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## Marcum Commercial Construction Index: Nonresidential Construction Activity Continues to Decline

**POSTED BY: [RETROFIT MAGAZINE EDITOR](#) MARCH 2, 2022**

The [Marcum Commercial Construction Index](#) for the fourth quarter of 2021 reports that the construction industry continues to face rising costs and shortages of both labor and materials. Despite general optimism among industry stakeholders, nonresidential construction activity continues to decline in real terms.

The index is produced by [Marcum LLP's National Construction Services group](#).

“Expectations have been improving with respect to business and financial conditions as well as the year-ahead outlook,” says [Anirban Basu](#), Marcum’s chief construction economist and author of the report. “There are certainly many indicators pointing to ongoing construction recovery, including residential building permits and the Architecture Billings Index. The principal challenge will be the labor market conditions, financial conditions, current confidence, and year ahead outlook.”

The industry has failed to create new jobs in recent months, the report shows. Despite significant economy-wide job growth, construction employment continues to contract. The industry lost nearly 5,000 net jobs in January, with the nonresidential sector losing 9,000 positions, offset by a gain of 4,400 jobs in residential.

“Given the pace at which home prices have expanded during the pandemic, many observers may be tempted to conclude that a housing bubble has formed,” says Basu. “But unlike circumstances characterizing the marketplace approximately 15 years ago, if there is disequilibrium in the housing market, it is that there is a lack of sufficient homeownership opportunities as opposed to excess supply.”

The nonresidential construction sector has lagged in recent months, with a spending decline of 0.7 percent in December 2021, the most recent month for which data are available. Nonresidential construction spending is up 3.9 percent year-over-year, but once inflation is factored in, this represents a setback in real terms.

Materials costs remains a significant headwind for the industry, although Dr. Basu expects inflationary pressures to subside somewhat by the end of the year.

“Construction input prices are up 23.5 percent over the past year, continuing a staggering inflationary run that has characterized much of the pandemic,” says Dr. Basu. “Certain commodities have experienced particularly sharp increases. Iron and steel prices, for instance, are up more than 105 percent over the past year. The expectation is that commodity and materials price increases will become more moderate during the years to come.”

Marcum’s national construction leader, [Joseph Natarelli](#), says, “We remain wary of persistent problems surrounding labor challenges, supply chain interruptions and inflation. Inflation for construction inputs is far outpacing the already-high inflation levels in the rest of the economy, so careful pricing and procurement will be vital in the coming year. We also think that most of the industry will need to be mindful of finding and retaining talent as wages climb and demand rises. Meeting those challenges while capturing the many growth opportunities will be critical to overcoming these headwinds and thriving in 2022.”