

COGENCE Alliance

Owners + Architects + Engineers + Contractors

Inspire. Educate. Unite.



Mission + Purpose

Cogence *(Latin)*

“To drive together” or “Thinking that is well organized”

The purpose of the Alliance is to bring Owners and Developers, Architects and Engineers, Construction Managers and Contractors, and Allied Industry Professionals together to **advocate** and be a **resource** for improved project delivery.

For more information visit us at www.cogence.org

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Cogence Partner Core Values

Cogence Alliance Partners engage with the Industry to make the work better together for the future.



Each partner is committed to:

- ***Understanding*** diverse backgrounds, experiences, and beliefs
- ***Exchanging*** ideas through conversation and debate
- Being responsible for ***positive outcomes*** over time,
with a lifelong passion to learn, grow, and stay curious – while having fun!



SW Ohio Chapter Partners



Inspire. Educate. Unite.

Today's Roundtable:
Navigating Changes in Federal Policies

**Kevin Willardsen, PhD,
Wright State University**

About Me



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- Associate Professor of Economics
 - Wright State University



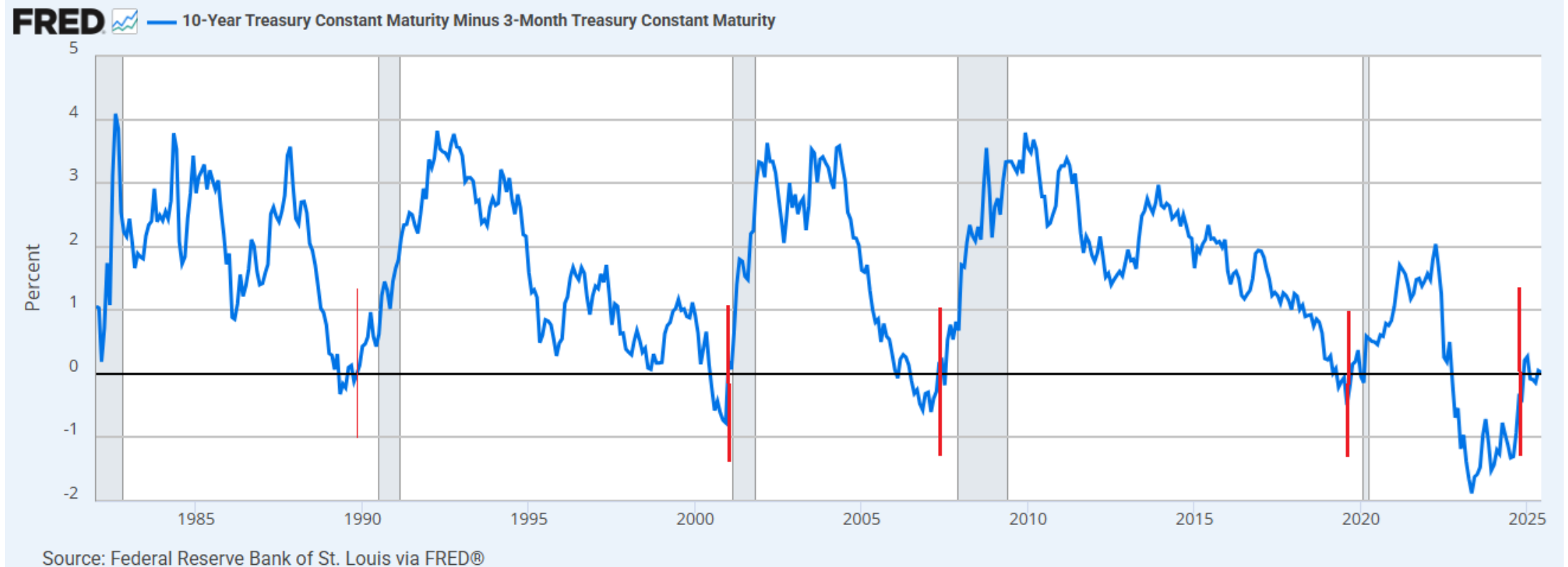
Analyzing the Macro Economic climate Affecting SW Ohio

