U.S. & NEW MEXICO CONSTRUCTION WAGE, EMPLOYMENT, AND SPENDING DATA: PART 2

PRESENTED TO THE PUBLIC SCHOOL CAPITAL OUTLAY OVERSIGHT TASK FORCE

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ANSWERS & EXPANSION FROM JULY 21, 2023 PRESENTATION

- Do wages include meals and travel costs?
  - “Wages are the total compensation paid, including bonuses, stock options, severance pay, profit distributions, the cash value of meals and lodging, tips and other gratuities” https://www.bls.gov/opub/hom/cew/concepts.htm
- How valid is state and county level data?
  - State level data is considered accurate, but county level data has shortcomings
    - County location reporting based on establishment headquarters/main reporting office not where majority or workers live or perform their jobs
  - Construction **subsector** data may be more reliable and informative than county level data
- In addition to the amount of state construction spending, how has private construction spending spiked in the US and in New Mexico?
  - US near all time historical peak levels of construction spending
  - Arizona, Alaska, and New Mexico had huge nonresidential construction spending growth

Costs

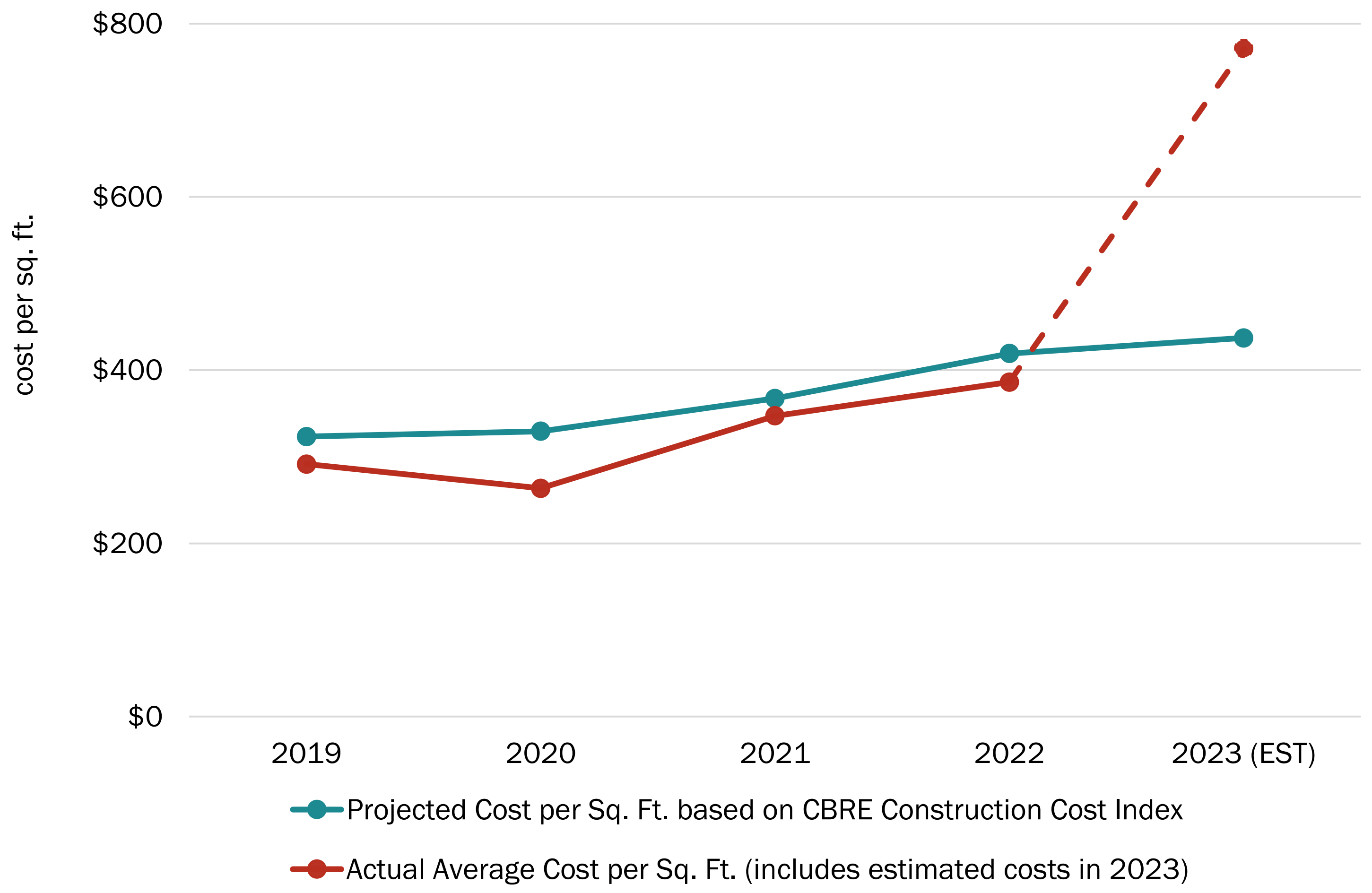
A national commercial real estate investment firm, Coldwell Banker Richard Ellis (CBRE), designed a “construction cost index” to summarize the net effect of changes across multiple dimensions of the construction market.

