



# Residential Construction Industry Report Q3 2021

Insights on profit margins, project duration, and more

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**COCONSTRUCT™**

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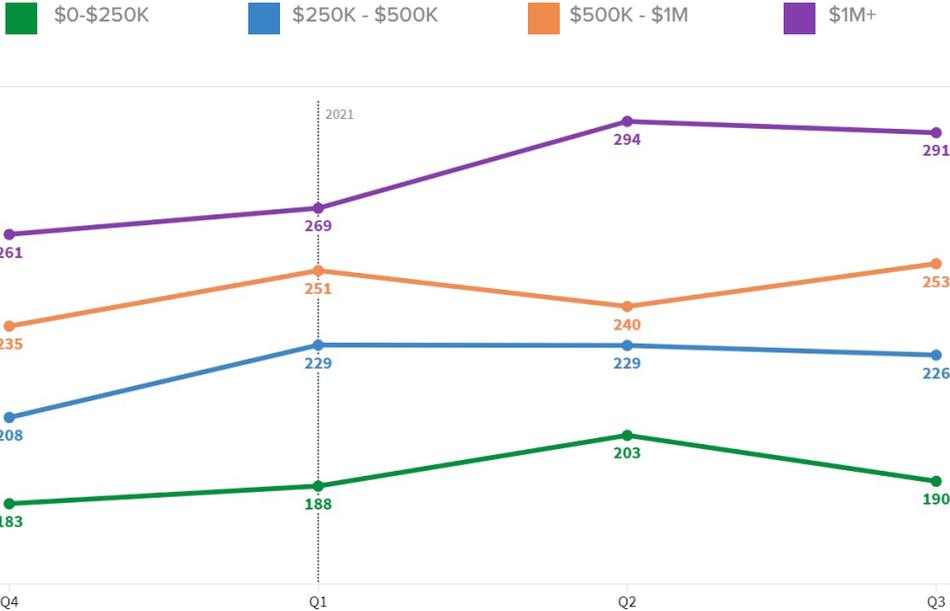
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# Residential construction project duration is on the decline

Home building project duration dropped across nearly all project price points

## Home Building Project Duration 2020 - 2021

Home Building Project Duration 2020 - 2021



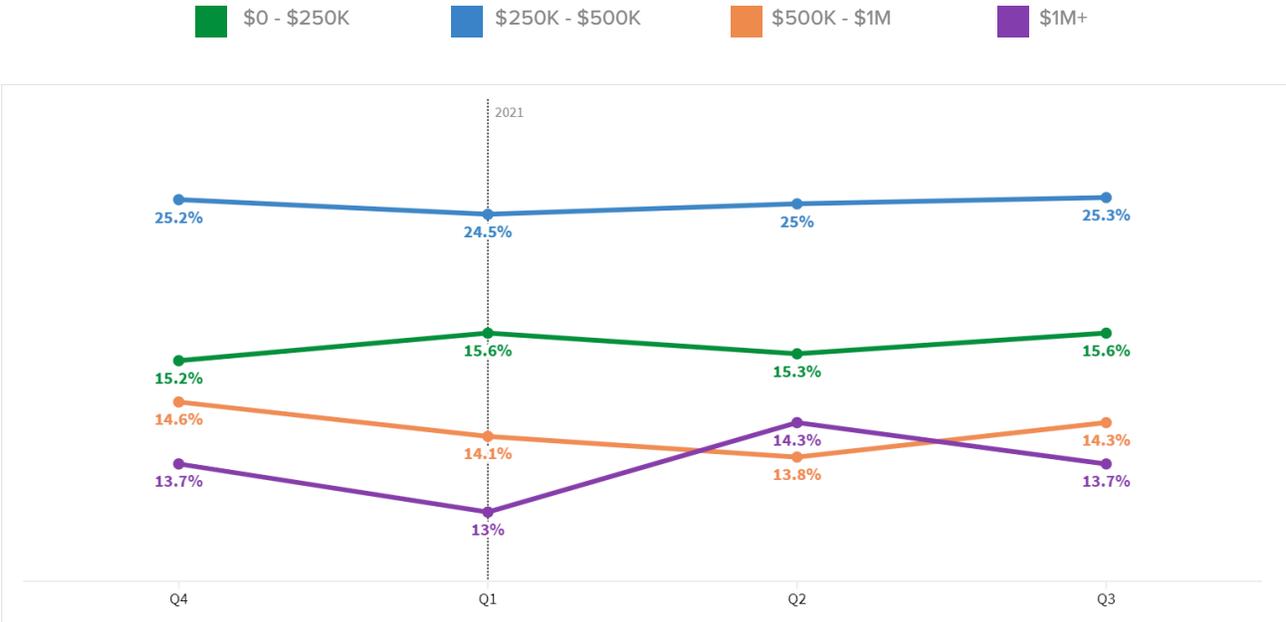
Home building project duration in Q3 2021 is down across all project price points except projects priced between \$750K-\$1M, which bounced back from a 4.1% decrease in Q2 to 5.1% increase in Q3. That increase amounted to 12 more business days for projects to be completed. Projects priced below \$250K saw the biggest decrease of 6.5%, or 13 less business days to complete. Construction projects priced between \$500K-\$750K and above \$1M both saw a 1% decrease in average project duration which equates to 3 less business days to complete.

