

RISING COSTS PRESENT PROCUREMENT CHALLENGES ACROSS NORTH AMERICA

As economic headwinds mount, momentum in US construction activity has waned, but industry dynamics vary widely between states. Strong demand and rising construction costs are creating a challenging procurement landscape in busy states such as California and Texas. Elsewhere, supply chain capacity is coming back on stream and competition is intensifying.

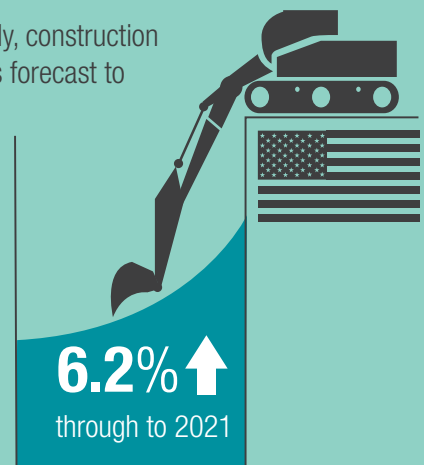
Construction costs – both materials and labor – are rising at a relatively rapid rate, especially in areas where demand is still strong. Tariffs on steel and aluminum created additional inflationary pressure during the past few quarters, some of which has been absorbed by the supply chain.

“Persistent growth in the cost of delivering construction projects – and a more muted outlook for sales value appreciation – will weigh on project appraisal viability over the next 12 months. Carefully designed, well informed procurement strategy, based on a comprehensive understanding of relevant supply chain dynamics, can help clients to overcome some of these challenges. Knowing where spare capacity sits, and engaging with contractors at the right time, can significantly enhance project outcomes.

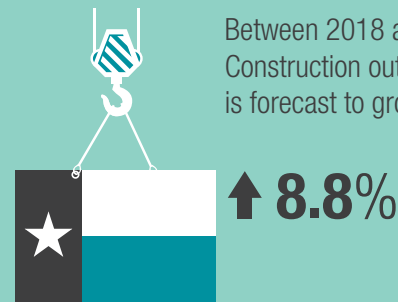
As we enter a period of heightened market uncertainty, it’s important to invest time in conducting thorough due diligence prior to entering contracts. This will help to alleviate the risk of problems at a later date. Careful specification of contractual design documents, which build in flexibility to enable contractors to respond appropriately to market challenges, while safeguarding a project’s integrity, is also advisable.”

Greg Parker
Managing Director of Mace North America

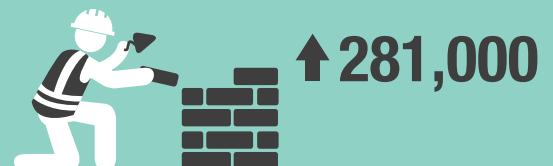
Nationally, construction output is forecast to rise by...



Between 2018 and 2021 Construction output in Texas is forecast to grow by...



Between 2018 and 2021 US construction employment set to grow by...

