



Residential Construction Industry Report Q2 2021

Insights on profit margins, project duration, and more

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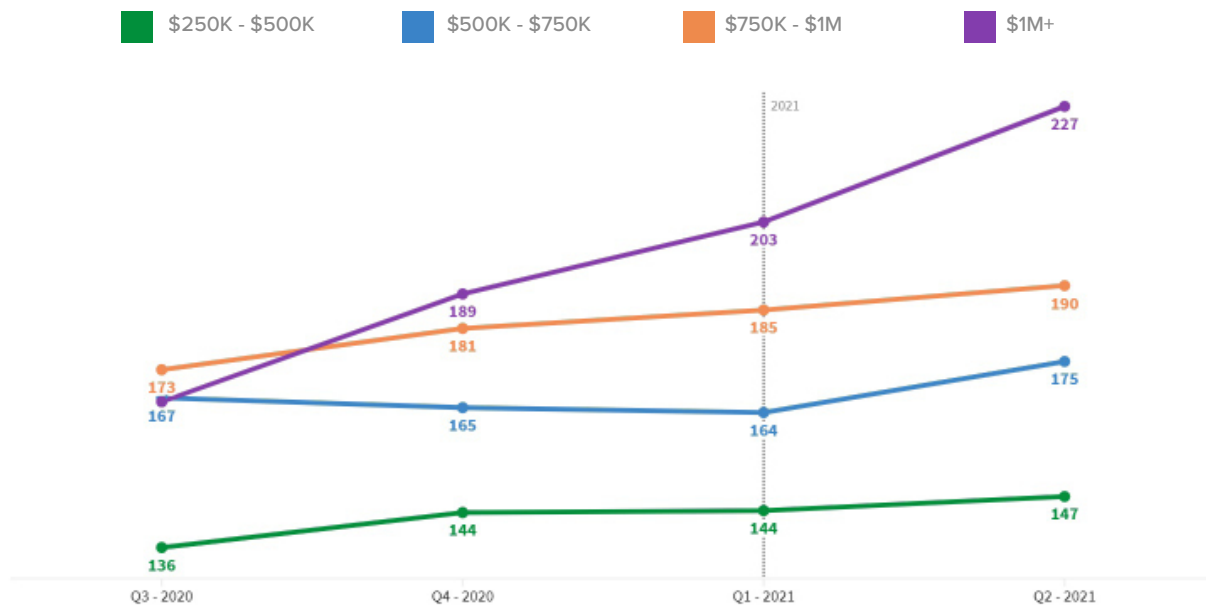
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Residential construction project duration is on the rise

Over the last four quarters, the average project duration for US home building projects has increased 14.7% across all price points.

Home Building Project Duration 2020 - 2021

US Quarterly Home Building Project Duration in Business Days



By analyzing over 4,500 projects completed in CoConstruct over the past four quarters we can see that, unsurprisingly, higher price point projects tend to take more business days to complete. Home building projects priced over \$1M took longer to complete than smaller priced projects, and their average project duration is growing at a faster rate. For instance these projects took on average 166 business days to complete in Q3 of 2020 but took 227 days to complete in Q2 of 2021, a 36.6% increase over four quarters. To put that increase in perspective, the average duration of home building projects priced between \$250K - \$500K and \$750K - \$1M increased 7.7% and 10% respectively during that time period.

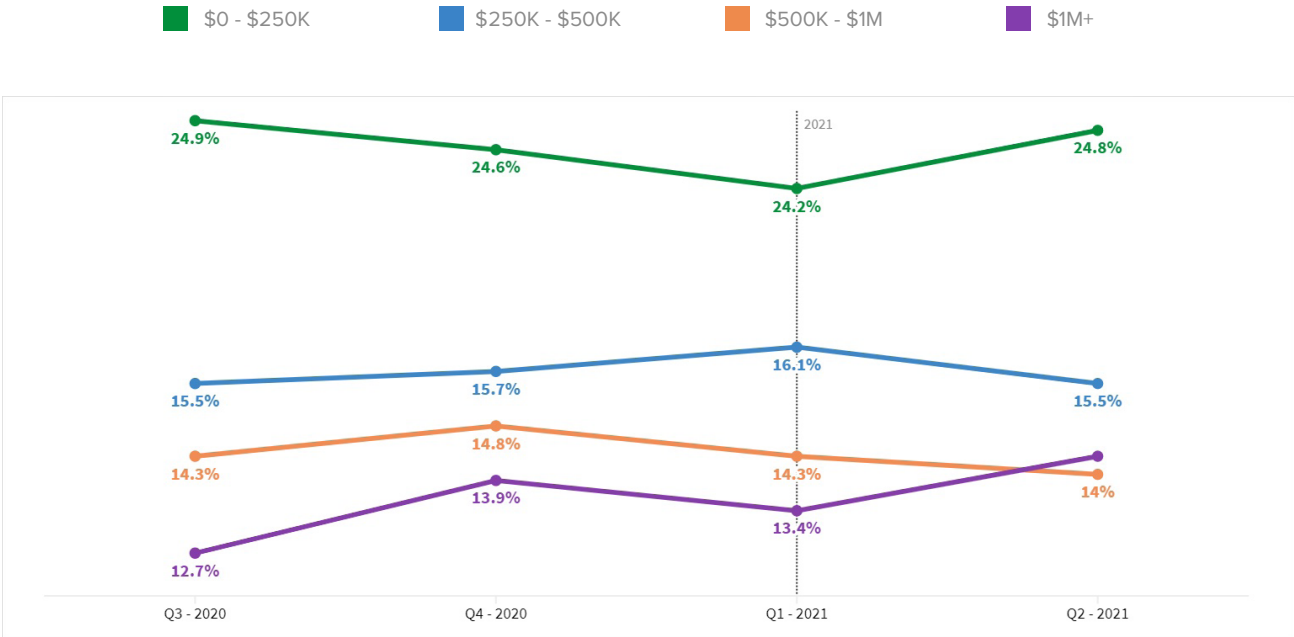
Notably projects priced between \$500K-\$750K had the smaller four quarter project duration increase at only 4.5%. There are several factors that could impact project duration for larger sized projects more than smaller projects. For example, larger (and higher priced) homes feel the impact of labor and material supply shortages more acutely. Increased housing demand combined with severe winter storms in early of 2021 also led to acute shortages and corresponding delays in acquiring appliances that could have increased project duration. Additionally an average 26% increase in material prices could have caused builders or buyers to move more slowly or rethink their projects, causing delays or longer projects.

