



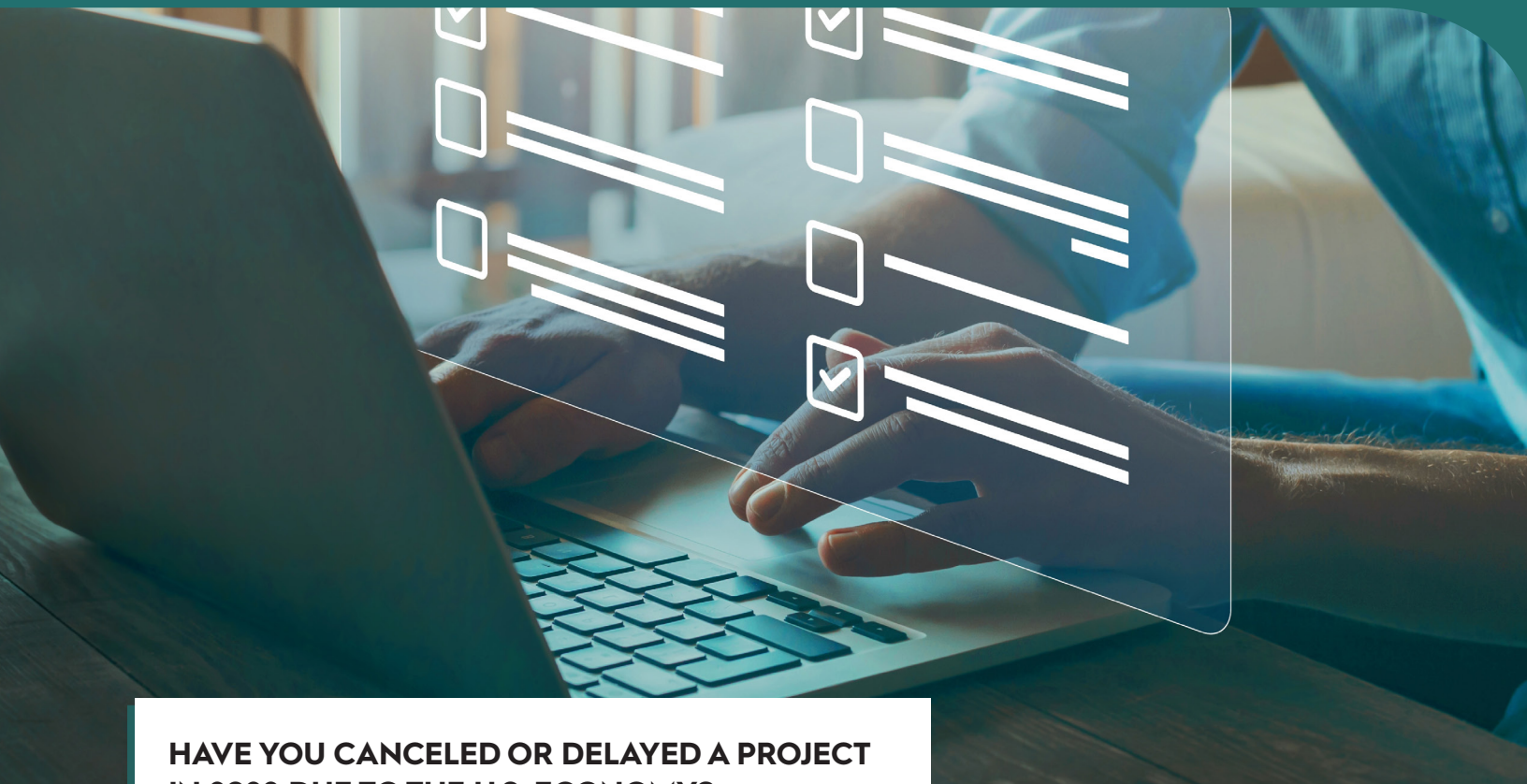
AEC Industry Outlook and Midyear Check-In Survey



AEC Industry Midyear Survey and Assessment

We surveyed more than 500 architecture, engineering and construction professionals at the start of the year looking for their thoughts on the future of the AEC industry. We found that AEC firms were on the hunt for new opportunities, but still reeling from lessons learned from the previous year.