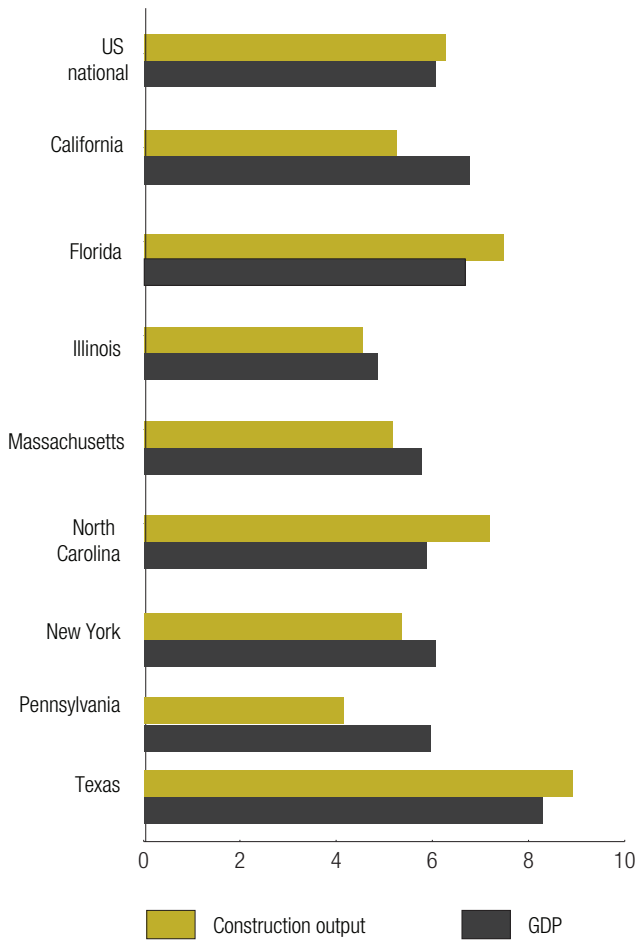


Between 2018 and 2021 annual construction wage inflation to average...

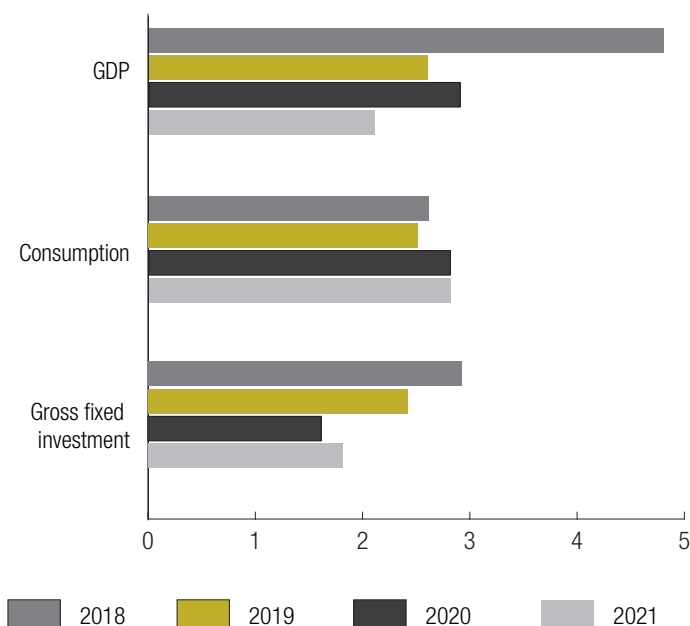
2.8%



Regional snapshot
(IHS Markit, Oxford Economics, real % change 2018 to 2021)



Key economic indicators
(Oxford Economics, IHS Markit, real change, annual % change)



REGION OVERVIEW

Economy

Growing at an annual rate of 3.1% in the first quarter, the US economy started 2019 on a bullish note, as private sector investment remained strong. Trade tensions and a slowdown in the pace of global growth constrained the rate of expansion in Q2 to 2.1%. Against strengthening headwinds, Oxford Economics expects GDP to expand by 2.4% this year, before the pace of expansion slows to 1.6% in 2020 and 1.8% in 2021.

Downside risks threaten this relatively stable picture, prompting the Federal Reserve to cut rates for the first time since the depths of the financial crisis in July 2019.

With wages growth expected to outstrip inflation over the next two years, households' spending power will receive a boost. Oxford Economics expects real household disposable income to grow at a rate of between 1.1% and 1.9% through to 2021. This bodes well for household

consumption and retail sales, which are forecast to increase by more than 2.5% over the next two years.

Downside risks threaten this relatively stable picture, prompting the Federal Reserve to cut rates for the first time since the depths of the financial crisis in July 2019. The cut was preemptive to help support the economy through a period of slower growth caused by a weaker outlook for the global economy and the potential impacts of trade wars.

