

The Massachusetts economy hit a significant slowdown in the first quarter of 2022 as another wave of COVID-19, sky-high inflation rates, and persistent supply chain problems combined to bog down growth. Real GDP in Massachusetts decreased at a 1% annualized rate in the first quarter, nearly as steep as the 1.4% dip in national GDP. The sharp slowdown in growth in the first quarter reflects the impact of the omicron variant of COVID-19, continued supply chain problems, the effect of inflation on purchasing power, and weakening consumer and investor confidence. As the growth-dampening effect of omicron waned in late winter and early spring, the outbreak of war in Ukraine gave an added boost to inflation, particularly for energy and food prices. At the same time, the labor market continued to exhibit strong gains in employment and wage growth, falling unemployment, and record-low layoffs. Wage

and salary growth per worker, however, continued to lag inflation, dampening aggregate spending power, and slowing real economic activity. Inflation accelerated from 6.6% in the fourth quarter of 2021 to 10.8% in the first quarter of 2022 for Greater Boston, a much more significant increase than the jump from 7.9% to 9.2% percent nationally.

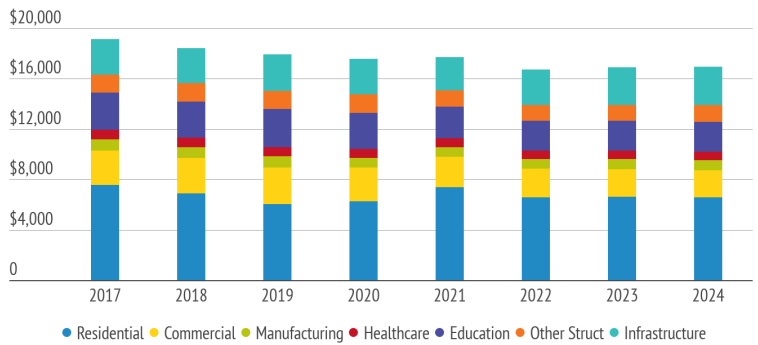
Despite facing several challenges, such as the Russia-Ukraine war, high gas prices, and the pullback in the S&P 500, we expect positive GDP and employment growth and an elevated Consumer Price Index (CPI) through 2023. Boston's hotel sector is on the upswing, posting higher occupancy and ADR rates in 2022, a trend that is set to increase as the city attracts more leisure demand, group demand, and corporate travelers.

Total Construction Market Volume by Sector (x \$1m, Nominalized 2012\$)

Sector	2017	2018	2019	2020	HISTORIC		FORECAST	
					2021	2022	2023	2024
Total Increase	Y-O-Y %	-3.8%	-2.6%	-2.2%	0.9%	-5.7%	1.2%	0.2%
Residential	Y-O-Y %	-8.7%	-12.1%	3.4%	18.2%	-10.9%	0.2%	-0.8%
Commercial	Y-O-Y %	2.4%	2.3%	-7.3%	-10.6%	-5.9%	-1.3%	-1.7%
Manufacturing	Y-O-Y %	-3.4%	5.1%	-13.5%	2.7%	-0.7%	-1.2%	0.2%
Healthcare	Y-O-Y %	-5.0%	-1.3%	-2.8%	-1.8%	-4.1%	1.2%	1.9%
Education	Y-O-Y %	-1.1%	4.5%	-4.3%	-13.6%	-4.9%	-0.5%	0.6%
Other Struct*	Y-O-Y %	0.6%	-2.0%	1.0%	-11.8%	-3.6%	4.3%	4.2%
Infrastructure	Y-O-Y %	-1.6%	5.7%	-4.5%	-4.9%	5.2%	6.0%	1.4%

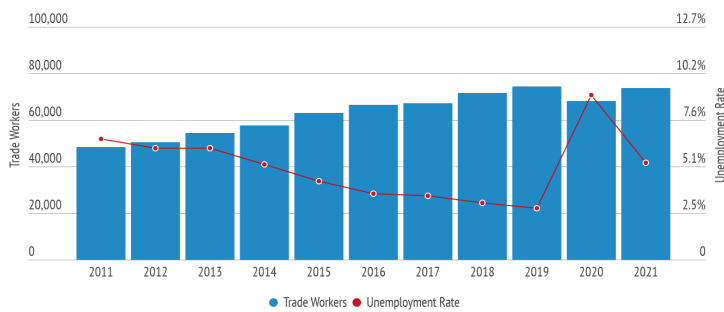
* This includes religious buildings, amusement, government communications, and public recreation projects.

Annual Volume (x\$1M, 2012\$)



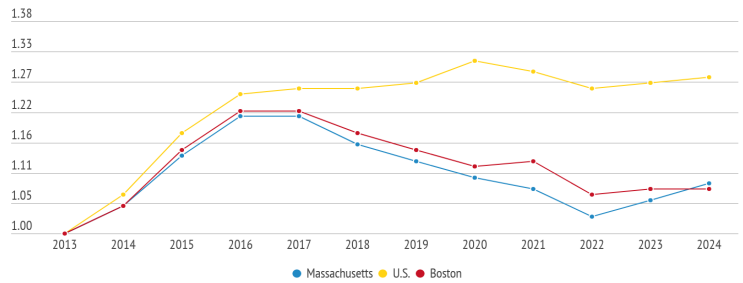
SOURCE: IHS-Markit

Regional Construction Employment



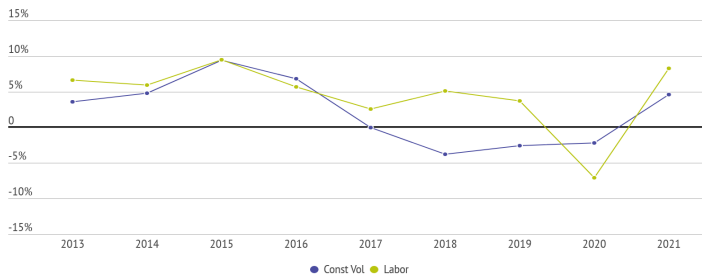
SOURCE: U.S. Bureau of Labor Statistics

Construction Spending Index 2013-2023 (2013=1.0)



SOURCE: IHS-Markit

Construction Volume vs Labor - Annual Increase/Decrease



SOURCE: ReedConnect

Top Regional Projects Sorted by Construction Value

Project	Location	Value
Mayflower Wind	Somerset	\$5.0B
Dorchester Bay City	Boston	\$5.0B
Vineyard Wind 1	New Bedford	\$2.8B
Green Line Lechmere Station Extension / Somerville	Somerville	\$2.3B
Massachusetts General Hospital / Clinical and Campus Services Building	Boston	\$1.9B
I-90 Allston Interchange Improvements Project - Phase 1 - MassDOT	Boston	\$1.7B
Mary Ellen McCormack Redevelopment	Boston	\$1.6B
Bunker Hill Housing Redevelopment (fka One Charlestown)	Boston	\$1.4B
Harbor Garage Redevelopment	Boston	\$1.2B
Harvard University Enterprise Research Campus	Boston	\$1.0B

SOURCE: ReedConnect