How will your place of work be impacted 2025-2026

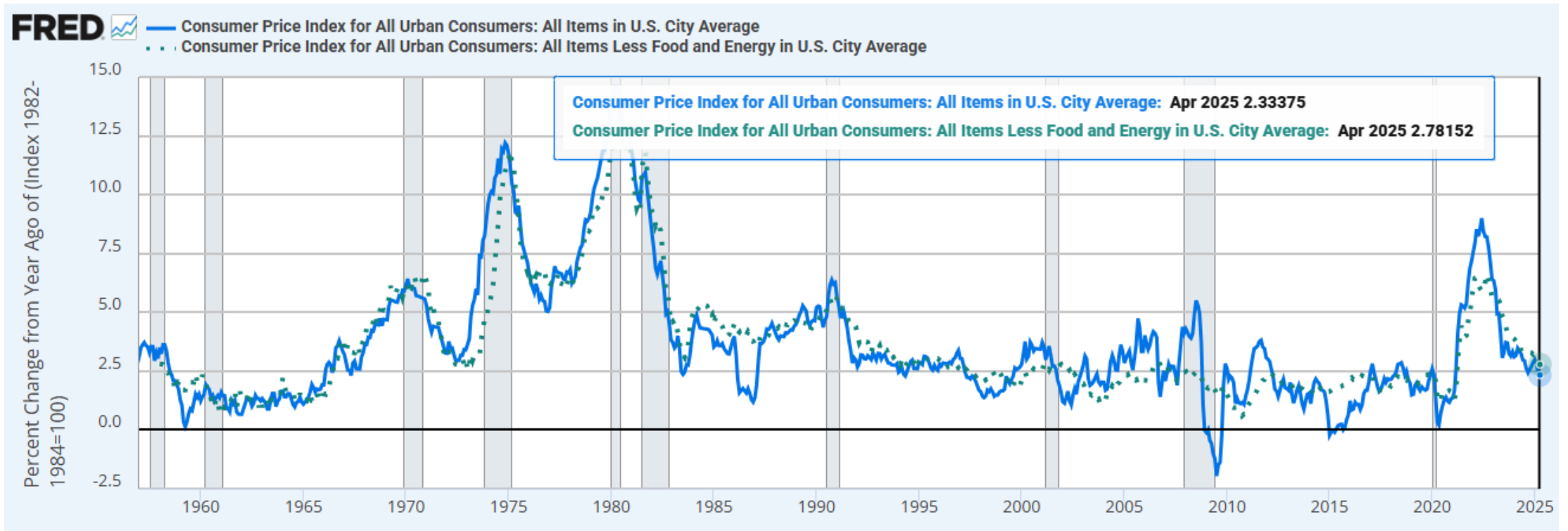
So, what is going to Happen?

- Inflation/recession
- Interest Rates
- Immigration/Demographics
- Tariffs

Recession?



Inflation is falling but...



@2% - Purchasing power is cut in half in 35yrs, 3% - 23 years → 33% faster
Deflation a sign of recession → typically happens **during** not prior to recession
Inflation result of deficit spending and supply chain constraints.

