

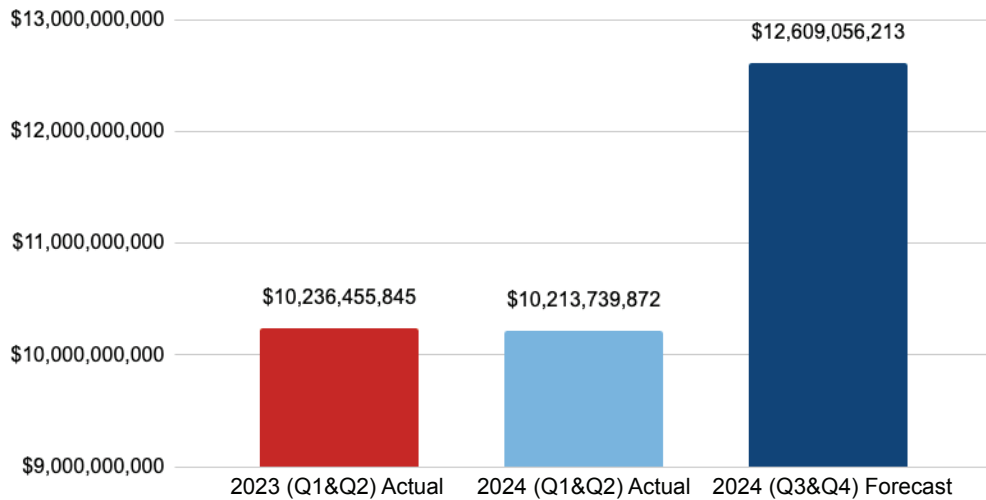
California Construction Market Snapshot

We created this snapshot to give you a quick idea of how the California construction market is doing halfway through the year. We use data from Construct Connect, one of the largest project data sources in the United States, along with our proprietary data from our more than 300 contractor customers in California.

Construction starts for civil, non-residential, and residential were up a combined 10% in the first half of 2024 compared to 2023. This was led mostly by a resurgence in residential building and a modest increase in non-residential.

Construct Connect is forecasting California construction starts to increase by another 5% in the second half of 2024 compared to 2023. This they believe will primarily be driven by an increase in civil construction starts.

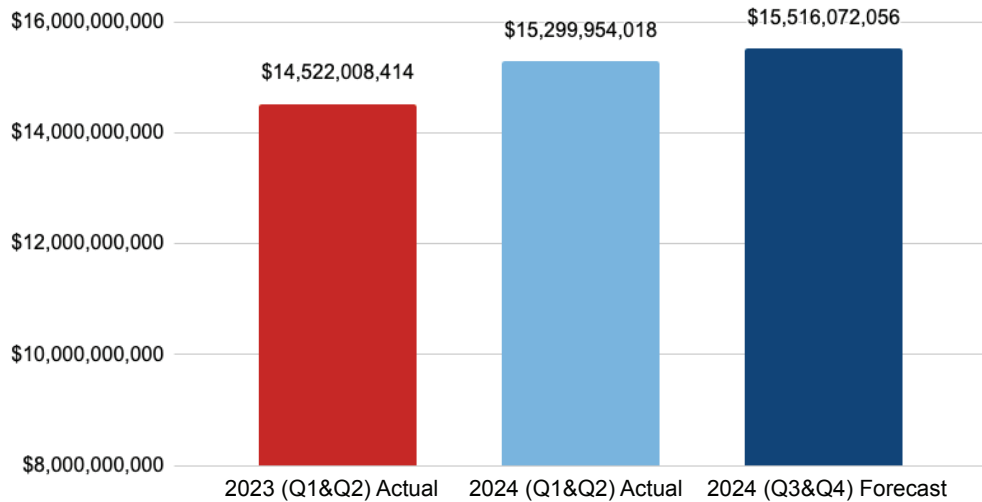
Civil



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Civil work was flat in the first half of 2024 but is forecast to increase significantly in Q3 and Q4. The state has received \$26.1 billion of the estimated \$41.9 billion it will ultimately be entitled to under the Infrastructure Investment and Jobs Act. Of that \$26.1 billion, only \$6.72 billion has actually been spent, meaning there is still a lot of project funding left. That may be contributing to the sizable increase in civil work Construct Connect is expecting.

Non-Residential

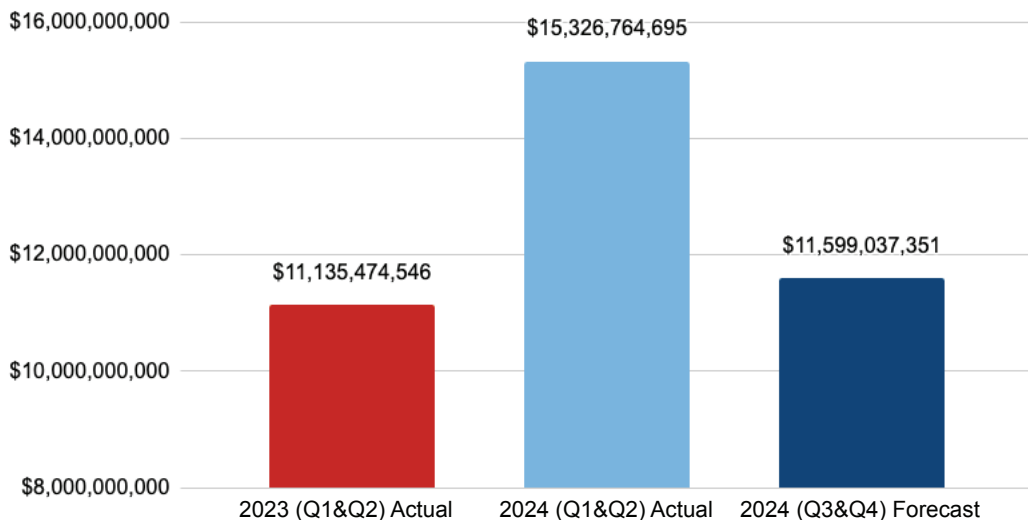


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Non-residential construction increased by 5% for the first two quarters of 2024 compared to 2023. Construct Connect is forecasting it to increase even further in Q3 and Q4 of this year.

The California legislature is considering placing a \$14 billion bond on the November ballot for construction and modernization of public education facilities. According to a recent survey, about half of Californians said they would vote to approve the measure. If the measure passes, that adds significantly to the future non-residential building work in the state.

Residential



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While residential starts are expected to take a dip in the second-half, that may change to the upside based on the potential of the Federal Reserve cutting interest rates in September. The market's anticipation of the rate cut has already driven the 30 year mortgage rate down by 0.5% from May of this year.

Conclusion

While there are certainly reasons for caution about the overall economy, the California construction market appears reasonably healthy and seems to have bright prospects in the near future. Our contractors have healthy backlogs and good margins. Pent up demand for residential housing is keeping most residential contractors from straying into the public works market, and the federal infrastructure money still has many years before it will be fully spent. So as the saying goes, make hay while the sun shines.