It has been a volatile 12 months for trade policy. As the latest round of talks between the US and China broke down, the US raised tariffs from 10% to 25% on US\$200bn of Chinese goods and threatened to target an additional US\$300bn worth. More recently, the US President announced the imposition of tariffs on all goods imported from Mexico to pressure the country into curbing migration flows into the US. Business investment growth has slowed as a consequence of these radical shifts in international trade policy and manufacturing firms are particularly exposed.

Construction

Construction spending across the US reached US\$1.3tn in current prices in 2018; a 4% increase compared with 2017 according to Census Bureau data. A recovery in non-residential development, following 2017's lull, helped to compensate for a marked slowdown in the pace of growth in residential construction spending.

By 2018, real term spending on construction continued to trail 2007 levels by around 10%, suggesting the industry still has a way to go to recover ground lost during the great recession. What's more, recent indicators suggest 2019 has, to date, been challenging.

Construction spending in the year to May was down by 0.3% against 2018, in nominal prices, as private sector clients reined in activity. There were exceptions

to this contracting picture, as spend by private clients continued to rise on commercial, educational, religious and communication projects.

Recent state of the industry survey data paint a mixed picture. While construction contractors remain upbeat about prospects for non-residential construction, architects report that billings are faltering – possibly an indication that the slowdown in activity is set to become more entrenched. The Associated Builders and Contractors' (ABC) latest Construction Confidence Index rose to 70 in June, a significantly higher level than the diffusion threshold of 50. At 50.2, the national Architecture Billings Index (ABI) suggested billings at architecture firms were broadly flat in May. New project inquiries and the value of new design contracts indices remained positive, but softened compared with April. Regionally, it was a mixed picture, with the South and Midwest faring better than the rest of the country. The ABI for the South and the Midwest stood at 51.4 and 51.6 respectively, whereas the Northeast remained firmly in declining territory at 47.5.

Engineering News-Record's (ENR) quarterly Construction Industry Confidence Index remained static at 59 in Q1 2019, but medium-term expectations have deteriorated with the majority of respondents now expecting the market to slip into decline during 2020.

Mixed industry signals have split forecaster opinion on the outlook for US construction. The weakness of recent residential construction figures has prompted IHS Markit to take a pessimistic stance. IHS Markit expects total real construction spending to contract by 1.2% in 2019, before posting a modest recovery of 0.3% growth in 2020. Oxford Economics' forecasts present a more optimistic outlook. Its latest projection anticipates growth of 1.2% this year, strengthening to 2.4% in both 2020 and 2021.

Steel prices soared during 2018, as 25% tariffs on imports hit in June that year. Producer price indices recorded a 15% uplift in fabricated structural steel prices, while steel pipe and tube prices rose by 20%. Bureau for Economic Analysis figures – tracking prices of intermediate inputs into the construction industry – suggest the direct impact on the industry has been more muted as the supply chain has elected to absorb some of the impact. Overall, construction cost inflation is running at a rate of 4%.

Construction labor costs increased by 3.3% in 2018 and, over the past three years, construction wage inflation has outpaced economy-wide wage growth. Survey data suggests contractors are struggling to attract skilled construction workers and this is becoming a barrier to effective project delivery. 63% of respondents to the USG Corporation and U.S. Chamber of Commerce Commercial Construction index Q1 2019 survey reported that labor shortages were increasing the cost of delivering new construction work, with 70% stating they were struggling to meet deadlines as a consequence of insufficient labor resource.

NEW YORK

Following a subdued 2019, the outlook for construction in New York is set to strengthen in 2020 and 2021. Procurement challenges will remain near-term within tranches of the market. With a record amount of newly completed office space hitting the market, and buoyant leasing activity, fit out contractors remain busy. Elsewhere, competitive tension is strengthening as contractor capacity comes back on stream.

Economy

GDP growth in New York accelerated to 2.1% in 2018, following two years of relatively sluggish growth. This stronger outturn was constrained by economic headwinds that fuelled a 6% contraction in the finance and insurance sector, which accounts for around 15% of economic activity in the state.