New Mexico’s construction costs were closely aligned to the CBRE index until this year.

Using the CBRE construction cost index, construction costs should be approximately $437 per square foot this year.

Actual costs and contractor bids on four 2023 school projects have averaged $771 per sq. ft.

Actual Construction Costs and Construction Index Estimates

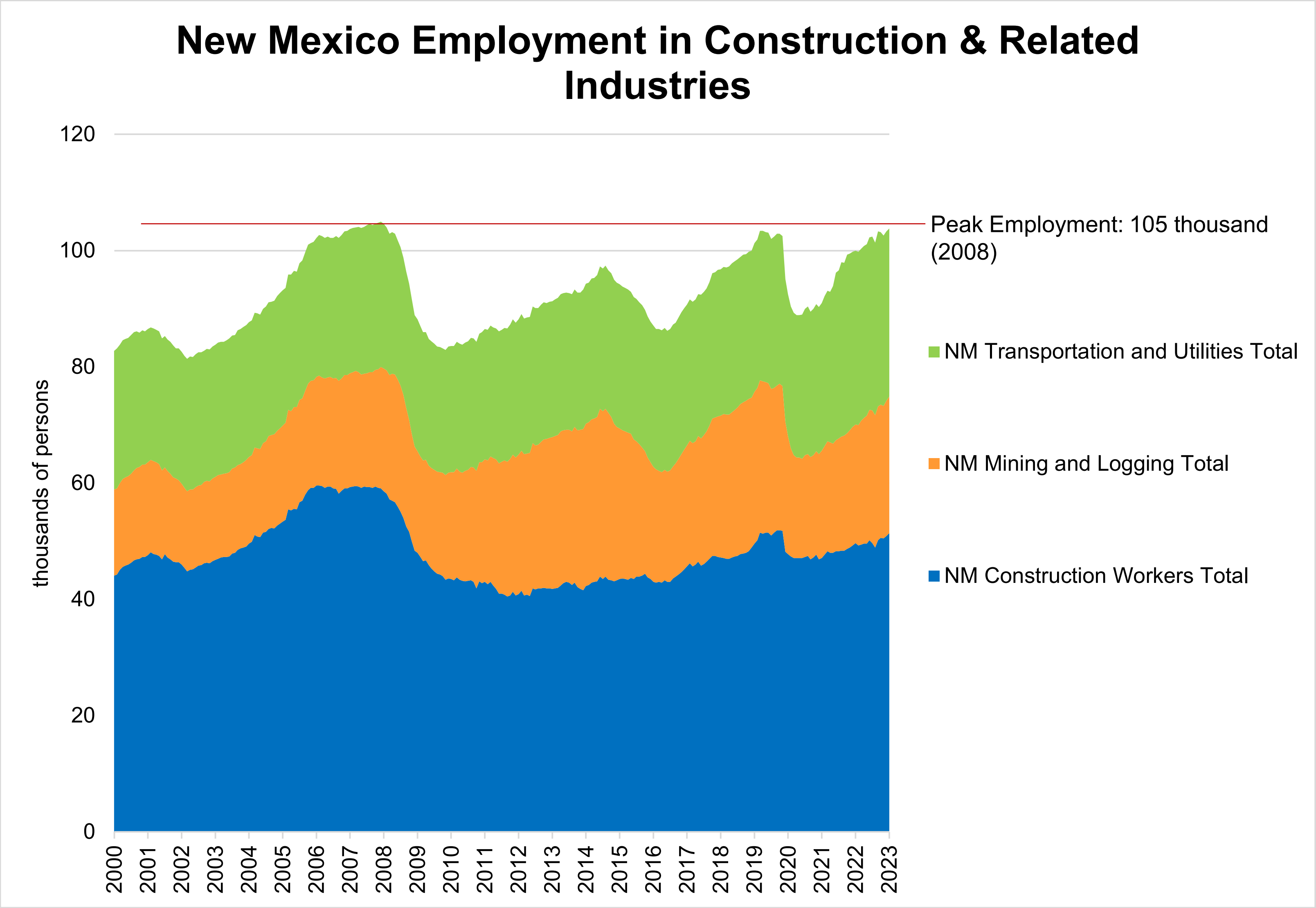


Source: LESC Analysis of CBRE and PSFA Data

Supply

The total employment in construction and related industries in New Mexico is near – but still below – its peak.