Interest Rates and the Dual Mandate

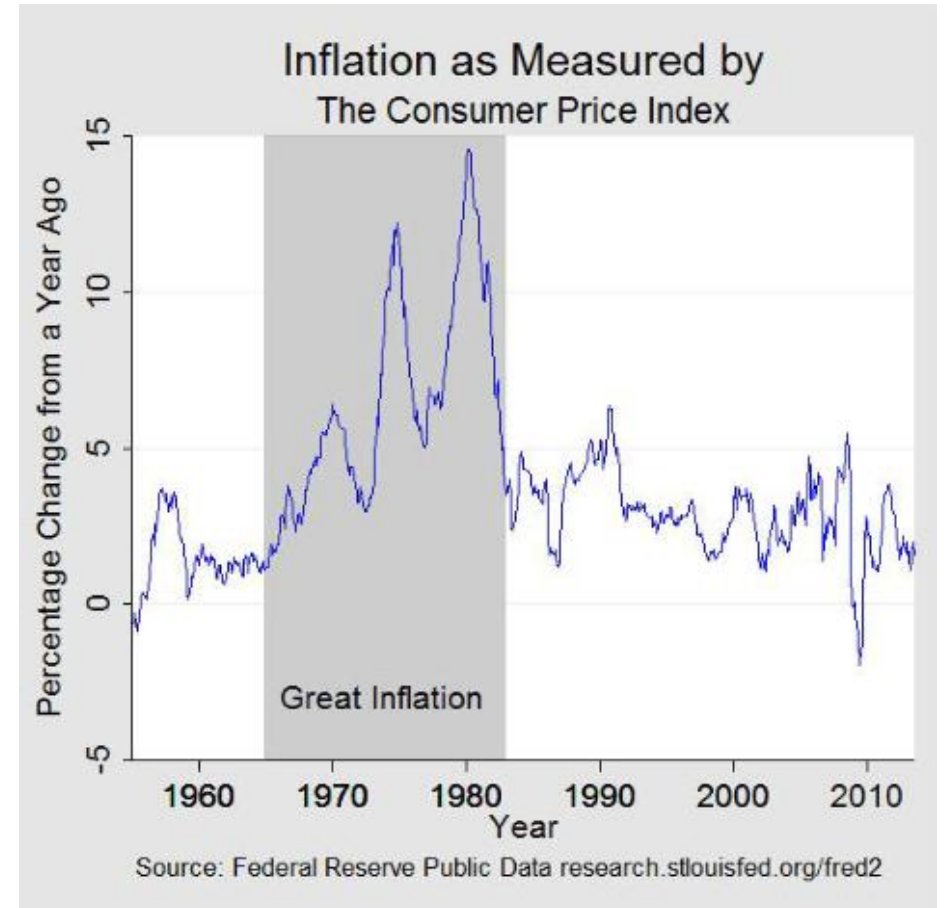
- Unemployment – 4.2%

1. Recession

- Hesitant to cut rates prior to two indicators
 - CPI and Core CPI must be much closer to 2%
 - Unemployment > 5%
 - Sahm Rule – Three month moving average is greater than the minimum of the previous three months.
- Rapid deflation – $CPI \ll 2\%$
 - FED will be aggressive

2. No Recession

- Expect little to no change

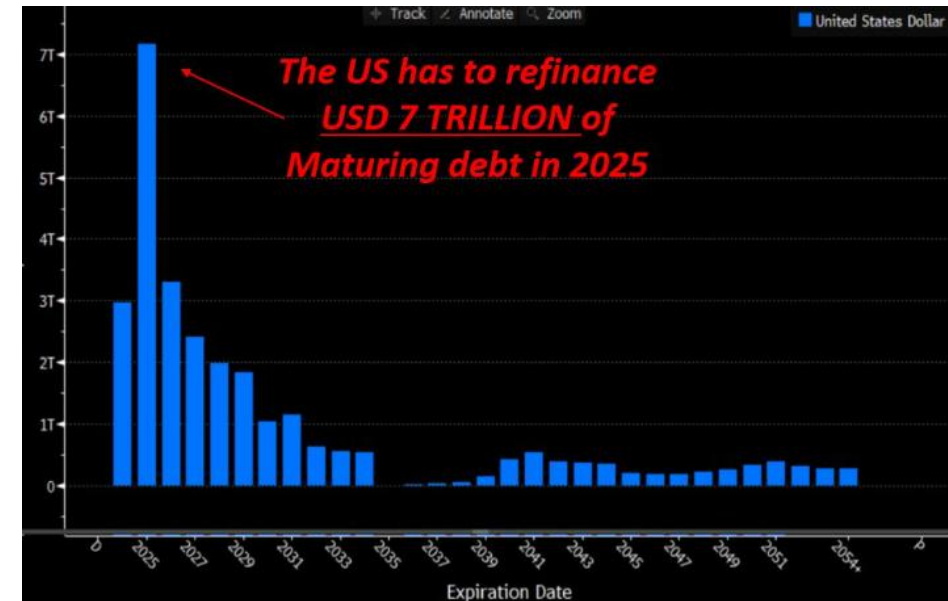
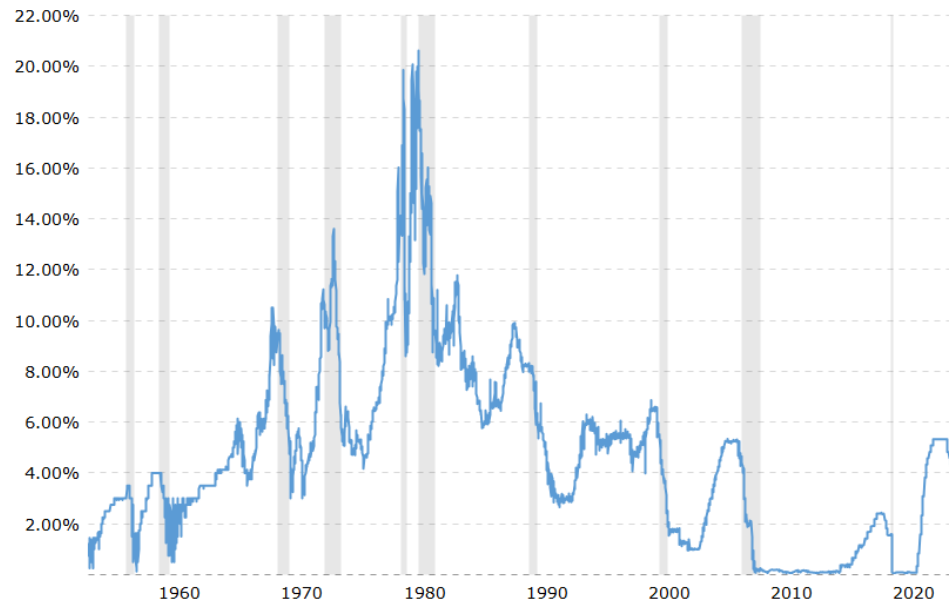