Uncertainty created by the ongoing trade dispute between the US and China will continue to weigh on finance and insurance activity in 2019 before prospects improve. Oxford Economics forecasts GDP will grow by 2.4% in 2019, 1.6% in 2020 and 1.8% in 2021.

Construction

Construction output grew by 1.9% in 2018, after posting a 1% contraction in 2017. Oxford Economics' latest forecast suggests the rate of growth will slow to 0.9% in 2019, before strengthening to 2.2% in 2020 and 2.1% in 2021 as residential building activity returns to growth and work progresses on the healthy pipeline of mixed-use towers in the planning system.

Retail construction activity in New York has been affected by the broad structural shift towards online, and new build activity levels have fallen sharply since 2015. However, retail construction in New York has fared marginally better than in other states due to the strength of the suburban market. In Manhattan, rents for retail space are falling and availability is rising.

Leasing activity in Manhattan's offices sector is running close to its record high according to Cushman & Wakefield. Despite this, the vacancy rate pushed into double-digits for the first time in 18 quarters as newly completed space came to market. Demand from financial services clients was a prominent driver, in addition to business rationalisation and efficiency optimisation exercises. Looking ahead, projected jobs growth is expected to keep the market moving in a positive direction.

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Under this legislation, all buildings with a floorplate of 25,000 square feet or more are required to reduce carbon emissions by 40%

by 2030 from their 2005 baseline. This means approximately 2% of the city's building stock will be required to strengthen its energy performance.

PENNSYLVANIA

Supply and demand are broadly in equilibrium across Pennsylvania's construction markets. Contractors are busy, but few are currently operating at full capacity. Building cost and wage inflation have moderated, giving contractors greater foresight of costs and allowing for businesses to secure competitive prices for construction projects in the state.

Economy

The Pennsylvanian economy grew by 2.1% in 2018, after expanding by 1.7% in 2017. A contraction in finance and insurance was offset by reasonably healthy expansion in retail, real estate, rental and leasing, and professional, scientific and technical services.

With GDP forecast to expand at a rate of 2.4%, 2019 is expected to be another reasonably good year for growth in the state, according to Oxford Economics. Growth is forecast to slow to 1.6% and 1.8% in 2020 and 2021, respectively

Construction

Construction activity in Pennsylvania grew by 1.1% in 2018, against a national growth rate of 2.9%. The weakness of housebuilding activity – building permits for private housing units reduced by 13% in the year to May – is set to constrain construction activity this year before a surge in life sciences projects helps to drive output growth in 2020 and 2021. Oxford Economics expect no change in construction output in 2019, with growth of 2.2% and 2.1% forecast in 2020 and 2021 respectively.

Philadelphia's commercial offices market posted a solid performance in early 2019, underpinned by robust labor market fundamentals in both the central business district and suburban markets.

Bright spots of activity currently exist on an otherwise subdued horizon. Philadelphia's commercial offices market posted a solid performance in early 2019, underpinned by robust labor market fundamentals in both the central business district and suburban markets. The Department of Commerce's drive to cultivate the city as the US

hub for pharmaceuticals is paying dividends. Agents report that demand from life sciences and healthcare occupiers has played a key role in the city's offices sector, and Newmark Knight Frank expects this to continue over the next 12 months. The city is also attracting significant demand from new-to-market tenants.

In addition to generating demand for existing office space, targeted development to meet the specific requirements of life sciences, healthcare and technology-enabled companies is in the pipeline. In recent months, a number of large schemes have been announced, including 136,000 square feet of office and laboratory space in Navy Yard and a network of 12 connected coworking complexes in the Philadelphia suburb of King of Prussia – the first of which is a 1.6 million square foot campus at an estimated cost of US\$500m.

Inflation in construction wages has been relatively strong in recent years, despite the rather lacklustre rate of industry expansion. Looking ahead, construction wages are expected to rise by less than 1% in 2019, but inflation is forecast to strengthen to 2.7% in 2020 and 3.1% in 2021.

