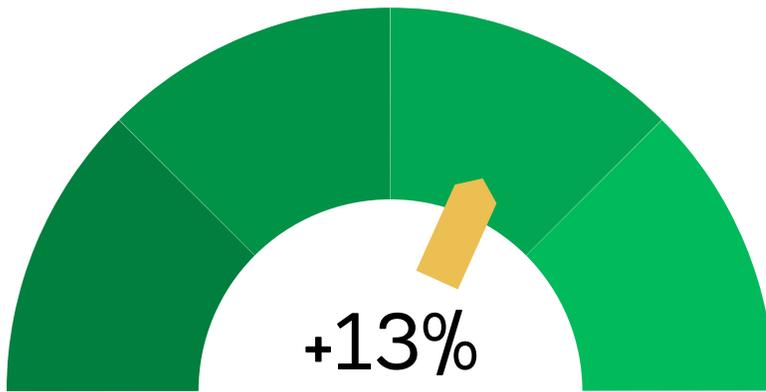


# The Lien Index

powered by LienFinder™



NCS Credit's Lien Index is derived from carefully monitored national and regional mechanic's lien activity, construction economic data from various sources, and general economic trends. The Lien Index compares mechanic's lien data, quarter over quarter. The standard is zero ("0"), with a number greater than 0 representing an increase in mechanic's lien activity, and less than 0 representing a decrease in mechanic's lien activity.



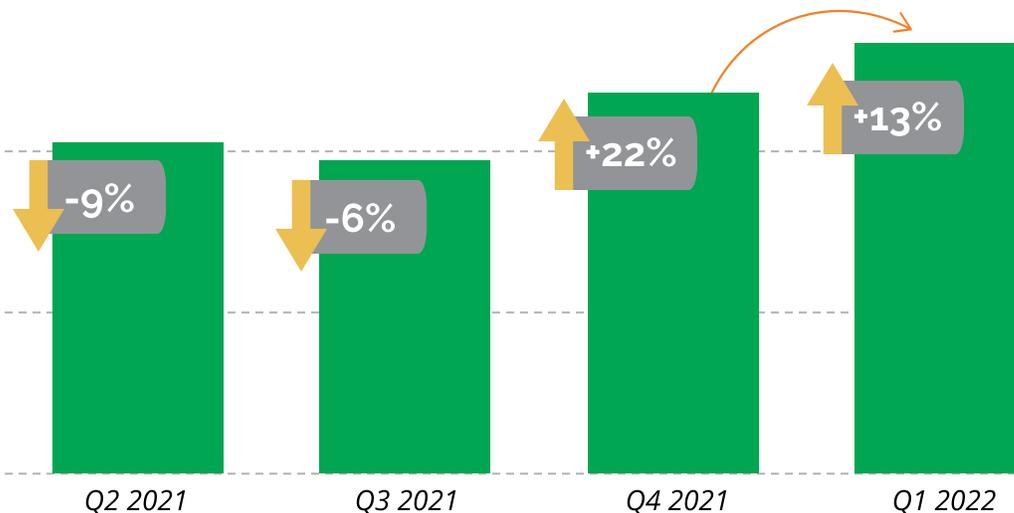
The Lien Index Q1 2022

**The Lien Index's rate of increase slowed from an adjusted +22% in Q4 2021 to +13% in Q1 2022.**

Although the rate of increase declined, mechanic's lien activity increased nationally, as expected. Inflation adds tremendous strain, piling on to existing frustrations surrounding material and labor shortages and supply chain issues.

