

The Southwest is very much a tale of two markets: California, and everywhere else. Cities outside of California are vying to become hubs for the technology industry. Phoenix and Las Vegas are expected to become home to new semiconductor manufacturing facilities and life sciences projects. Region-wide, cities are looking to reap the economic benefits of their comparatively lower costs of living and educated workforces.

California – which makes up almost 75% of the region’s construction spending – is in many ways a victim of its own success. The cost of living has grown to eye-watering levels, which has caused businesses to set up shop elsewhere and deterred prospective residents. Municipalities statewide have been reticent to approve new housing and

transit options, with homeowners preferring to keep costs high. The state government has had to step in to encourage new developments, but this has been a slow and cumbersome process. We do not expect things to change in the near future.

Cities across the region have begun to run into climate-related problems. Los Angeles has effectively built on all available land that’s safe from wildfires, leading to new projects directly in their path. Cities further out in the desert like Phoenix, Albuquerque, and Salt Lake City can only grow so big before they no longer have enough natural resources to support their populations. Phoenix is already approaching this point and has placed a moratorium on new construction to preserve its aquifers. As fights over water rights in the Colorado River show, the rest of the region is approaching this point as well.

SOUTHWEST

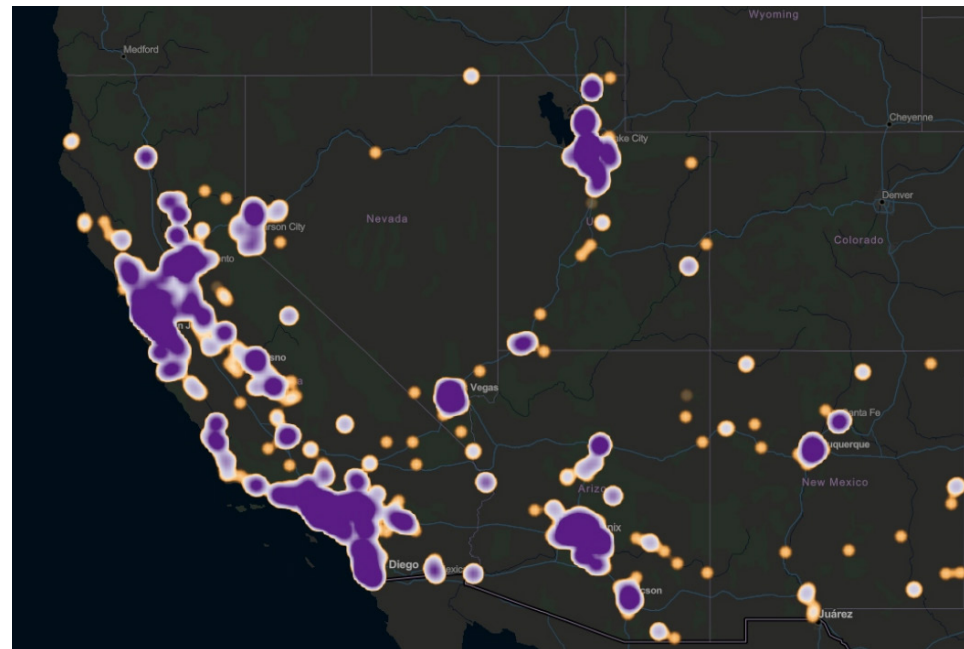
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Total Construction Market Volume by Sector (x \$1m, Nominalized 2012\$)

	2017	2018	2019	2020	2021	2022	2023	2024
Total	6.5%	2.0%	-5.5%	7.5%	2.0%	-7.0%	-5.8%	5.7%
Residential	14.9%	1.3%	-12.6%	14.7%	12.8%	-5.1%	-14.1%	8.7%
Commercial	3.7%	2.4%	0.5%	-2.1%	-11.4%	-7.5%	3.2%	-8.2%
Manufacturing	-13.4%	-2.4%	5.6%	-8.1%	-0.8%	11.1%	28.1%	2.6%
Healthcare	7.4%	-1.0%	0.1%	4.3%	-3.6%	-7.9%	-2.9%	2.3%
Education	3.8%	1.6%	3.5%	-2.1%	-15.7%	-15.0%	2.9%	1.6%
Other Struct*	6.6%	2.2%	0.5%	5.3%	-11.6%	-10.2%	-1.9%	-0.4%
Infrastructure	-6.2%	5.4%	2.6%	3.5%	-7.3%	-13.4%	5.4%	9.0%

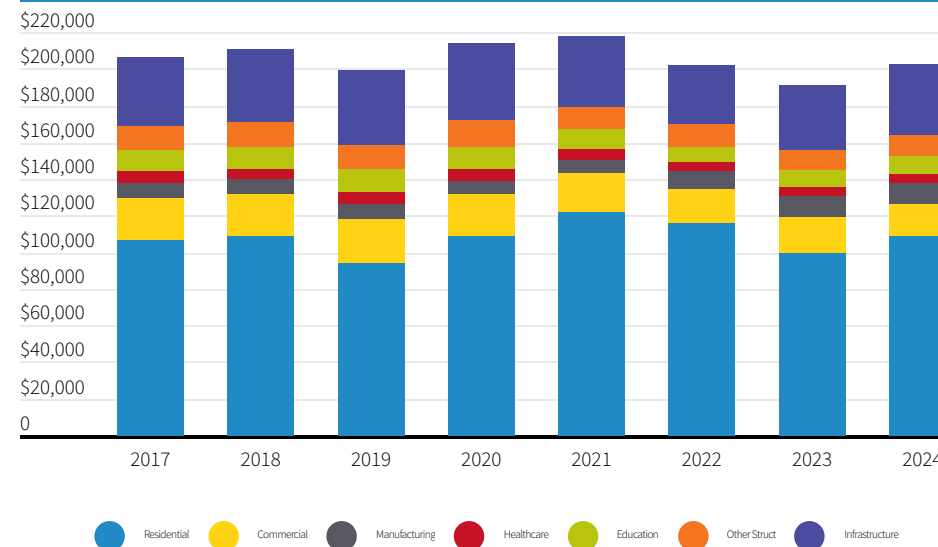
* This includes religious buildings, amusement, government communications, and public recreation projects.