CALIFORNIA

Buoyant demand across California is stretching supply chain capacity and fuelling construction cost inflation, and San Francisco is particularly busy. As the contracting market nears saturation point, escalation rates are high and rising. A pro-active procurement strategy, seeking to engage contractors and promote schemes at the earliest possible opportunity, can help overcome these challenges.

Economy

California's economy went from strength to strength in 2018, posting one of the strongest state-level performances and outstripping the national average by a wide margin. GDP grew by 3.5% during the year, after rising by 3.6% in 2017. At 7.2%, growth within the professional, scientific and technical tranche of the economy was especially buoyant.

GDP is set to grow at a slower pace going forward, but the rate of increase is likely to continue to compare favourably against the US as a whole.

Construction

California's US\$85bn (2012 prices) construction sector grew by 5% in 2018. Momentum is forecast to wane temporarily in 2019, before growth of around 2.5% resumes in 2020 and 2021. The temporary hiatus in output growth is a function of a softer near-term outlook for both the residential and non-residential sectors. On an annualized basis, the value of building permits for housebuilding, issued by the Department of Finance, contracted by 1%, whereas the value of non-residential permits reduced 2%. Dodge Data & Analytics' Momentum Index – tracking non-residential building projects in planning – declined by 1% in May, as the commercial sector's indicator fell by 7%.

The strength of demand from the technology, media and coworking sectors is driving market fundamentals across California's leading commercial office hubs and the outlook

over the next 12 months is positive. In Los Angeles, agents report the mismatch between supply and demand is pushing rents to record highs. Larger floorplates are especially scarce. Over in Orange County, the extent of price appreciation for Class A space has encouraged occupiers to explore Class B options – prompting the refurbishment of existing space.

Further north, it's a similar story. Average asking rents climbed by over 9% in the year to Q1 2019, according to Newmark Knight Frank. Savills reports that falling availability and rising rents has triggered a development boom in Silicon Valley. Approximately six million square feet of new office inventory was scheduled to complete in the first half of 2019.

Buoyant economic conditions and a strong consumer sector in San Francisco provide a solid foundation for the retail sector. Consumer spending and retail sales are increasing at a healthy rate, but the traditional storefront retail model faces significant headwinds from the online offer and the threat of an increased tax burden. Earlier this year, the City of San Francisco proposed a vacancy tax on housing and retail units that have been empty for over six months. If approved, the tax will see landlords incur a fine of \$250 per unit per day until the unit is leased.

Skilled labour shortages have fuelled rapid construction wage inflation in recent years. Average wages climbed by 9% in just two years and the rate of increase is set to remain

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relatively high – averaging 3% per annum – over the next few years. Oxford Economics projections anticipate California's construction workforce will attract an additional 19,000 workers by 2021.

The strength of industry demand has caused capacity pinch points and procurement challenges. General contracting capacity is stretched and some trades and materials are proving difficult to source – a problem exacerbated by natural disaster driven spikes for certain materials as rebuilding efforts take place.

CHICAGO

Construction activity across Illinois has been subdued in recent years, but demand drivers in Chicago have been significantly stronger. That said, while the contracting market is busy, capacity is coming back on stream and appetite to tender is strong. Intelligent, capacity-focused procurement strategy can secure competitive pricing in the Chicago market.

Economy

The state of Illinois grew by 2.1%, in real terms, in 2018. This was a significant improvement on its sub 1% growth performance in 2016 and 2017, which was constrained by weakness in the finance and insurance sector, plus a contraction in state activity, partly caused by an unprecedented two-year impasse during which the state was without a complete budget. A US\$40bn budget for the 2020 fiscal year was recently approved by the Illinois House of Representatives.

Over the next three years, the outlook is stronger. Oxford Economics forecasts GDP will again grow by 2% in 2019, but the pace of growth is anticipated to slow thereafter to 1.3% and 1.5% in 2020 and 2021 respectively.