Residential construction profit margins remain flat

While framing lumber prices have finally stopped their meteoric rise, it still may take more time for the relief to make its way to recent home building projects.

US Home Building Profit Margins 2020-2021

Average US Residential Construction Profit Margins Per Project by Quarter



In analyzing over 46,000 US residential construction projects in CoConstruct over the last four quarters we found that across the board the average profit margins per project for builders declined or was flat. The exceptions were projects priced over \$1M which grew from 12.7% in Q3 of 2020 to 14.3% in Q2 of 2021. This 12.7% increase over the last four quarters was nearly 100 times larger than the 0.3% average profit margin increase that projects priced between \$250K-\$500K experienced. The average profit margins of projects priced under \$250K increased from 24.2% in Q1 of 2021 to 24.8% in Q2 but the margins are still down

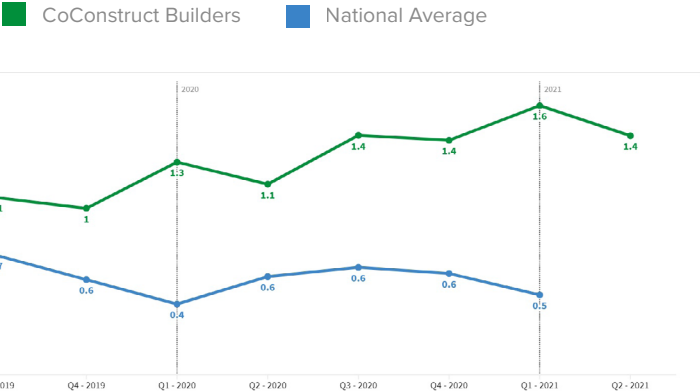
from 24.9% in Q3 of 2020. The average profit margin per project for projects priced between \$250K-\$500K and \$500-\$1M both dipped from Q1 of 2021 to Q2. While framing lumber prices have finally stopped their meteoric rise, it still may take more time for the relief to make its way to recent home building projects. In addition to framing lumber, oriented strand boards, heavily used in roofing applications, have risen to five times their prices since January 2020. Increased building material costs affected profit margins for builders who weren't able to pass costs along to their customers or switch to alternative building materials.

CoConstruct construction project starts per quarter are higher than the national average

Over the last eight quarters the average project starts per builder for CoConstruct home builders has been trending up.

Project Starts: CoConstruct vs National 2019 - 2021

Average Home Building Project Starts Per Quarter for US CoConstruct Builders and National Average



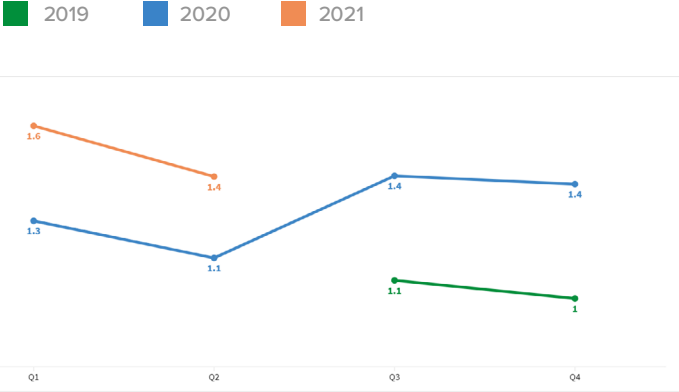
Over the last eight quarters the average project starts per builder for CoConstruct home builders has been trending up. After averaging one start per quarter in Q3 of 2019, CoConstruct home builders averaged 1.4 starts per quarter in Q2 of 2021.

In this same time period, the average project starts per quarter for the 54,735 new single-family construction companies across the country dipped from 0.7 starts to 0.5 starts according to single family contractor built project starts data from the Census quarterly starts data.

