

The Lien Index

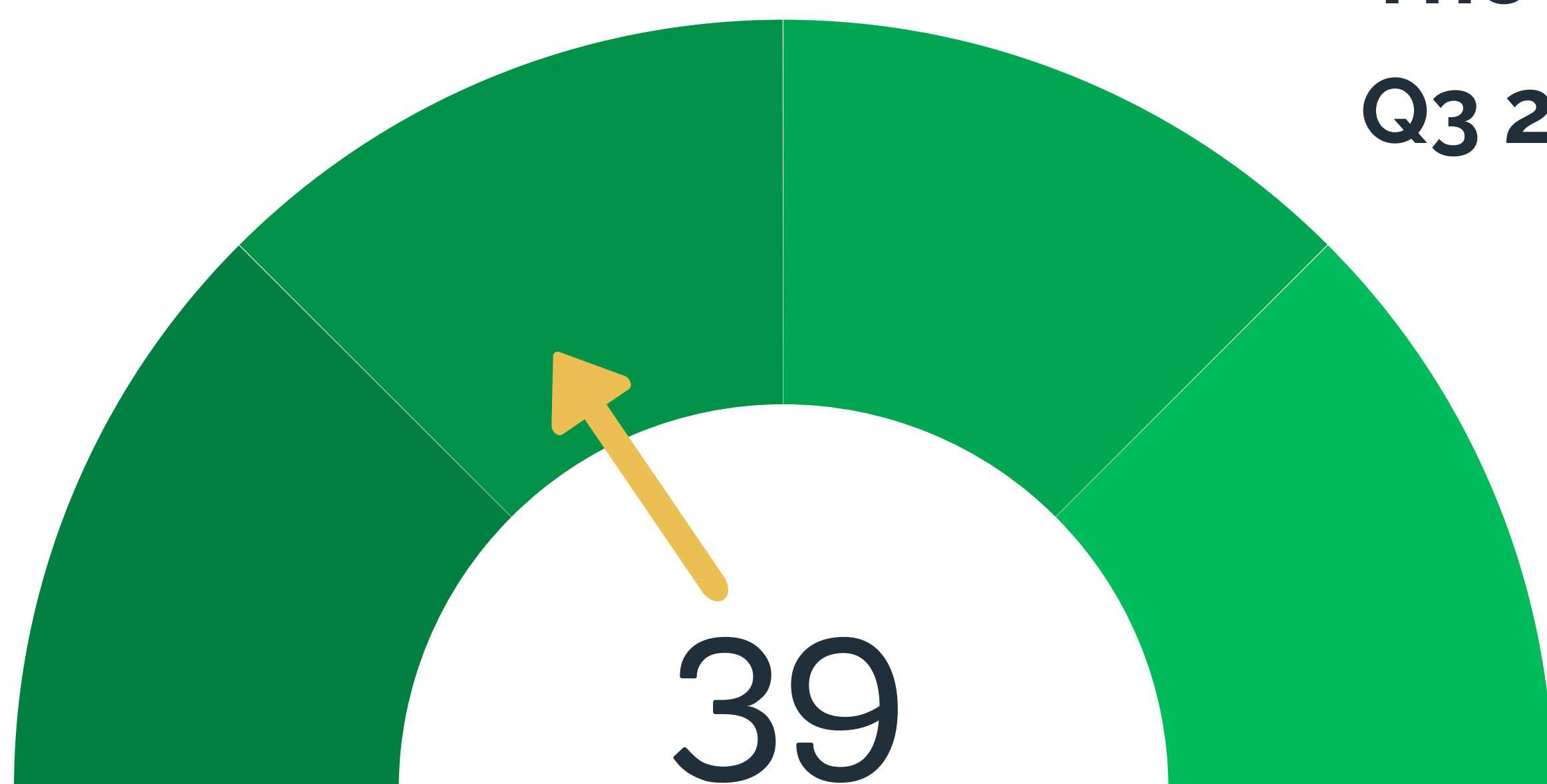
powered by **LienFinder™**



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 fifty ("50"), with a number greater than 50 representing an increase in mechanic's lien activity, and less than 50 representing a decrease in mechanic's lien activity.