New Mexico's employment in construction and related industries has never exceeded a peak of 105 thousand laborers in 2008.



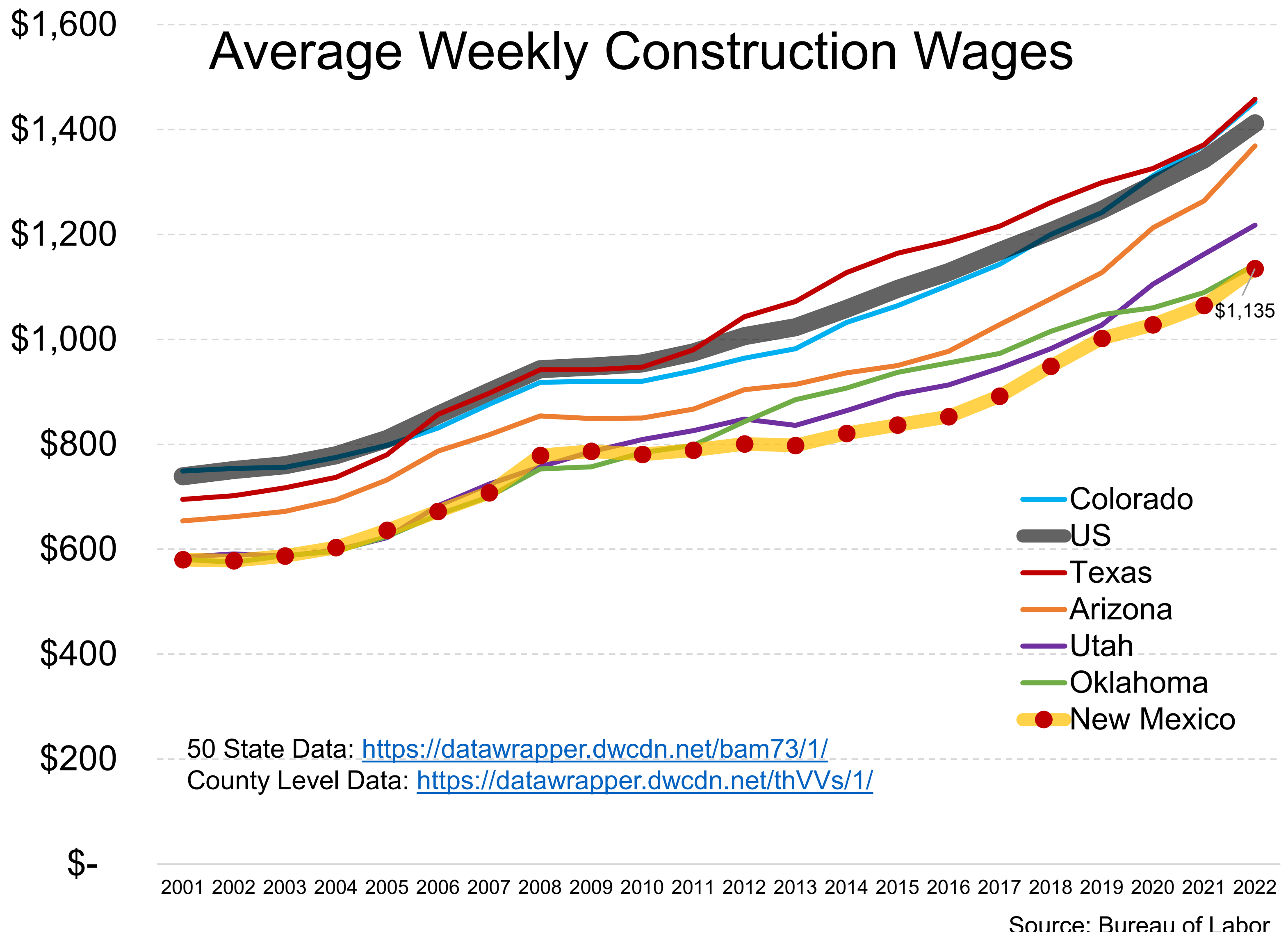
Supply

Construction wages in New Mexico are below surrounding states.