Construction

Illinois' construction sector has suffered three years of declining activity. Stalemate in the House of Representatives was a factor – causing project delays and uncertainty – but, more fundamentally, state-wide employment growth lagged the rate achieved across the country by a significant margin. Between 2015 and 2018, employment grew by just 2.9% in Illinois, compared to 6.8% growth nationally. Household formation statistics were equally subdued. Subdued overall figures for construction conceal wide variation and Chicago has been a hub of commercial and residential development.

Subdued construction sector growth of 0.3% is forecast for 2019 before prospects improve. Oxford Economics expects construction output to grow by 2% per annum in 2020 and 2021.

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used to upgrade transport and social infrastructure and unlock private sector investment. However, the Bill will be funded by a series of tax increases – including a 100% hike in the real estate transfer tax (RETT) for non-residential real estate.

Against a reasonably buoyant economic backdrop, occupier demand for office space in Chicago's CBD remained strong in early 2019, especially for Class A space, as expansion in the technology sector and demand for co-working space buoyed activity. The suburban to urban migration trend continued. Average asking rents rose by 1.8% on a quarter-on-quarter basis in Q1, but agents expect the pace of expansion to slow as space currently under development hits the market.

Several planned high-rise developments are progressing, but main construction work has yet to commence on site. The largest of these include One Chicago Square, a mixed-use

project comprised of two towers – the tallest of which will reach 78 storeys, Lakeshore East ‘Parcel 1’, an 85-storey condo tower accompanied by two shorter towers, and the 60-storey Salesforce Tower. Lincoln Yards, the \$6bn masterplan to transform a 21-acre site on the North Side of Chicago, is the single largest scheme in the pipeline. The masterplan includes 14.5 million square feet of new buildings, 6,000 residential units and leisure facilities.

FLORIDA

Rapid industry growth between 2015 and 2018 quickly absorbed available contracting capacity and pressed the supply chain. With further, moderate, growth anticipated, skilled labor is in short supply. Effective construction procurement in Florida over the next 24 months will require structured early contractor engagement and comprehensive capacity analysis to ensure there is capability deliver effectively.

Economy

Florida’s economy, boosted by robust growth in professional, scientific and technical services, expanded by 6.4% during the year, seeing rapid growth in construction activity. A 3.5% in real estate activity also made a positive contribution.

Looking ahead, Florida will not be immune from the general slowdown in the pace of economic expansion. GDP is forecast to grow by 3% in 2019, before slowing to 1.7% and 1.9% in 2020 and 2021.

Real household disposable income will increase over the medium term, as wage inflation outstrips increases in the cost of living.

Construction

Between 2015 and 2018, Florida’s construction sector expanded by over 25%. Slower growth is anticipated going forward, but from a relatively high baseline. Construction output is forecast to increase by 2.1% in 2019, 2.5% in 2020 and 2.6% in 2021. In the year to May, the number of permits issued for private housing rose 7% compared with

Between 2015 and 2018, Florida’s construction sector expanded by over 25%.

the first five months of 2018, which in turn was 15% up on 2017, suggesting Florida’s housebuilding sector will continue to go from strength to strength.

Cushman & Wakefield reports that the office market in Miami-Dade got off to a stable start in 2019, as new development helped to balance the supply and demand equation. Overall, asking rents increased in Q1, but a significant increase in Class A inventory exerted downwards pressure on rents in this tranche of the market and vacancy rates edged upwards. An estimated 2m square feet of new space is currently under construction and Cushman & Wakefield expect vacancy to be challenging in the central business district, with the suburbs attracting more leasing activity.

Contractors operating in Florida generally intend to grow headcount during 2019, but face significant challenges attracting and retaining appropriately skilled workers, according to survey data from the Associated General Contractors of America. 83% of responding firms expect to grow headcount during 2019, yet 79% are struggling to fill vacant salaried and hourly craft positions and wages are rising accordingly.