The Lien Index increased 4 points in Q3 2022, an 11% climb over Q2 2022.



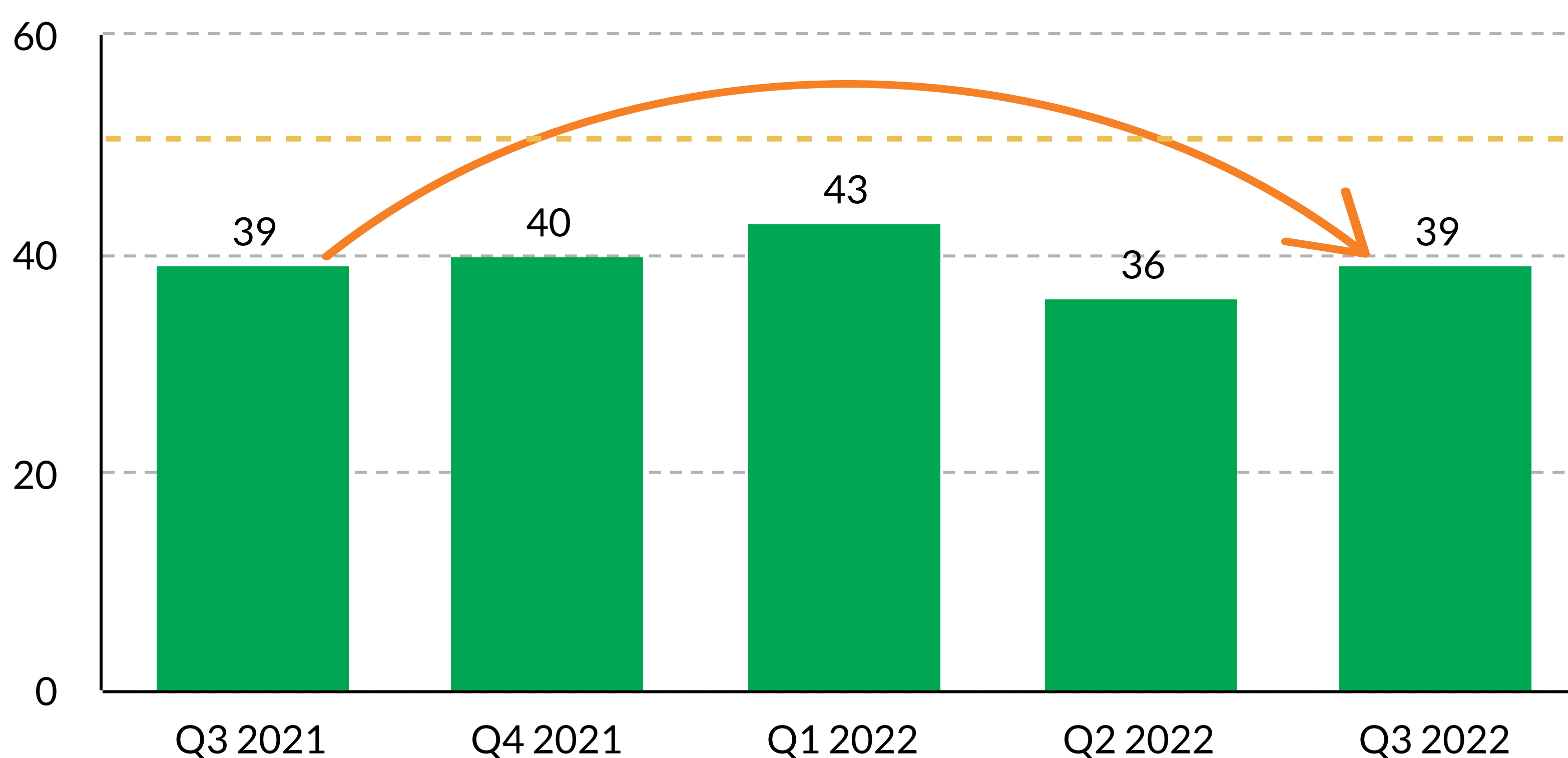
The Lien Index Q3 2022

As expected, Q3 mechanic's lien activity rose 11% over Q2, and activity remained lower than Q1, which peaked at 43.

