a sample size of < 10.

2018 Industry Wages - Mountain West (Continued)

		Average Wage		Median Wage		Average	2017 Average Wage	
		Low	High	Low	High	Bonus	Low	High
Equipment Operator Heavy	Apprentice	\$15.90	\$19.22	\$16.41	\$20.00		\$15.13	\$18.40
	Journeymen	20.83	25.78	19.00	25.00		18.00	23.37
	Foreman	23.37	29.35	23.50	30.00		22.30	27.76
Equipment Operator Light	Apprentice	15.13	18.43	15.00	19.00			
	Journeymen	18.01	23.50	19.00	24.00		17.04	21.04
	Foreman	21.30	28.34	22.00	26.75			
Flaggers	Apprentice	15.41	19.24	16.00	17.75		14.55	19.49
	Journeymen	21.62	24.30	19.00	21.00			
Glazers	Apprentice	15.50	19.50	15.50	19.50			
	Journeymen	20.33	25.67	19.00	26.00		22.67	25.67
HVAC Installer and Tech	Apprentice	14.39	19.16	13.88	19.00		13.56	18.33
	Journeymen	21.00	27.14	20.00	26.00		19.90	25.30
	Foreman	25.00	29.33	28.00	32.00		22.17	27.83
Landscapers	Apprentice	11.90	14.80	12.00	15.00			
	Journeymen	14.70	19.40	15.00	20.00		14.94	20.44
Shop Mechanic Machine or Auto	Apprentice	14.79	18.11	16.00	18.13		13.91	17.75
	Journeymen	19.67	25.31	18.00	25.00		17.82	23.65
	Foreman	26.06	31.84	22.00	31.00		22.37	28.76
Service Mechanic	Apprentice	17.00	20.50	16.00	19.50			
	Journeymen	22.00	28.58	21.00	29.00		19.92	24.31
Painter	Apprentice	12.37	16.62	12.03	16.89			
	Journeymen	16.57	20.81	15.50	20.10			
	Paver	18.25	23.50	19.00	24.00		18.50	22.50
Pipelayer	Apprentice	14.58	17.60	13.00	18.27			
	Journeymen	19.09	23.80	18.75	22.08		17.38	21.35
	Foreman	22.77	28.51	22.54	27.00			
Plumbers	Apprentice	13.62	21.43	13.38	22.00		15.26	22.25
	Journeymen	23.90	29.81	24.00	29.00		23.57	28.59
	Foreman	27.00	30.90	27.00	32.00		25.77	28.91
Tile Installers	Apprentice	14.70	18.40	13.50	18.00			
	Journeymen	21.17	25.75	20.00	25.00			
Truck Driver	Apprentice	16.77	19.57	17.00	20.00		16.19	19.42
	Journeymen	18.86	23.24	18.72	23.00		21.33	25.46
Welder	Apprentice	13.17	19.50	13.00	18.00			
	Journeymen	23.66	28.08	22.75	26.25		22.21	26.04

Meeting the Construction Industry's Challenges With CLA Resources

Contractors face unique challenges. We believe you shouldn't have to face them alone, and we want to be there to help you. Professionally or personally, big company or small, we can help. We understand your business and your industry. We listen to you; we build a plan together to address your needs, and we bring that plan to life.

We know your industry

CLA's 350 construction professionals provide audit, tax, and consulting services to more than 19,000 construction and real estate clients nationwide. Our clients include general commercial building contractors; highway and heavy contractors; earthwork, paving, and utility contractors; concrete and masonry contractors; demolition contractors; homebuilders; architects; engineers; specialty contractors; and commercial and residential real estate developers and managers.

We serve a large number of manufacturers and distributors that provide materials to companies in the building trades. We also have strong relations with the surety companies and banks that have a significant presence in the construction field. We know your suppliers, your subs, and your clients — just about everyone you do business with.

Uncommon resources

CLA develops a deep understanding of our clients so we can fully serve your needs. We listen to what you really want and apply our talents and experiences to help you get it. In our firm's more than 60 years, we've continually adapted to meet our clients' needs. Today, CLA serves more than 100,000 clients through 5,000+ professionals in more than 100 locations across the United States — in small towns and big cities. Our sensitivity to the needs of our clients has helped shape our company into the three integrated service lines we have today.

CLA Promise

CLA exists to create opportunities — for our clients, our people, and our communities. We do it by living the CLA Promise: We promise to know you and help you. We believe professional relationships can be personal and that those connections can last for generations.

CLA delivers integrated wealth advisory, outsourcing, audit, tax, and consulting services to help clients succeed professionally and personally. Grounded in public accounting, our broad professional services allow us to serve clients more completely and offer our people diverse career opportunities.

Wealth advisory

You can rely on one firm for all of your personal, family, and business guidance. We take the time to understand what you want out of life, and we'll guide you on your financial journey.

Outsourcing

CLA can make your organization stronger by providing customized short- and long-term outsourced finance and accounting services. Our experienced CFOs, controllers, and staff accountants can help you with the data management and reporting you need to successfully grow and improve your organization. We will assess your company's current processes as well as your finance, accounting, and industry-specific needs. Then we will design an outsourcing strategy.

Accounting, audit, tax, and consulting services

Our professionals focus on providing service with quality and integrity. This work ethic has helped us gain the public trust and retain a strong reputation in the industry. We begin our business relationships by obtaining a clear understanding of your business, personal situation, and goals. Our broad range of services can then be tailored to best serve you and the needs of your business.

A unique approach

You will develop a personal connection with people at CliftonLarsonAllen. We've immersed ourselves in the industry and work closely with owners and leaders to identify the information needed to make good business decisions and plan for long-term financial success.

For access to regional wage tables and additional information, contact Bryon DeStigter at 801-545-7115 or byron.destigter@CLAconnect.com.



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