## National Mechanic's Lien Activity

### National Mechanic's Lien Activity by Quarter

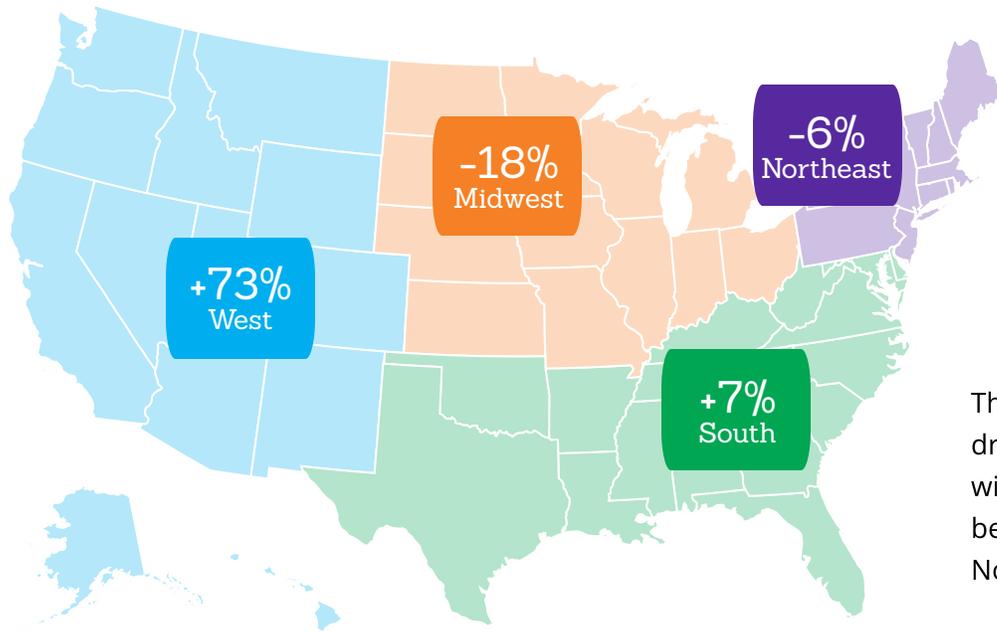


National mechanic's lien activity rose quarter over quarter since Q3 2021, with a slower rise into Q1 2022.

Although the rate of increase has slowed, we are likely to see a continued increase into Q2, instead of the expected cyclical decline (i.e., Q1 & Q4 high lien activity and Q2 & Q3 low lien activity).

*Economic conditions including inflation, material and labor shortages, and the war in Ukraine, will certainly contribute to the increase in lien activity into Q2 2022.*

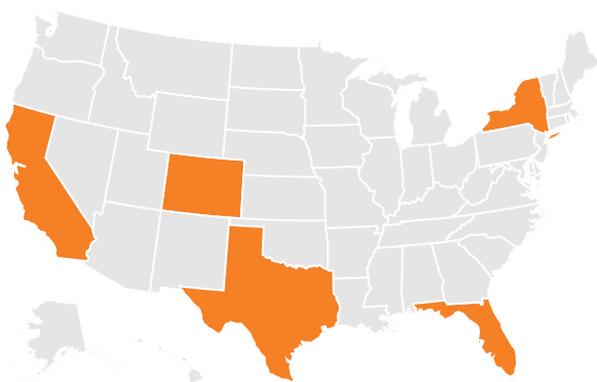
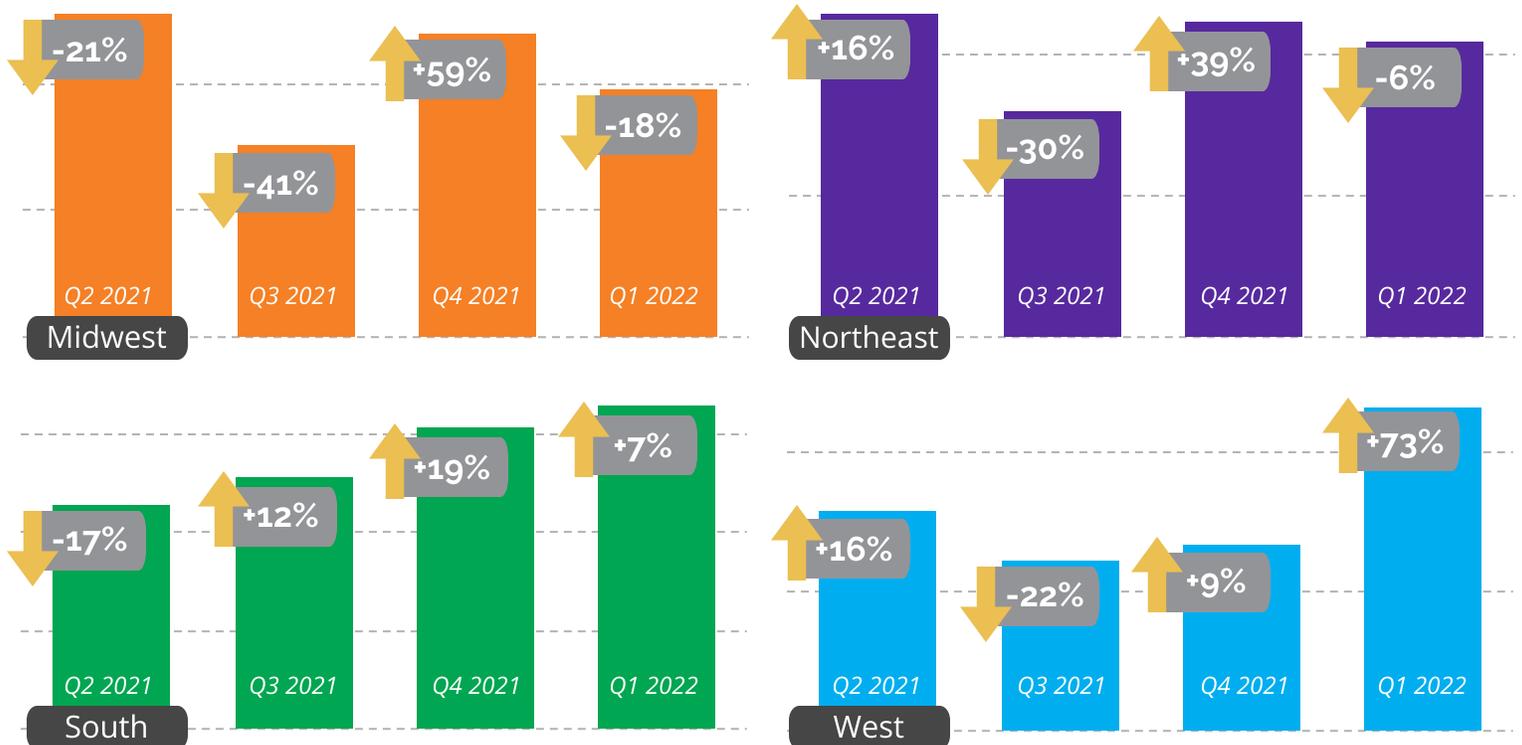
# Regional Mechanic's Lien Activity