We anticipate the Index will increase 2%-5% in Q4. Despite the increase in lien filings, the Index remains below 50, indicating overall lower mechanic's lien activity.

National Mechanic's Lien Activity

National Mechanic's Lien Activity by Quarter

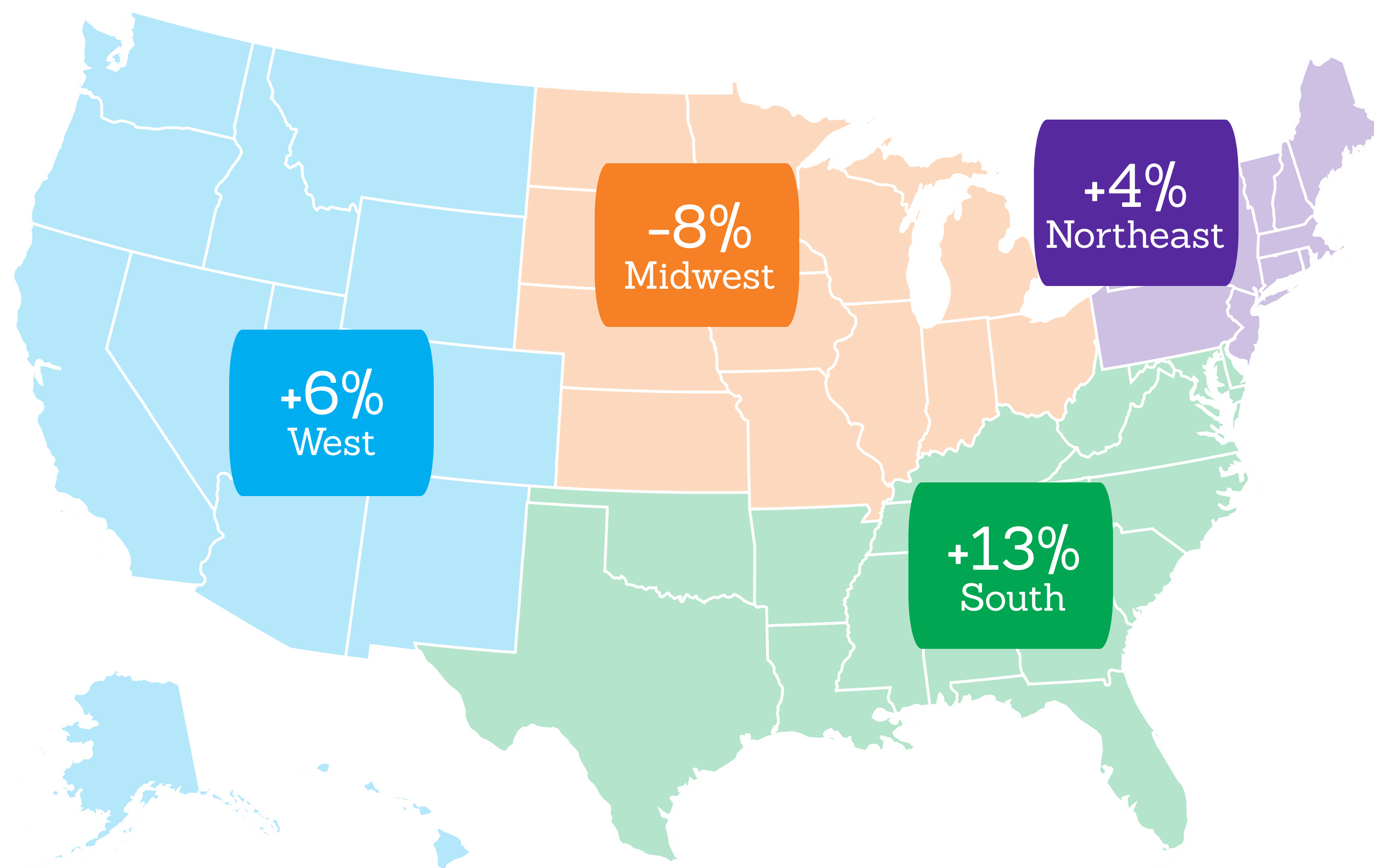


In review of the last 5 quarters, national mechanic's lien activity has maintained its anticipated cyclical trend. The significant drop from Q1 to Q2 appears abnormal, but is in line with historical trends.

Expect lien filing activity to pick up mid-Q4, as projects wind down. Frequently, as projects near completion, change notice disputes and satisfaction disputes arise. The disputes often result in withheld funds, leading to lien filings.

Despite challenges, construction starts and industry indices showed positive gains by end of Q3. The rise in construction activity will ultimately lend itself to higher lien activity in Q4 2022 / Q1 2023.