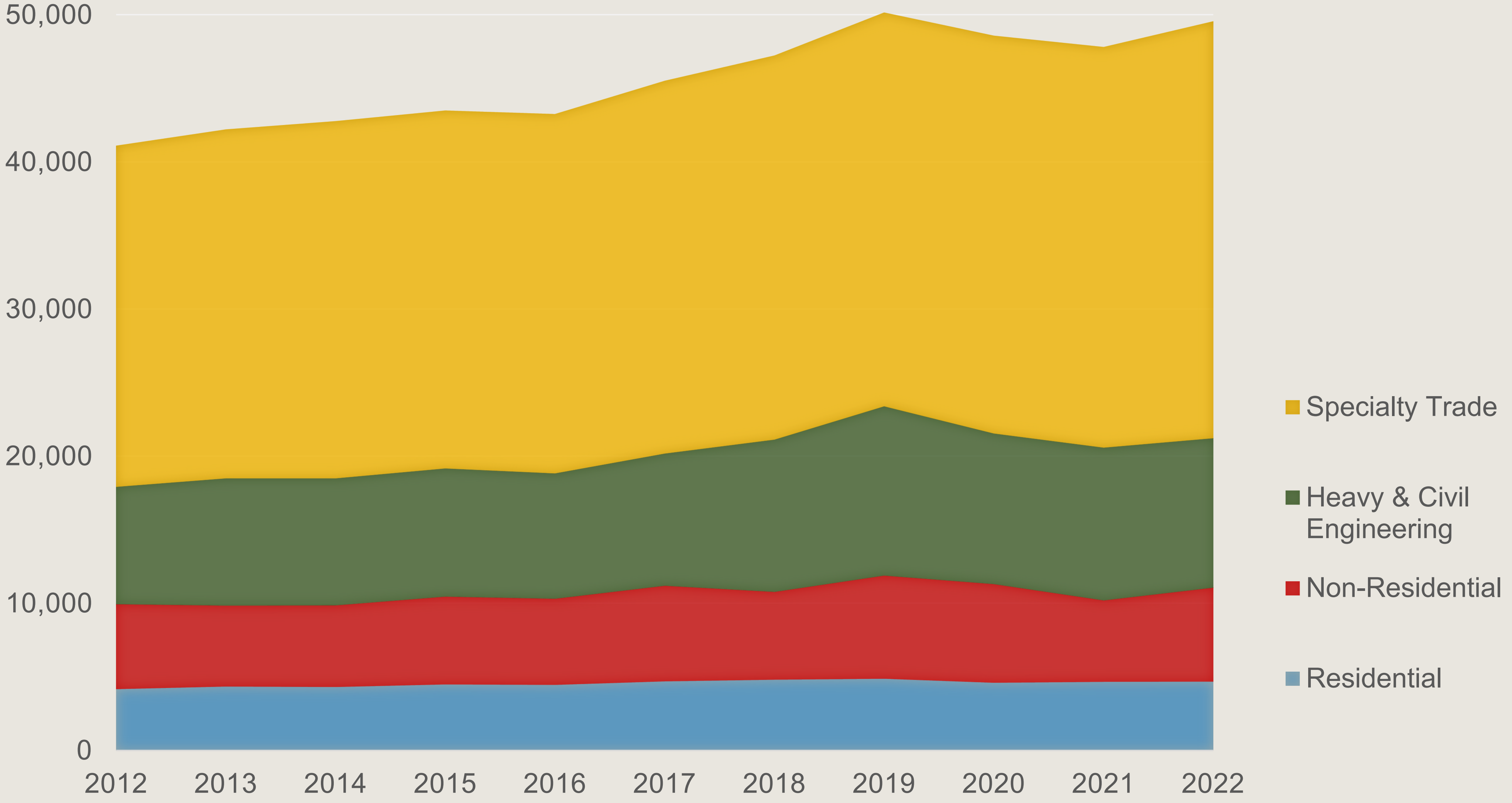
In 2010, New Mexico's construction wages were the 7th lowest in the nation. In 2022, they were the 4th lowest in the nation.

On average, New Mexico construction laborers make 20 percent less than the U.S. average for construction workers.

Low wages and busy markets in neighboring states may make it difficult to grow the workforce.