The national average for quarterly project starts per builder dropped to 0.5 this past quarter, the lowest since Q1 of 2020. The US Census has not published Q2 2021 quarterly project start data at the time of publishing this piece.

US Project Starts Per Quarter 2019 - 2021

Average Home Building Project Starts Per Quarter for US CoConstruct Builders



By rearranging the previous CoConstruct project start data into a year-over-year format we can see the seasonality inherent in the residential construction industry. From Q1 to Q2 CoConstruct builders saw a 10.4% and 11.2% decrease in average project starts per quarter in 2020 and 2021.

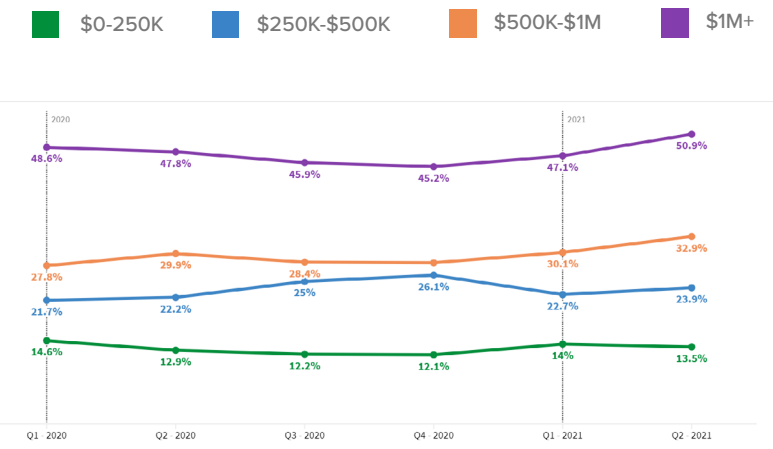
CoConstruct builders also saw a decrease in average project starts going from Q3 to Q4 in both 2019 and 2020. Notably, the average starts per quarter rose 25.7% from Q2 to Q3 in 2020, leading us to believe that an increase in average starts is likely for builders in Q3 of 2021.

Larger priced projects are using more open book construction contracts

While larger projects are starting to use more open book contracts, the majority of projects under \$1M primarily use fixed price construction contracts.

Open Book Contract Usage 2020 - 2021

Percentage of Quarterly US Residential Construction Projects Using Open Book Contracts

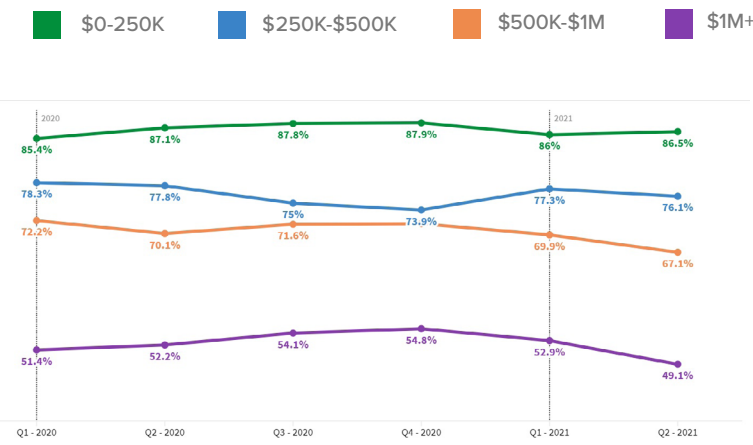


Over the last year and a half the percentage of US home builders using open book construction contracts on larger priced projects has increased. In Q1 of 2020 48.6% of projects over \$1M used open book contracts. By Q4 of the same year it had dropped to 45.2% before rebounding in Q2 of 2021 to 50.9%.

Only projects priced between \$500K-\$1M saw a greater two quarter increase in open book contract usage going from 28.3% to 32.9%.

Fixed Price Contract Usage 2020 - 2021

Percentage of Quarterly US Residential Construction Projects Using Fixed Price Contracts



While larger projects are starting to use more open book contracts, the majority of projects under \$1M primarily use fixed price construction contracts. In Q2 of 2021, 86.5% of projects priced under \$250K and 76.1% of projects priced between \$250K-\$500K used fixed price contracts.

ABOUT THE WRITER

What is CoConstruct?

CoConstruct's integrated construction management software helps 100,000+ home builders and remodelers improve their business processes. In 2004, CoConstruct was founded to streamline the selections process for both builders and clients. Throughout the past 17 years, we've expanded our software functionality to include features to support company financials, project management, communication, and operations. Today we are an all-in-one solution designed to help businesses efficiently manage projects, coordinate teams, and serve client needs all while saving critical time for business development. We empower owners, project managers, field staff, office administrators, bookkeepers, and other team members to be in sync across multiple projects. When team members work together, building companies minimize costs and generate more profit.

If you are looking for ways to grow your residential construction business and improve your team's performance, visit [CoConstruct](#) to learn more about the benefits of integrated construction management software.

Ready to take the next step? [Schedule a demo with our sales team today.](#)

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