Complications – Low rates and the Maturity Wall

- U.S. will need to make hard decision over the next 5 years.
- If refinanced at 5-6% → debt service payments will take larger chunks of tax revenue.

1. Large cuts to federal spending
- or
2. Inflation

Largest threat to large scale cancellation of federal projects.



The Covid-Demographic Squeeze

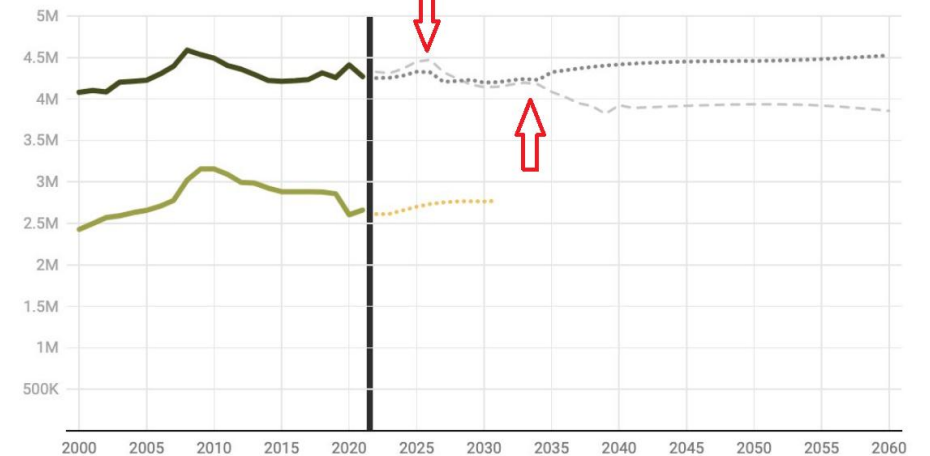
- Number of 18-year-olds is expected to fall over next decade
- Covid shrank the LFP of 55+
 - Generous benefits will speed the process
 - Inflation will slow it
- Implications
 - Loss of industry experience
 - Workers will demand a higher wage and be less prepared



Population of 18-Year-Olds Is Projected to Crater

The Census previously forecast, before the pandemic, that the number of 18-year-olds would rebound after 2035.

The **darker-shaded** lines (—) are derived from **data** sourced from the **U.S. Census Bureau**. The **lighter-shaded** lines (—), which depict estimates of freshman enrollment, are from **U.S. Department of Education data**. The — — line represents Census estimates of America's future 18-year-old population, as modeled in 2023. The . . . and . . . lines are derived from projections preceding that 2023 modeling.