TOTAL EMPLOYMENT BY CONSTRUCTION SUBSECTOR IN NM

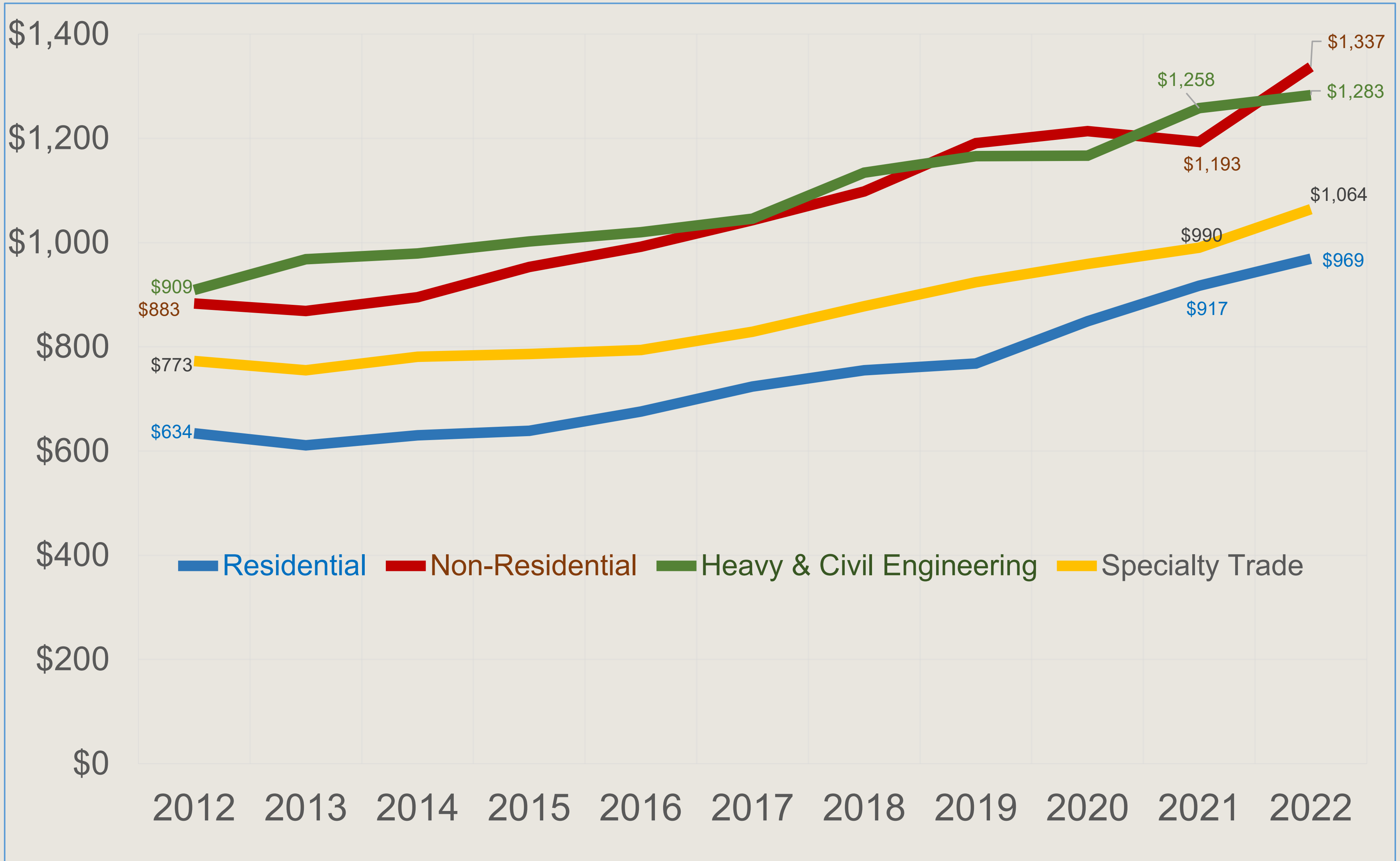


Source: U.S. Bureau of Labor Statistics, Quarterly Census of Employment & Wages

NEW MEXICO'S AVERAGE WEEKLY WAGE BY CONSTRUCTION SUB-SECTOR

Average weekly wages for New Mexico workers in non-residential building construction establishments grew by 51% since 2012 and by 12% year-over-year in 2022.

Average wages for workers of non-residential building construction establishments are 38% (at $1,337/week) higher than workers of residential building construction establishments ($969/week).