Six months later, the sentiment has changed. According to our most recent survey, only 28% of firms met all of their first and second quarter goals, while 27% of firms say that clients have had to cancel or delay projects for economic reasons.



HAVE YOU CANCELED OR DELAYED A PROJECT IN 2022 DUE TO THE U.S. ECONOMY?

- ▶ Yes, my firm has canceled or delayed a project 28%
- ▶ Clients have canceled or delayed a project 27%
- ▶ We have not yet canceled or delayed a project, but are considering it 23%
- ▶ No projects have been canceled and we don't anticipate cancelations or delays 18%
- ▶ Other 3%

Using data taken from our latest survey, this whitepaper aims to provide AEC professionals with the context they need to make sense of their industry in 2022 and change course to ensure a successful second half of the year.

AEC Industry Outlook 2022: Midyear Recap and Comparison

We begin with a recap of the first and second quarters of 2022. The survey we conducted at the start of the year revealed an industry that was optimistic, with 78% of responders stating that their firm was positioned for growth in 2022.

Unfortunately, that sentiment has largely changed. Though hybrid workforce challenges have mostly resided, staffing and supply chain issues remain a top concern. According to our midyear check-in survey, the impact of these issues had a negative effect on AEC firms in the first half of the year.



- **Project Delays, Reductions and Cancellations** - 28% of firms have had to cancel, reduce or delay a project due to staffing shortages, supply chain issues, and budget reductions, while 27% of firms report clients who have canceled projects for economic reasons.



- **Lack of People and Material** - 45% of AEC firms surveyed report challenges with employee retention and lack of resources in the first half of 2022, while 49% report supply chain issues to be a main concern.



- **Lost Project Bids and Proposals** - Nearly 20% of responders report a decrease in their win rate from the previous year.



- **Limited and/or Severely Reduced Budgets** - 66% of firms surveyed said they had to reduce budgets/tighten spend during the first half of the year due to economic challenges.





Financial Confidence is High, Despite Myriad of Challenges

Despite the myriad of challenges, construction financial professionals remain optimistic, according to [ENR's Construction Industry Confidence Index](#), which measures executive sentiment regarding the current market and where it will be in the next three, six and eighteen month period.

American financial managers remain collectively upbeat regarding AEC industry prospects, according to the Construction Financial Management Association's most recent [CONFINDEX survey](#).

"This is an indication of strong demand for construction services," says Anirban Basu, CEO of economic consultant Sage Policy Group, and a CFMA economic adviser. "That's surprising, given the rise in the cost of delivering construction services... and yet many of them are reporting that, if anything, their profit margins are set to expand going forward."

The financial managers at the CFMA may be confident, but the industry at large does not share their optimism. Respondents to the CONFINDEX survey are more pessimistic about project funding given the state of the economy, the rate of inflation and concerns that the federal reserve will begin to tighten monetary policy, making financing projects and construction loans more expensive.

Talent Shortages Remain, Despite Growing Labor Pool

Though [construction employment has nearly reached pre-pandemic levels](#), labor shortages are still top of mind for AEC firms, according to the CFMA's CONFINDEX survey.

"When you look at this quarter, 74% are highly or very concerned over labor shortages," says Stuart Binstock, CFMA's CEO. "That's three-to-five times higher than any other issues of concern."

When pressed, AEC leaders characterize the labor issue as a [talent shortage](#) rather than a worker shortage, citing early retirements of highly skilled workers and significant challenges with recruitment and retention as firms compete for younger talent.



"The workforce shortage is the most acute challenge facing the construction industry despite sluggish spending growth," said ABC Chief Economist Anirban Basu. "After accounting for inflation, construction spending has likely fallen over the past 12 months. As outlays from the infrastructure bill increase, construction spending will expand, exacerbating the chasm between supply and demand for labor."