TEXAS

A bright outlook for construction, underpinned by robust economic fundamentals and strong employment growth, will ensure the contracting market remains busy over the next 24 months. Pressure on wages is increasing as demand outstrips supply and successful procurement strategy will seek out available capacity through extensive supply chain engagement.

Economy

With GDP totalling US\$1.7tr in 2018, the Lone Star state is the second largest economy in the US. Economic output in Texas rose by 3.2% in 2018 and, heralded as one of the best states in the US to do business, the pace of acceleration is forecast to accelerate to 3.7% this year.

US crude oil production reached a record high of 11 million barrels per day in 2018, as the price of West Texas Intermediate crude climbed 45% in 24 months. As production is forecast to continue to increase, the outlook for prices is softer, according to the US Energy Information Association. Prices are forecast to contract by 8% in 2019 before recovering with a 6% increase in 2020. After manufacturing, oil and gas extraction makes the largest economic contribution. Significant oil price movements can influence the state’s economic prospects, but this relatively modest anticipated fall will be inconsequential, and Oxford Economics forecasts real GDP will continue to grow by 2.1% in 2020 and 2021.

Texas’ reliance on exports and its exposure to global oil price movements, increases its exposure to risks posed by external factors relative to many other states.

Construction

Texas’ construction sector grew by 3.2% in 2018 and is set to grow by a further 8.8% through to 2021 – outpacing 6.2% growth across the country, according to Oxford Economics. Growth in residential development is set to slow and, in the year to May, permits for private residential development rose by just 2% on an annual basis. Growth prospects are stronger in the commercial sector. Underpinned by strong economic fundamentals, over 470,000 jobs are forecast to be created in Texas by 2021.

In Houston’s commercial offices market, occupier activity stepped up a gear in Q2 according to Savills. Occupiers committed to 3.4 million square feet of space during the quarter, a 10% uplift compared with Q1. Compared with

Q2 2018, the availability rate is falling and asking rents are rising. The picture is more subdued in Dallas-Fort Worth. Asking rents flatlined in early 2019 and availability rates are high. Employment growth should boost demand but options available to tenants are plentiful, suggesting a more subdued outlook.

After rising by 3.8% in 2018, construction wage inflation is forecast to slow to 0.9% across Texas in 2019. Thereafter, the pace of inflation is forecast to accelerate to 3.3% in 2020 and 3.7% in 2021, according to Oxford Economics. Building

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cost inflation is running at a relatively low rate, despite the relative strength of industry growth. ENR's construction cost index for Dallas rose by just 0.7% on an annual basis in July.

MASSACHUSETTS

Pockets of buoyant activity exist, but Boston's real estate markets have stabilized and development demand has eased. Construction costs continue to rise but the pace of growth has moderated. The contracting market is becoming increasingly competitive and aggressive pricing can be secured if the right procurement strategy is mobilized.

Economy

Massachusetts' economy grew by 2.7% in 2018 as rapid expansion in professional, scientific and technical services, and management of companies and enterprises offset weakness in agriculture and finance.

Growth in 2019 is forecast to slow to 2.1% and then to 1.6% in 2020 in the face of strengthening global headwinds. By 2021, modest acceleration in the pace of growth to 1.9% is anticipated.

Construction

Across Massachusetts, construction activity expanded by 3.4% in 2018. Growth is expected to suffer a temporary hiatus in 2019 before resuming in 2020. Oxford Economics forecasts a 2.6% expansion in 2020 and 2.5% increase in 2021.

Boston-Cambridge tops CBRE's analysis of leading US life sciences markets. Factors influencing the ranking include: ability to attract venture capital and federal funding; the stature of educational institutions; and laboratory inventory size. CBRE reports that demand for lab space has doubled in Boston-Cambridge and rents are increasing rapidly. At the end of 2018, around 1.9 million square feet of new space, including office-to-lab conversions, was underway. From a rate of circa. 8% per annum, growth in professional, scientific and technical services is set to slow but, at 4.1% in 2019 and 2.5% annually thereafter, the pace of expansion should

remain healthy underpinning demand for space over the next few years.