Source: U.S. Bureau of Labor Statistics, Quarterly Census of Employment & Wages

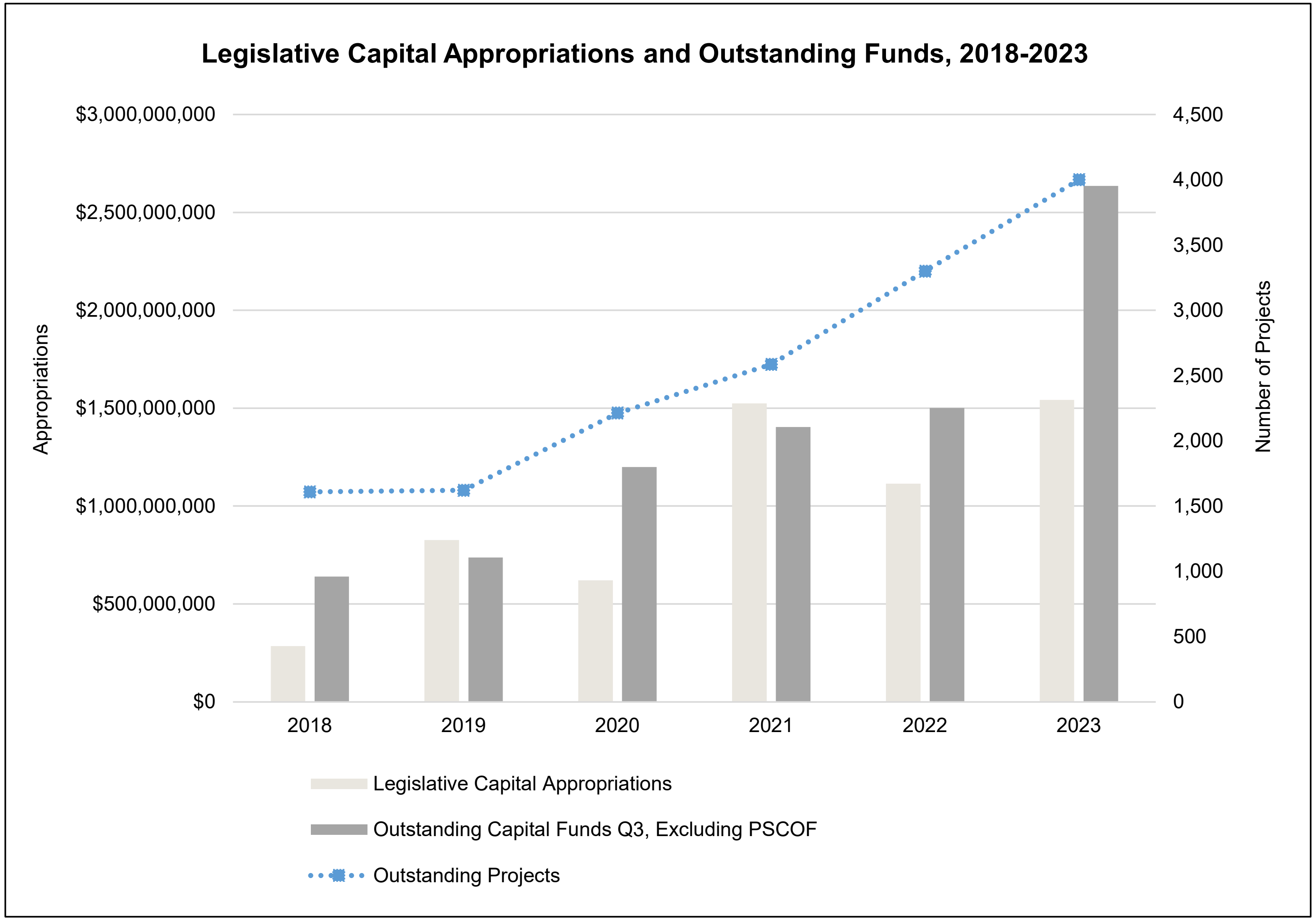
Demand

The Legislature passed historically large capital appropriations packages several years in a row.

At the end of the third quarter of FY23, outstanding capital funds appropriated by the Legislature, including earmarks, totaled $2.6 billion.

Another $464 million is available in the public school capital outlay fund (PSCOF).

The number of outstanding projects totaled about 4,000 this year, a 150% increase over 2018.