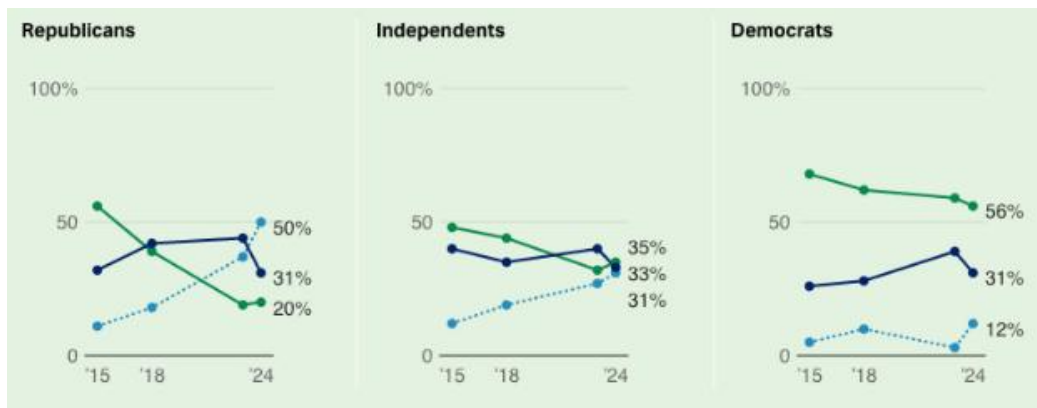
More Complications

- Professions requiring a degree (especially those dominated by men) will find it more difficult to find replacements
- Some things to consider
 1. Start recruiting younger
 2. Attracting women

Shifting Confidence in Higher Education Among Demographic Groups, 2015-2023

% of U.S. adults with "a great deal" or "quite a lot" of confidence in higher education

| | 2015 % | 2018 % | 2023 % | 2015-2023 change pct. pts. |
|---------------|-----------|-----------|-----------|----------------------------------|
| Gender | | | | |
| Men | 52 | 45 | 33 | -19 |
| Women | 61 | 51 | 39 | -22 |
| Age | | | | |
| 18 to 34 | 60 | 51 | 42 | -18 |
| 35 to 54 | 55 | 49 | 39 | -16 |
| 55 and older | 55 | 46 | 31 | -24 |



Immigration

- Immigration policy has been deliberate
 - Stimulates GDP
 - Fights inflation – remittances
 - Social Security
 - Wage percentile disequilibrium
- 95% fall in Crossings
- Trump admin will not hit target
 - Target - 2 million → Closer to 1 million
- Only 5.3% of Construction workers are foreign born