An added concern is the decline in the number of construction workers ages 25-54, which fell 8% over the past decade. Meanwhile, the share of older workers exiting the workforce soared," said Basu. "According to the Centers for Disease Control and Prevention, the industry's average age of retirement is 61, and more than 1 in 5 construction workers are currently older than 55."

Fortunately (or unfortunately, depending on how you look at it), the latest data from the labor department shows a significant number of retirees returning to work, leading firms to go to greater lengths to attract and keep workers of all ages.

Ukraine War Compounds Supply Chain Issues In Construction

Though Russia's invasion of Ukraine severely disrupted the global energy market, the conflict does not appear to have affected the construction industry's confidence. Unfortunately, the conflict is likely to drive up the price of fuel, copper and aluminum even higher.

Meanwhile, cargo ships in the area have been halted or delayed, leading to multiple downstream effects on the cost and availability of construction materials, according to [Data Digest](#), a weekly newsletter compiled by Ken Simonson, chief economist for the Associated General Contractors of America.

The added pressure from Russia's incursion comes at a time when U.S. construction and shipping costs were already on the rise. Supply shortages, [worsened by surging demand](#), have led to the largest annual spike of input prices to construction since 1987, when data collection began.



Looking Ahead: Technology to the Rescue



With the rapid rate of change and unpredictability, many AEC firms are tapping into the power of technology to transform their business and their processes. According to Deltek's 2021 [Clarity Architecture and Engineering Report](#), 54% of firms are struggling to prioritize which new technologies are most applicable to their business and which will yield the greatest results.

Despite the challenges with implementation, our midyear AEC check-in survey found that 68% (339 of 500 respondents) said that they have implemented or plan to implement new technology by the end of 2022 to overcome key challenges.

WHAT TECHNOLOGIES HAVE YOU ADDED THIS YEAR OR ARE CONSIDERING ADDING BY THE END OF 2022?

▶ Enterprise Resource Planning	44%
▶ 3D Printing	46%
▶ Customer Relationship Management Solution.....	50%
▶ Digital Asset Management Solution.....	50%
▶ Marketing Automation Tools	43%
▶ Digital Twin Design.....	33%
▶ Virtual or Augmented Reality.....	28%
▶ Proposal Software.....	20%

Customer relationship management and digital asset management solutions take the day with a majority of respondents reporting that their firm is at least considering the implementation of a CRM and/or a DAM solution.

IN THE LAST MONTH, WHAT HAS BEEN YOUR BIGGEST PAIN POINT?

- ▶ Finding enough time for important tasks 36%
- ▶ Delegating work 20%
- ▶ Inefficient, slow or deficient technology 30%
- ▶ Collaborating with subject matter experts 10%
- ▶ Other 4%



Though, 3D printing and enterprise resource planning (ERP) solutions also garnered a significant percentage of respondents. These implementations should aid AEC firms with time allocation and marketing, two factors that our survey revealed to be the largest pain points for respondents.

HOW MUCH TIME DO YOU SPEND ON MARKETING AND BRANDING EACH WEEK?

- ▶ Less than an hour 9%
- ▶ About 1 – 2 hours 28%
- ▶ Between 2 – 5 hours 40%
- ▶ More than 5 hours 17%
- ▶ N/A 6%

Final Thoughts

Despite the challenges, our midyear check-in survey and others show that AEC is poised to grow alongside technological advancements in the coming years. Empowered by innovative martech solutions like OpenAsset, AEC marketers are doing more with less, and they are doing it faster than ever.

Designed for firms in the built world, OpenAsset is the preferred project-based DAM solution for Architecture, Engineering, Construction and Real Estate firms across the world. Follow the link for more [insights on the AEC industry](#) or [schedule a demo](#) of OpenAsset with one of our solution experts. Don't forget to follow OpenAsset on [LinkedIn](#) for exclusive offers and valuable insight for AEC and Real Estate firms.



About OpenAsset

OpenAsset is the number one project-based Digital Asset Management (DAM) solution for Architecture, Engineering, Construction, and Real Estate firms. It is delivered and supported by Axomic, which has a global presence with staff based in London and New York.



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