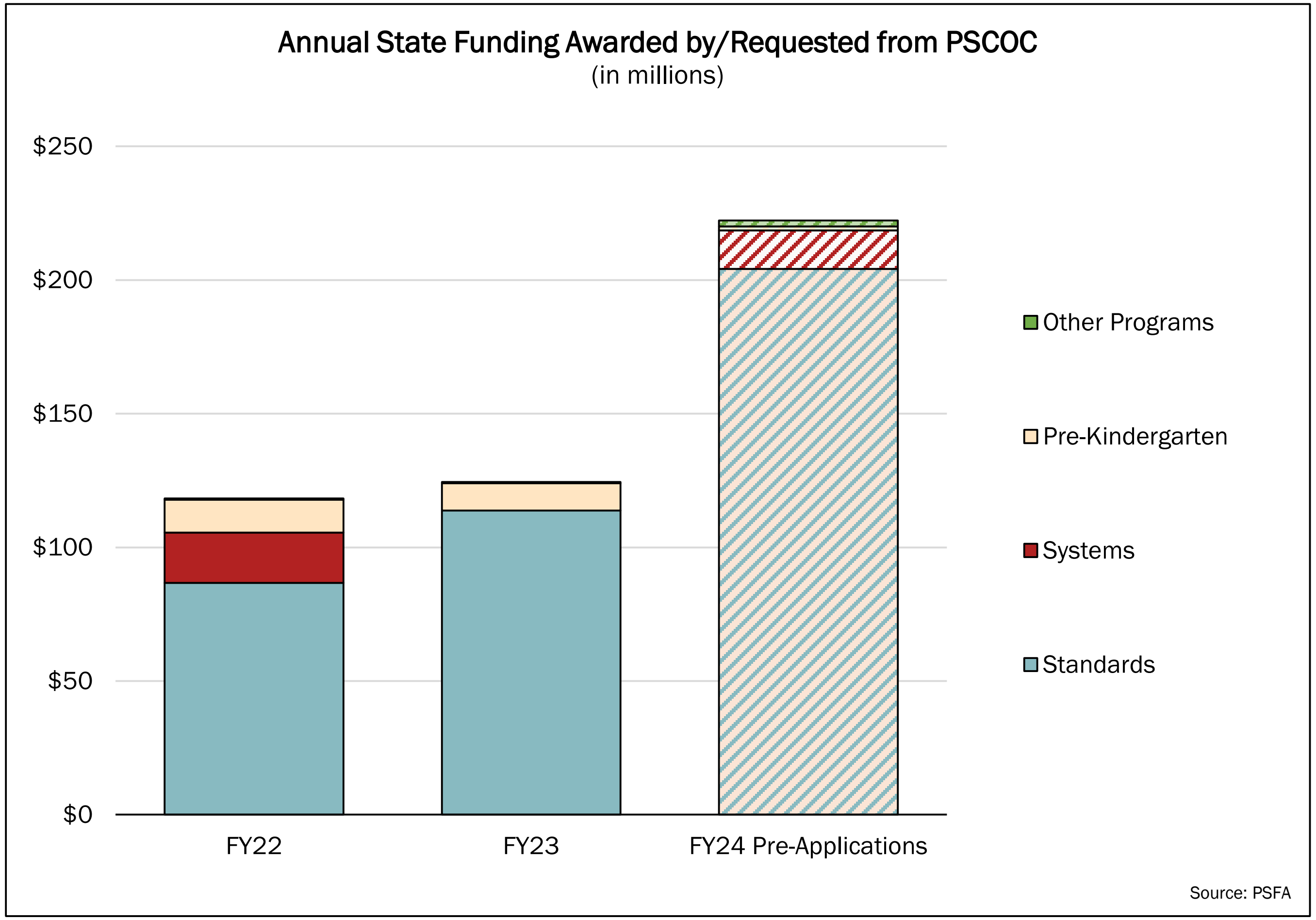


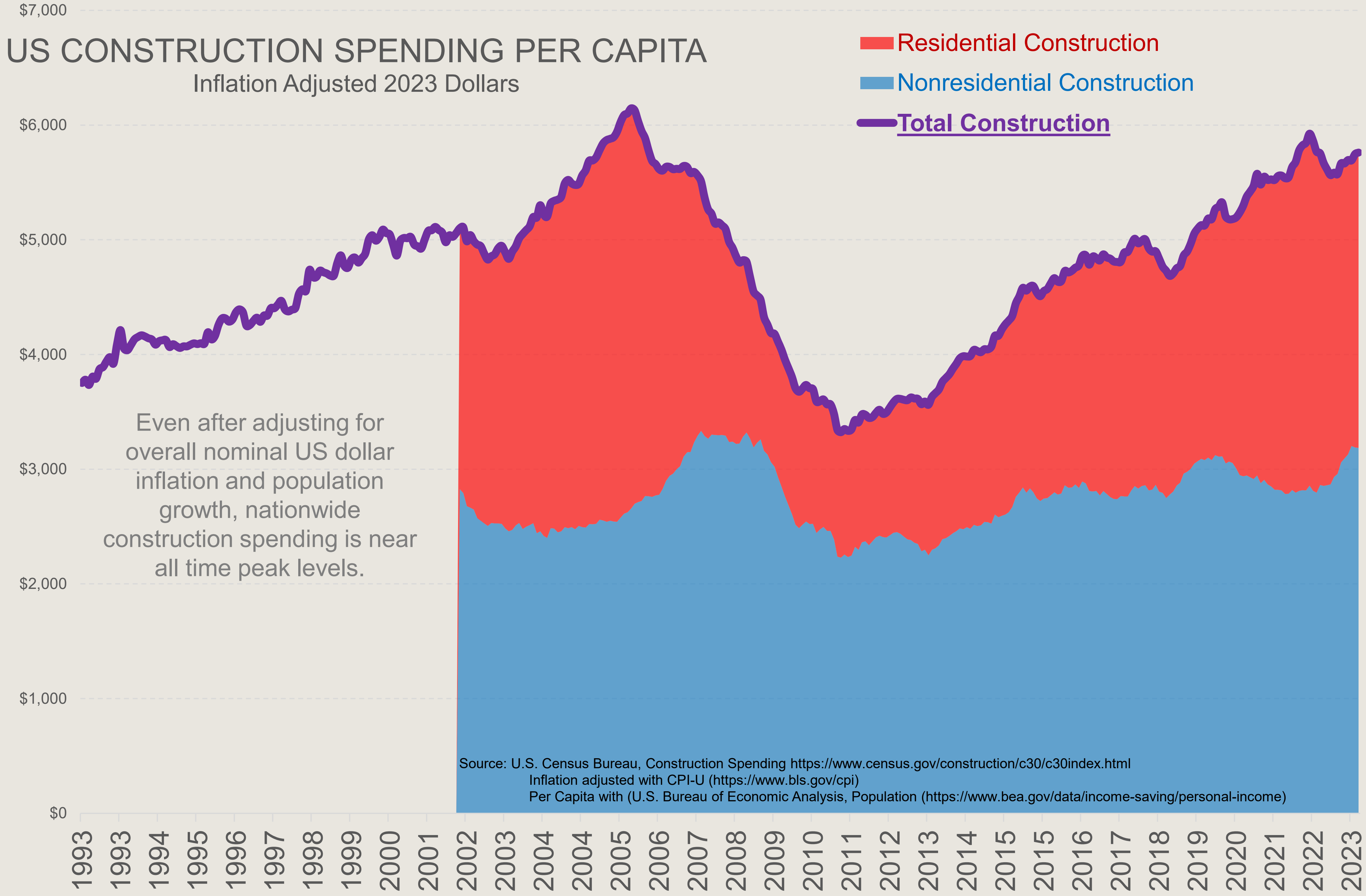
Demand

Senate Bill 131 from the 2023 legislative session decreased the local match for projects by 33 percent for most school districts, and 50 percent for micro-districts.

The reduction has increased demand for PSCOC funded projects.

Most districts applying for PSCOC funds cannot afford their local match, which will increase the state's cost burden for school construction.




US CONSTRUCTION SPENDING PER CAPITA
Inflation Adjusted 2023 Dollars
Residential Construction
Nonresidential Construction
Total Construction
Even after adjusting for overall nominal US dollar inflation and population growth, nationwide construction spending is near all time peak levels.
$7,000
$6,000
$5,000
$4,000
$3,000
$2,000
$1,000
$0
1993 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2015 2016 2017 2018 2019 2020 2021 2022 2023
Source: U.S. Census Bureau, Construction Spending https://www.census.gov/construction/c30/c30index.html
Inflation adjusted with CPI-U (https://www.bls.gov/cpi)
Per Capita with (U.S. Bureau of Economic Analysis, Population (https://www.bea.gov/data/income-saving/personal-income)

PRIVATE NONRESIDENTAL CONSTRUCTION PUT IN PLACE BY STATE