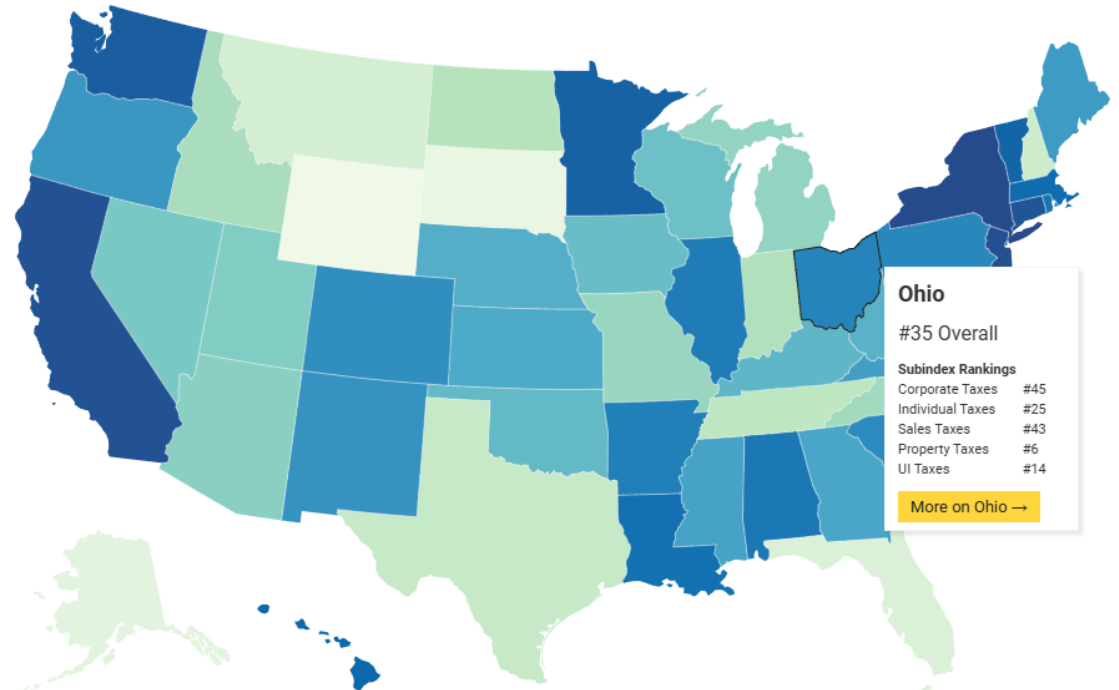
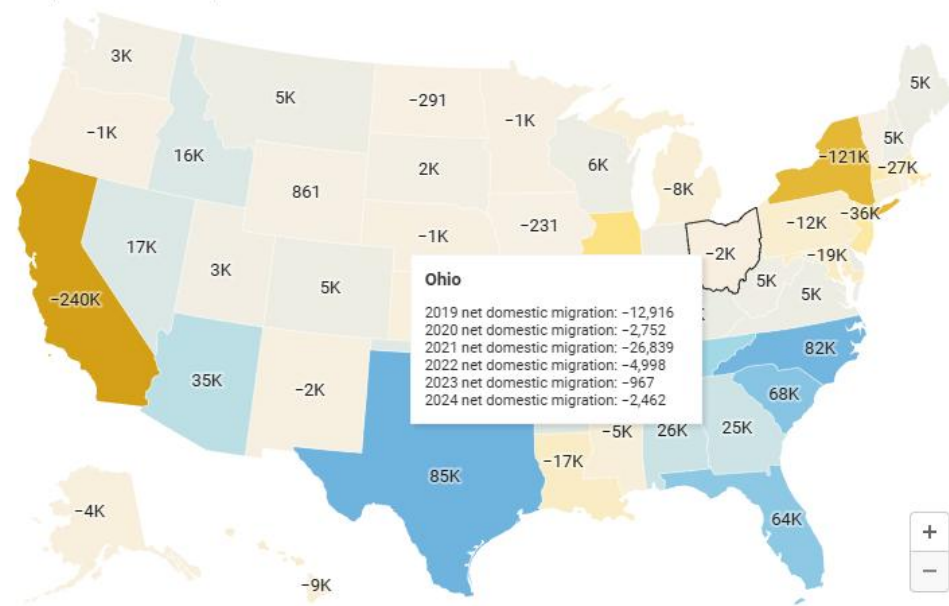
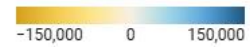


| Country | Last | Previous |
|---------------|------|----------|
| United States | 2.3 | 3.1 |
| Turkey | 1.7 | -0.1 |
| China | 1.6 | 1.3 |
| India | 1.6 | 1.4 |
| Argentina | 1.1 | 3.9 |
| Spain | 0.8 | 0.8 |
| Australia | 0.6 | 0.3 |
| Canada | 0.6 | 0.5 |
| Japan | 0.6 | 0.4 |
| South Africa | 0.6 | -0.1 |
| Indonesia | 0.53 | 1.5 |