After a long period of tightening in Boston's offices market, the first quarter of 2019 saw the availability rate and asking rents stabilise – outside of the CBD at least. Within the CBD, availability decreased by 60 basis points and asking

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rents spiked, rising by 9% compared with Q1 2018, according to Savills. Total leasing activity in Q1 was up by 1.7% year-on-year due to demand from clients operating in the technology, advertising, media and information sector.

ENR reports that construction cost inflation moderated sharply in early 2019 in Boston. Averaging 6.5% in Q4 2018, the rate of growth reduced to circa 2.7% in the three months to July, as the temporary hiatus in construction activity relieved pressure on the supply chain.

NORTH CAROLINA

Rapid growth in construction activity has created capacity pinch points. Effective procurement strategy in these market conditions will focus on early contractor engagement. The rate of construction cost inflation has moderated but remains relatively high, so to secure competitive project pricing, it's important to ensure alignment between project parties.

Economy

North Carolina's economy expanded by 2.9% in 2018.

Growth in construction, retail and professional, scientific and technical services offset weakness in finance and insurance. This year, GDP growth is forecast to slow to 2.1% and then to 1.7% in 2020, according to Oxford Economics. Growth of 1.9% is forecast in 2021.

Charlotte, North Carolina's largest city, is the US's second largest banking centre after New York. Finance and insurance accounts for 7% of the state's total GDP, which is one percentage point higher than the national average. After three years of contraction, the outlook is brighter for finance and insurance in North Carolina and Oxford Economics predicts that modest growth of 0.4% in 2019 will accelerate to 1.8% in 2020 and 2.1% in 2021.

Construction

Construction activity grew by 4.8% in 2018. Residential development was a catalyst, and permits for private residential units increased by 14% in 2017 and by a further 5% in 2018. Impetus slowed in the first five months of 2019 and the number of permits issued reduced by 9%. North Carolina's construction sector is forecast to expand by 1.5% in 2019, before growing at a rate of 2.7% in 2020 and 2021.

Availability generally tightened across Charlotte's commercial office sub-markets in early 2019, with the CBD – where 68% of major transactions occurred – experiencing the greatest shift. Asking rents rose over the past 12 months and leasing activity was strong, according to Savills. Financial services clients were most active, accounting for 65% of major leasing transactions in Q1. Market fundamentals have tightened, but overall availability is still relatively high. The improvement in prospects for the city's banking giants will help to shore up demand over the next few years.

Buoyant economic conditions have boosted Charlotte's retail market in recent years and the outlook remains positive. CBRE recorded strong growth in urban and suburban retail development in 2018 – a trend they expect to continue in

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2019. Grocery-anchored schemes are facilitating new, larger development projects. Investment activity has reached a pre-recession high, rents have increased and availability rates are in single digits.

US\$1.7bn in investment is currently under construction in Charlotte according to the Charlotte Centre City Partners. Currently under construction or planned development includes: 6.9 million square feet of office space; 8,458 residential units; 948,000 square feet of retail space and 2,310 hotel rooms.

Construction employment increased 17% between 2015 and 2018 generating significant wage pressure. Industry wages rose by 15% over the same period. Over the next couple of years, industry headcount is forecast to increase at a more sustainable rate. Oxford Economics predicts construction employment will rise by 3.4% through to the end of 2021.

In response to the recruitment challenges rapid industry growth has generated in recent years, Goodwill Industries of the Southern Piedmont, Charlotte-Mecklenburg Schools and Central Piedmont Community College have joined forces to launch the Goodwill Construction Skills Training Center. The Center, launched in early 2019, offers free construction training across a range of disciplines, including field supervision, concrete and masonry, computer aided drafting and design, and HVAC and electrical services. Initiatives like these will help to meet the North Carolina construction skills challenge going forward, but wage inflation is nevertheless expected to remain relatively strong. Construction wages are forecast to rise by 10% through to 2021.

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