



# K-12 School Construction Cost Influences & Trends

# *Kyle Holland –*

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- The Associated General Contractors (AGC) Houston Chapter is the construction trade association representing the commercial construction industry in Houston and the surrounding counties. Kyle Holland has been with the AGC for almost 3 years and serves as the President/CEO of the Chapter. Prior to joining the AGC he worked as a general contractor in Houston and was very involved with the Chapter as a member volunteer. The AGC always keeps a pulse on the construction market in Houston and engages with its members to help them come together to advance the issues relevant to the construction industry, particularly in regard to safety, educational programs and collaborative roundtable discussions.*

# Houston K-12 Costs Over Budget

2021	2022	2023
+ 45% of Projects	+ 90% of Projects	+ 65-80% of Projects

Due to when the bonds were issued, and budgets were created - pre-COVID and pre-Ukraine.

2023 overage will depend on how many schools are old bonds vs. 2023 bonds.



# US Dept. of Labor National Construction Costs Year over Year

11/21 - 11/22

+ 19.2%

Consumer Price Index  
(What you pay)

VS

Producer Price Index  
(Manufactured and  
component goods)

## US Dept. of Labor PPI Increase Year over Year

11/21 – 11/22 +7.4%

12/21 – 12/22 may be 6.8 – 7.0%

# Labor Costs

A major construction cost component

No construction layoffs in 2023

Construction compensation will rise in 2023 –  
4.5% to 6.1% for skilled labor



# December 2022 Commercial Construction Starts

+ 27%

Highest for a December since  
2017





# Local Construction Cost Impactors

Inflation	High probability it will continue through 2023
Materials	Cost and delays continue through Q3/2022 and are bumpy in 2023.
Infrastructure	Work, especially at Houston metro level, raises steel/concrete/underground/site costs.
Texas Medical Center 3	More construction begins, drawing down skilled labor supply.
Metro Area Residential Subdivisions	Increase and multi-family work pushes some costs.
K-12	\$8 billion+ of Houston metro area K-12 2022 bonds on 2022 ballots
Labor	Costs appear likely rise for skilled labor. This can become a long-term impact.
Energy Cost	Appear likely to rise and filter into all product costs due to petroleum-based components.
Defense	Spending rises causing some metals and critical materials and electronic costs to increase.
Reshoring/Restructuring of Supply Chain	Increases manufacturing/distribution construction and costs
Source: <a href="#">Durotech Inc.</a> proprietary Texas market wide cost survey.	

# COVID Supply Chain Impact

Port docking delays are down, still problems getting goods out of ports

China – 1.4 Billion People

December COVID: 280,000,000 People  
= 20% of the population

Goods production shifting from China

Ukraine conflict in 2023 continues

2024 is a major election year, so Fed eases rates mid year



# Current Projections: AGC / A4LE in 2022

2022  
16 - 19%

2023  
8 - 12%

1. 2023 Starts at low end of projection
2. Drops below 8%
3. Rises in mid and back ½ of year due to energy costs and international and domestic issues