Real issue is Migration

Where Americans moved in 2024

Net domestic migration shift between July 2023 and July 2024



Tariffs....what is going on

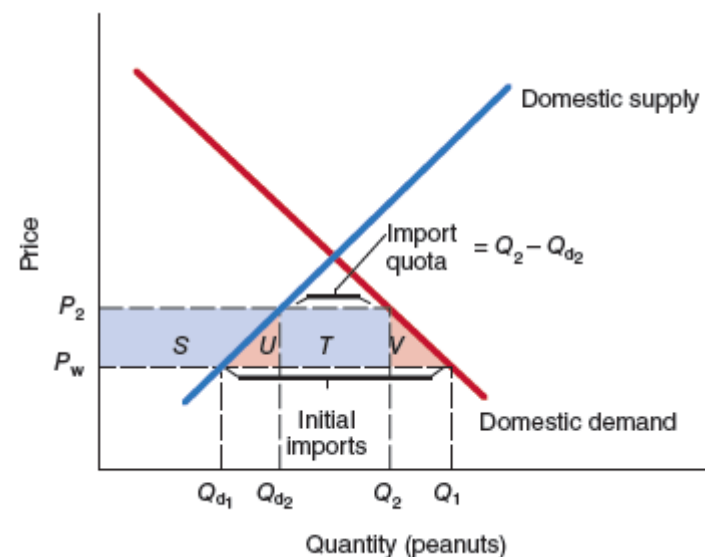
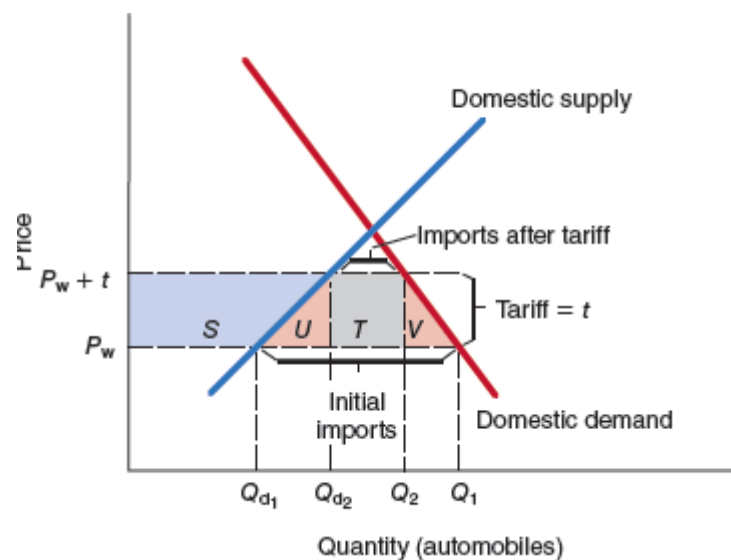
- “Liberation Day” tariffs – leveraged the fentanyl emergency to implement tariffs.
- U.S. Court of International Trade (CIT) – ruled President exceeded his authority
- U.S. Court of Appeals for Federal Circuit – granted temporary stay (reinstated tariffs) as case is reviewed
- Should have an answer by mid/late June

As it stands -

- Section 232 doubling of steel tariffs – effective June 4, 2025
- Canada- lumber/timber - Trump ordered investigation due Nov 2025 – unclear what tariffs may change to (currently 14.54%).
- NAHB – estimates increase of \$9200 in material costs per new home
 - Likely an underestimate
- “Smart money” – tariffs as currently constituted will be reformed.
 - May be bluffing
 - Not with China