# Consistent profit margins in Q3 for all projects except those priced over \$1M

Consistent profit margins in Q3 for all projects except those priced over \$1M

## US Home Building Profit Margins 2020 - 2021

Average US Residential Construction Profit Margins Per Project by Quarter



Compared to projects completed in Q2, projects completed in Q3 saw average increases of 1.4%, 1.8%, and 3.4% for projects priced below \$250K, between \$250K-\$500K, and between \$500K-\$750K, respectively. These same projects also stayed within half a percentage point of their average profit margins the last two quarters, suggesting fairly predictable profit margins for projects of this size. The outlier to these construction industry trends were Q3 projects priced above \$1M which saw a 4.14% decrease in average profit margin and had more variation in average quarterly profit margin per project. Notably, projects priced below \$250K

are the only price group that has had two consecutive quarters of positive profit margin growth.

While one to three percentage point swings may not seem like a lot, this directly affects a contractor’s bottom line. For instance, the 3.4% average profit margin increase for projects priced between \$750K-\$1M meant builders brought home on average \$2,436 more per project. Conversely, the 4.1% average profit margin decrease for projects priced over \$1M equaled an average of \$98,595 less in gross profit per project.

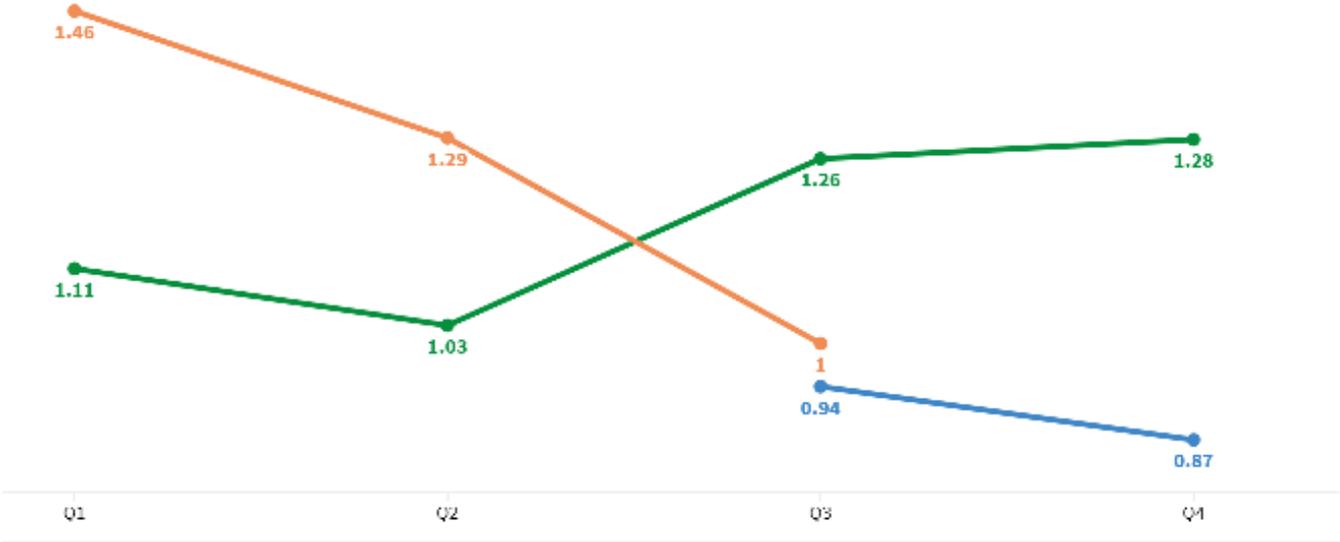
# Project starts return to pre-pandemic levels