(BILLIONS OF DOLLARS)

	1993	1994	1995	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	1 Year	1 Generation (vs.93-95)
United States	**113.6**	**125.9**	**143.9**	**189.7**	**206.1**	**236.2**	**281.9**	**313.1**	**320.9**	**338.9**	**357.0**	**350.9**	**353.4**	**419.6**	***19%***	***228%***
Mountain Region	8.0	10.6	14.7	20.1	16.2	18.9	21.5	23.5	23.2	23.2	25.9	29.1	35.3	55.4	*57%*	*400%*
Arizona	1.3	2.0	4.0	6.7	3.6	3.4	3.5	4.0	3.9	5.7	8.3	9.6	14.3	30.2	*112%*	*1147%*
Colorado	1.5	2.4	3.2	4.5	4.1	4.8	5.8	7.0	7.4	6.6	6.2	6.6	6.3	7.1	*13%*	*201%*
Idaho	0.3	0.6	0.7	0.9	0.8	0.6	0.9	1.4	1.3	1.6	1.7	1.7	2.2	3.0	*38%*	*466%*
Montana	0.6	0.2	0.3	0.6	0.8	1.2	1.3	0.8	0.9	0.8	0.8	0.9	1.0	1.2	*22%*	*231%*
Nevada	2.3	2.4	3.8	1.2	1.5	4.0	5.8	6.5	4.9	4.2	4.5	5.1	6.0	6.7	*12%*	*136%*
New Mexico	0.4	0.7	0.6	2.6	2.3	1.9	1.4	1.1	1.8	1.9	1.6	1.7	1.6	2.9	*87%*	*431%*
Utah	1.4	2.0	2.1	2.9	2.6	2.6	1.8	2.0	2.5	2.1	2.4	2.9	3.3	3.5	*7%*	*90%*
Wyoming	0.2	0.2	0.1	0.8	0.5	0.5	0.9	0.6	0.5	0.4	0.5	0.7	0.8	0.7	*-10%*	*320%*

AZ & NM 1st & 2nd highest continental US Y/Y growth (2022/2021); AZ & NM 1st & 5th highest US growth 2022/(avg. 93-95)

THANK YOU

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