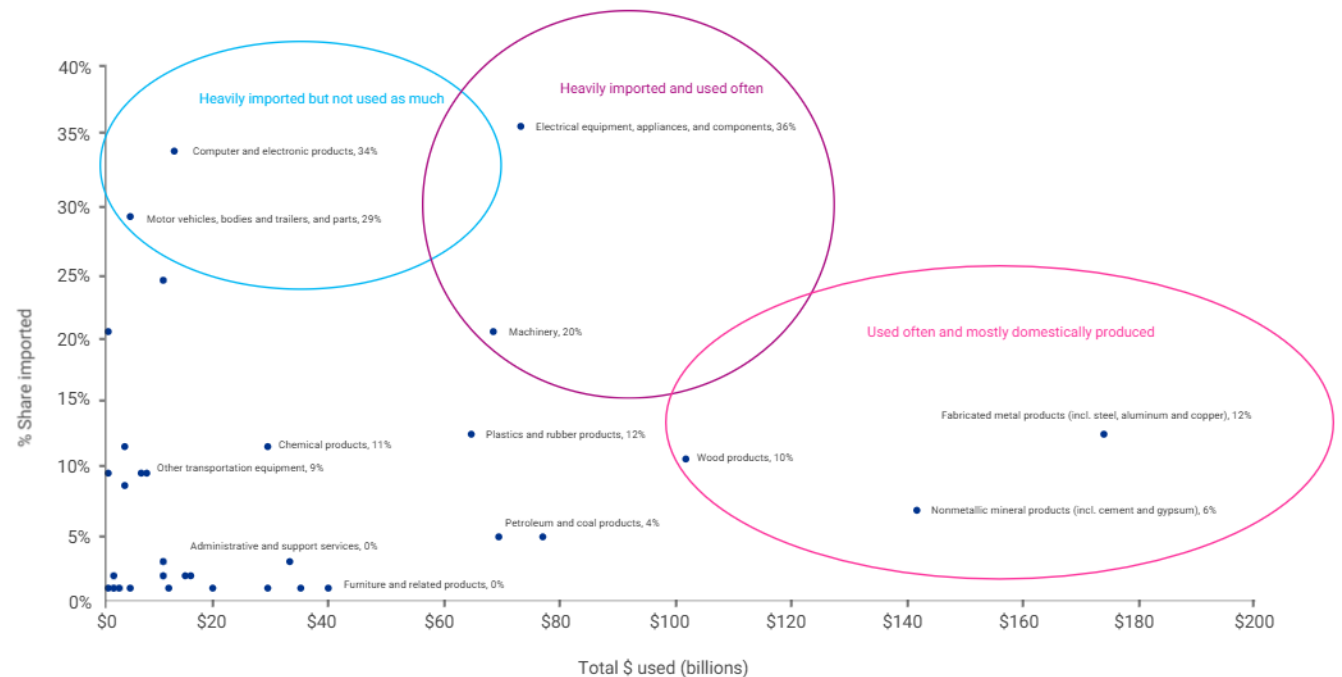
Tariffs - some theory

- Traditional Theory on Tariffs
 - Traditional Theory – All voluntary transactions are mutually beneficial → any intervention is, by definition, welfare reducing (usually to BOTH parties)



Tariffs - some theory

- Some things to remember:
 - A 30% tariff \rightarrow much lower $\% \Delta$ in price
- Supply Chain
 - Likely not as bad a Covid.
 - Higher prices, longer waits or both.
 - These are world MKTs
 - Non-linear
 - Your supplier's supplier
 - Dishes and Movies
 - Bootlegger and Baptist



Breakout Group Questions

1. What can be done to deal with the coming demographic cliff and the exodus of experience over the next decade?
2. What are some strategies we can use to mitigate the risk of fluctuating tariffs on goods and services that impact the construction industry?
3. How is the impact of current economic challenges such as high interest rates, inflation, cuts to federal and state funded projects, and the potential for an upcoming recession impacting your company, and what are you doing about it?



Mentimeter Audience Polling Results

What are your key takeaways from today's roundtable?

- Rates are staying the same
- Slowdown might be coming
- Better understanding of tariff strategies
- We are all screwed. Seriously there will be some challenges we need to overcome.
- Diversify your business and review current hiring policies and practices.
- Tariffs are a bluff
- Great conversation on recession, interest rates, etc. Staffing conversation insightful
- Diversify the markets you serve
- Unclear if Tariffs are a bluff
- Interest rates are to stay
- Great to hear how these issues impact other disciplines, trades, organizations



Mentimeter Audience Polling Results

What are your key takeaways from today's roundtable?

- Economists look backwards. Good presentation about things we don't know about
- It's bad and it's not getting better.
- We're feeling the squeeze from the labor end and pricing end.
- The labor squeeze pushes wages which doesn't help the pricing end.
- Market diversification is king.
- Better understanding of Ohio labor pool projections
- Great to get an economist perspective on our industry.
- Labor market engineers & Construction
- Contracts to deal with Tariffs as well as pre purchase
- Diversify, diversify, diversify!



Mentimeter Audience Polling Results

What are your key takeaways from today's roundtable?

- Discussion on training college needs trade needs
- Do all functions of engineering firm require degreed engineer?
- Getting experience prior to degree (billable hours)
- Dealing with Cost Fluctuations due to tariffs and global economy.
- Contract language for final pricing. At time of PO or when materials arrive and tariffs are applied.
- Potential impact of methods of borrowing by fed. Short term and long term.



Mentimeter Audience Polling Results

Plus: What went well today?

- Great presentation
- Breakout discussions rule
- Good group discussion. Great presenter.
- Overall Diverse Conversation
- Informative topic
- Great collaboration
- I really enjoyed the content of the presentation.
- Interesting and relevant topic
- Group breakout
- I really appreciated our presenter's knowledge and expertise.
- The conversation was great.
- Great conversation on new topics.
- Time Relevant discussions
- Great presentation
- Insightful discussion on funding and economics

Delta: Where can we Improve?

- We need more people. Get the word out.
- The economy.
- I would love to hear from some more owners specifically
- What do you mean, it was good?!
- Staying to time
- Owners



Save-the-Dates!

Upcoming Southwest Ohio Chapter Roundtables & Events:

- Thursday, September 11 – Roundtable
- Thursday, October 2 – Clay Shoot, Middletown Sportsmen's Club
- Thursday, December 4 – Roundtable (tentative)