The last nine months have been a wild ride for the residential construction industry

## Project Starts: CoConstruct vs National 2019 - 2021

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

■ CoConstruct Builders ■ National Average



After 1.03 average project starts per quarter in Q2 2020, housing starts surged the next three quarters to a high of 1.46 starts per quarter in Q1 2021. But since then starts per quarter has fallen 12% and 22% in back-to-back quarters. CoConstruct builders started on average 1 new home in Q3 2021, the lowest number in any quarter since Q4 of 2019.

While down by 2021 standards, Q3 average project starts is up 6% versus 2019 numbers suggesting that the recent construction industry trend is reverting from inflated pandemic numbers back to normal operating levels. This could be the byproduct of factors including [lumber prices returning to normal](#) and labor shortages.

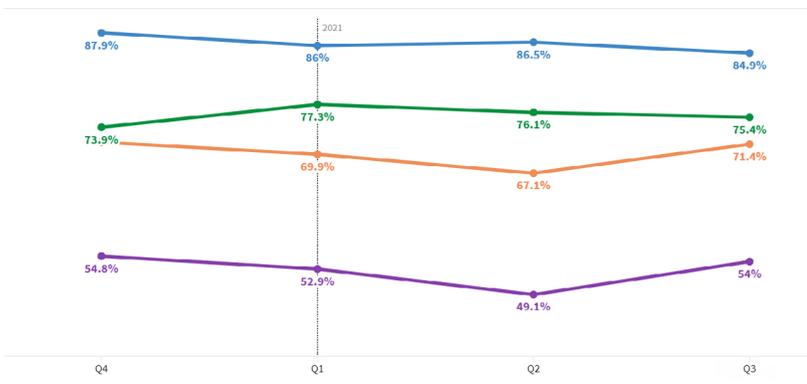
# More residential construction projects are using fixed priced contracts

Over half of projects in CoConstruct, no matter the price point, utilize fixed price construction projects.

## Fixed Price Contract Usage 2020 - 2021

Percentage of Quarterly US Residential Construction Projects Using Fixed Price Contracts

■ \$0-250K 
 ■ \$250K-\$500K 
 ■ \$500K-\$1M 
 ■ \$1M+

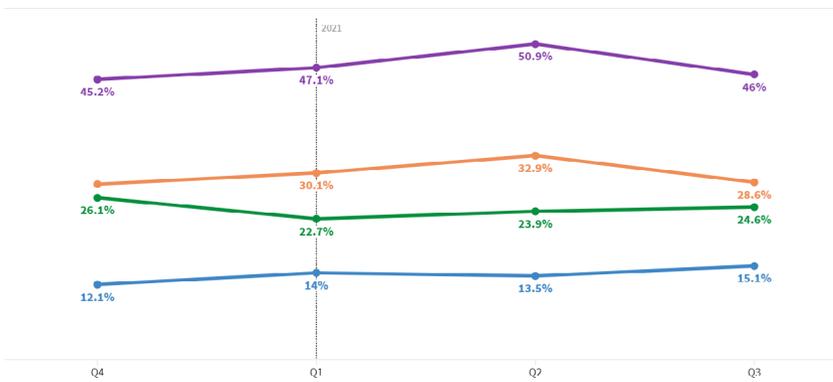


Lower priced projects, in particular, tend to use fixed price contracts more than higher priced projects. From Q4 2020 to Q2 2021 there was a construction industry trend of higher priced projects using less and less fixed price projects with projects priced over \$1M only using fixed price contracts 49.1% of the time in Q2 2021. However, in Q3 this trend reversed itself with 54% of projects priced over \$1M using fixed price contracts.

## Open Book Contract Usage 2020 - 2021

Percentage of Quarterly US Residential Construction Projects Using Open Book Contracts

■ \$0-250K 
 ■ \$250K-\$500K 
 ■ \$500K-\$1M 
 ■ \$1M+



Open book contract usage, on the other hand, experienced the opposite trends with higher priced projects using less open book contracts. Notably, 15.1% of residential construction projects priced below \$250K used open book contracts, the highest percentage over the last four quarters for that price range.

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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