

# PC Construction Industry Analysis

January 2023



## Managing Risk and Using Multiple GMPs

In the wake of the turbulence caused by the pandemic and fluctuating market conditions, many projects are facing cost escalation and extended material lead times. Project teams are seeking all options to control these risk factors. One common approach is to use multiple Guaranteed Maximum Price (GMP) contracts to lock in early pricing and “start the clock” on the longest lead-time items. Since the pandemic, we have seen a 33% increase in projects that utilize multiple GMPs or owner-requested GMP scope adjustments (essentially a strategic scope revision to the GMP that was submitted).

2/3



2020

1/3

PC Projects with Multiple GMPs Pre- and Post-Pandemic

66%

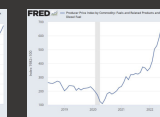
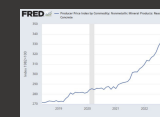
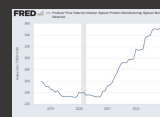
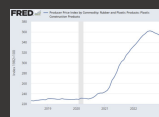
In our recent experience, two out of three projects valued at \$40 million and greater have utilized multiple GMPs or owner-requested GMP scope adjustments, often resulting in tremendous benefit to budget and overall construction duration.

## New Construction Cost

New Construction Type	1 Month	6 Months	12 Months	Since Feb. 2020	
Non-Residential Building	0.16%	9.78%	19.85%	35.29%	
Industrial Building	0.21%	10.38%	21.56%	39.49%	
Warehouse Building	0.28%	8.24%	21.27%	45.07%	
Office Building	0.23%	9.65%	21.03%	36.91%	

## Construction Commodities

Commodity	Lumber	Copper and Brass Mill Shapes	Steel Mill Products	Plastic Construction Products	Gypsum Building Materials	Cold Rolled Sheet Steel (Metal Studs)	Ready-Mix Concrete	Diesel Fuel
1 Month	-3.08%	5.38%	-2.97%	-0.50%	0.44%	-3.28%	1.13%	-3.36%
6 Months	-31.02%	-9.33%	-22.93%	0.92%	4.65%	-42.69%	7.67%	-0.47%
12 Months	-8.95%	-7.84%	-26.60%	11.25%	18.03%	-49.95%	12.29%	59.57%
Since Feb. 2020	26.53%	48.06%	75.76%	55.61%	47.00%	68.00%	20.52%	202.73%



## ESCALATION TABLE

Year	Escalation
2023	—
2022	19.8%
2021	34.4%
2020	36.4%
2019	41.6%
2018	49.2%
2017	53.8%
2016	54.7%
2015	58.0%
2014	61.4%
2013	66.5%