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The rise in national lien activity was driven largely by the Western region, with a dramatic +73% jump. Coming in behind the West was the South, Northeast, and Midwest respectively.

The Southern region continued a quarter over quarter climb, ending Q1 +7%. The Northeastern and Midwestern regions saw lien activity decline, ending Q1 at -5.8% and -18.3% respectively.



**Texas** maintains its quarter over quarter reign as the state with highest lien activity, followed by **California**, **Florida**, **New York**, and **Colorado**.

Within each region, the top three states for lien activity are: Texas, Florida, and Georgia in the South, California, Colorado, and Washington in the West, New York, Massachusetts, and New Jersey in the Northeast, and Ohio, Illinois, and Michigan in the Midwest.

**Serve preliminary notices on EVERY project, EVERY time.**

## Be Prepared

Inflation. Material shortages. Labor shortages. The war in Ukraine. These constraints continue to burden the economy and businesses across all industries. Despite challenges, new construction planning and new construction starts rose in Q1. The Architecture Billings Index maintained moderate growth throughout Q1 as did The Dodge Momentum Index.

Although bankruptcy filings have remained much lower than anticipated, Epiq Bankruptcy reported an increase in filings as Q1 showed incremental bumps month over month. Unquestionably, with climbing interest rates, supply chain issues, labor shortages, and inflation, businesses will need relief – bankruptcy may be the best and only option.

Historically, Q2 and Q3 are peak seasons for new construction activity. Mechanic's lien filings should taper off mid Q2 and are likely to remain low until the end of Q3. That said, some economists are uttering words of possible recession, and with current inflation it's certainly not out of the realm of possibilities. Of course, supply chain issues and rocketing prices continue to take a toll on projects. The delays in construction are causing delays in payment, and the further narrowing of already thin profit margins is significantly impacting cash flow across the industry.

- Carefully identify and evaluate credit for all parties within the ladder of supply. Construction is wrought with payment issues because the credit relationship is between more than you and your customer; it includes every party between you and the project owner. Timely payment is at the mercy of the weakest link in the payment chain.
- Obtain as much information as possible on the project and all parties within the ladder of supply. Recognize these large-scale projects will likely cover multiple parcels across multiple states.
- Serve preliminary notices on both public and private projects to secure bond claim and mechanic's lien rights respectively.
- Continue to monitor activity on your existing projects and customers. We are seeing an uptick in fund shifting (project to project), which is escalating payment issues. As you prepare and file mechanic's liens, ensure you have sufficient documentation to support your claim.



**Carefully identify and evaluate credit for all parties within the ladder of supply.**



**Obtain as much project and party information as possible.**



**Serve preliminary notices on every project, every time.**



**Continue to monitor payment activity on existing projects & customers.**

Companies often struggle to get paid. Credit risk and slow payment can cripple your credit department. Stop worrying about slow paying customers, we've got your back. Let our experts handle the legal documents to protect your receivable.

**From Protection to Collection, NCS Credit has Your Business Covered.**

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