SOURCE: IHS-Markit



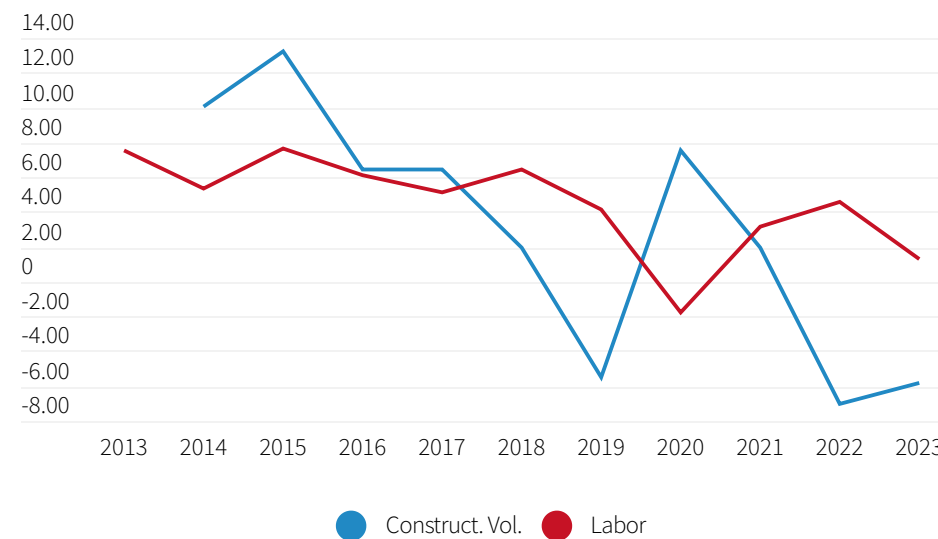
SOURCE: BuildCentral

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



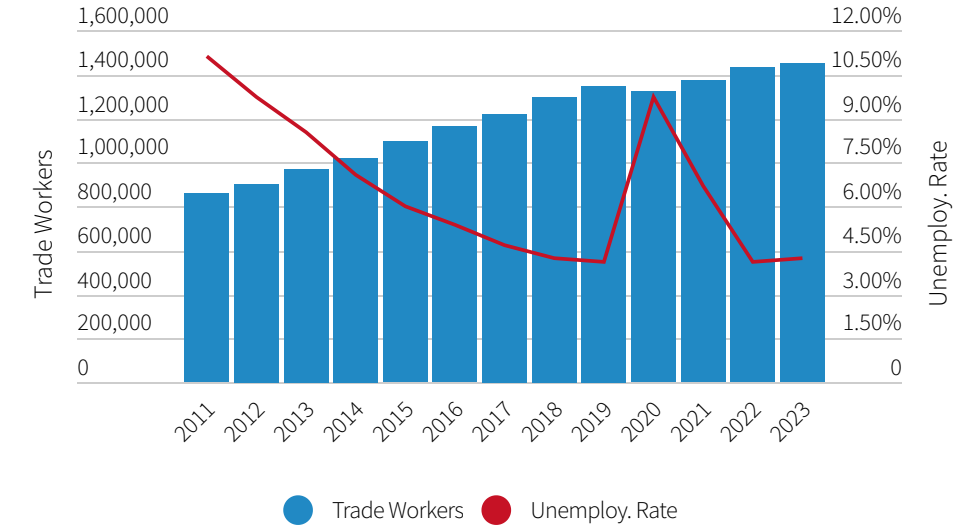
SOURCE: IHS-Markit

Construction Volume vs Labor - Annual Increase/Decrease



SOURCE: IHS-Markit and FRED

Regional Construction Employment



SOURCE: U.S. Bureau of Labor Statistics

Top Regional Projects Sorted by Construction Value

Project Name	Location	Value
Taiwan Semiconductor Manufacturing Company Wafer Plant	Phoenix, AZ	\$12B
Kaiser Permanente Roseville Medical Center Inpatient Bed Tower Expansion	Roseville, CA	\$10B
Bleutech Park Las Vegas	Las Vegas, NV	\$7.5B
Related Santa Clara	Santa Clara, CA	\$6.2B
Laughlin Solar Energy Plant	Laughlin, NV	\$6B
LG Plant	Queen Creek, AZ	\$5.5B
Helios Medical Campus	North Las Vegas, NV	\$5B
Warner Center 2035	Los Angeles, CA	\$5B
Downtown Sacramento Railyards Redevelopment	Sacramento, CA	\$4.5B
Equipment and Process Innovation and Commercialization Center	Santa Clara, CA	\$4B

SOURCE: Build Central