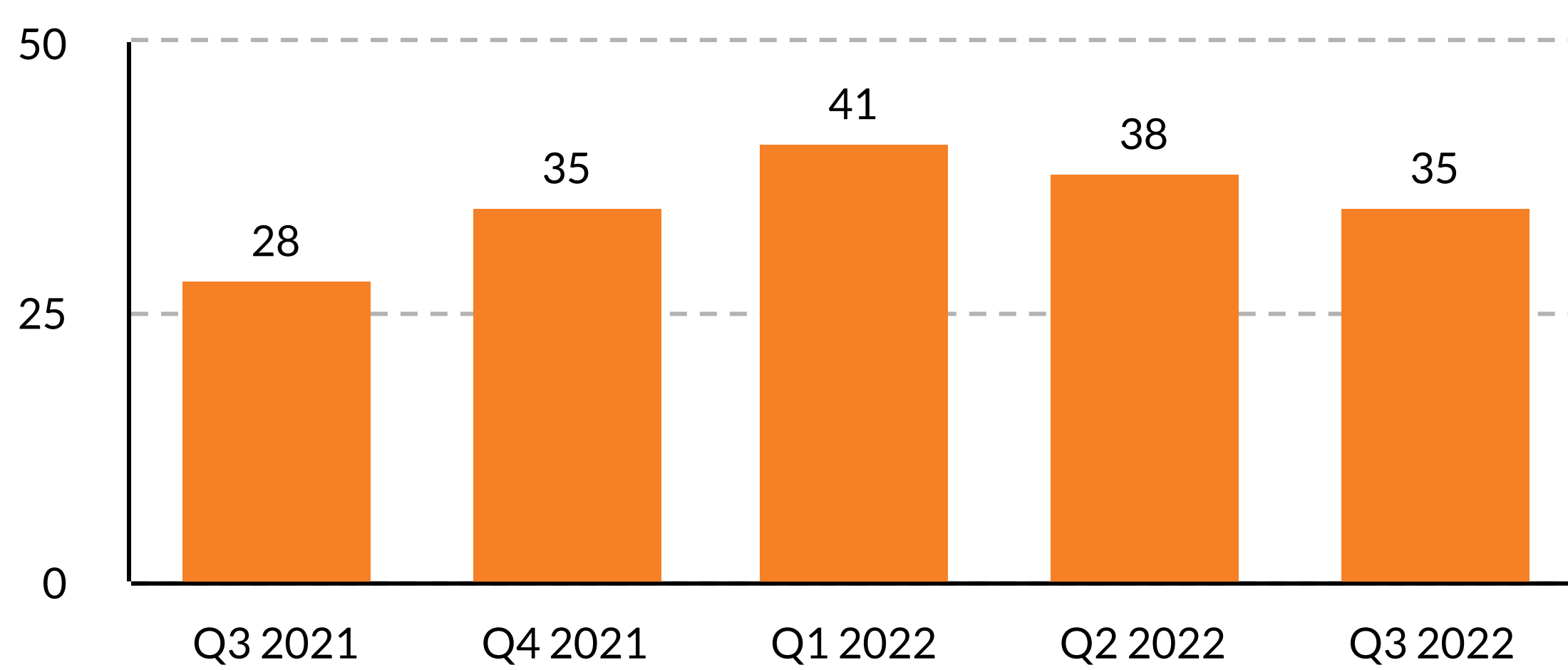
Regional Mechanic's Lien Activity



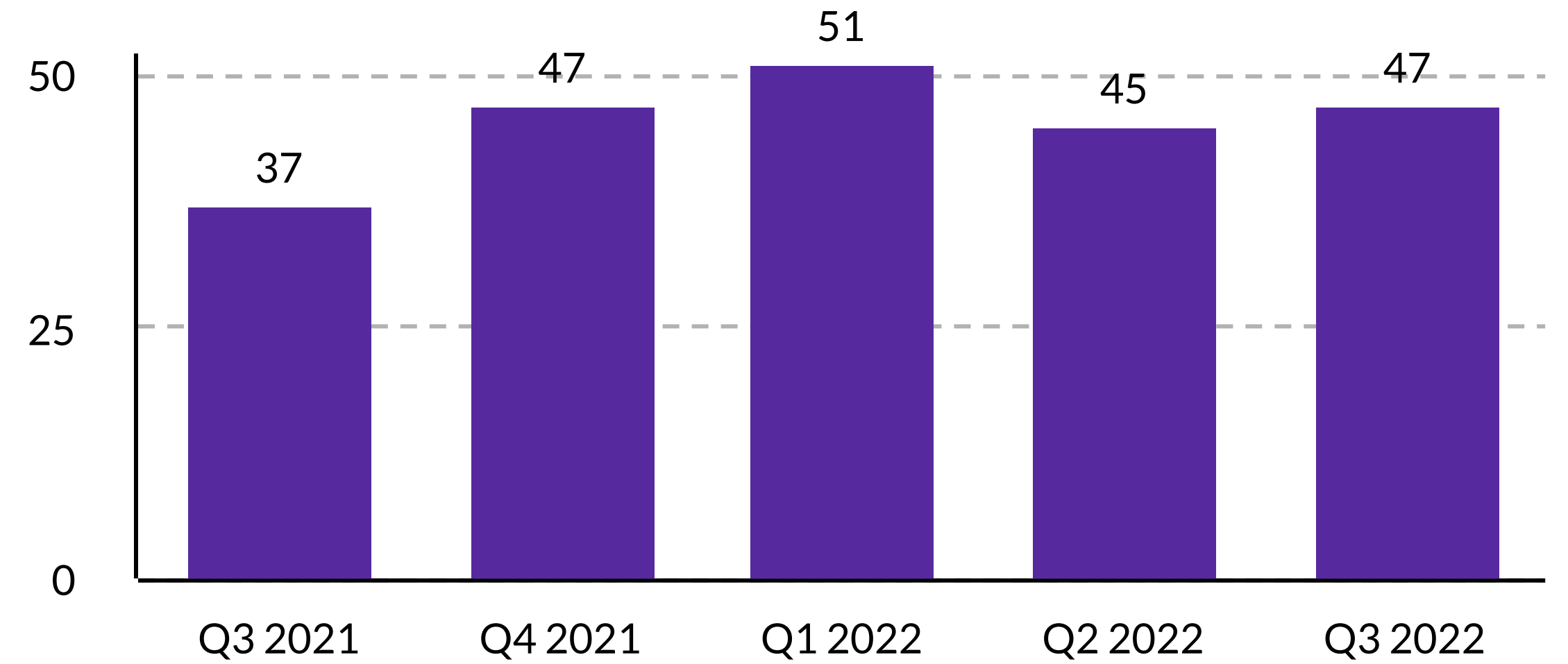
Activity increased by **13%** in the **South**, **6%** in the **West**, and **4%** in the **Northeast**.

The only region to see a decrease in lien activity was the **Midwest**, where lien filings **decreased 8%**.

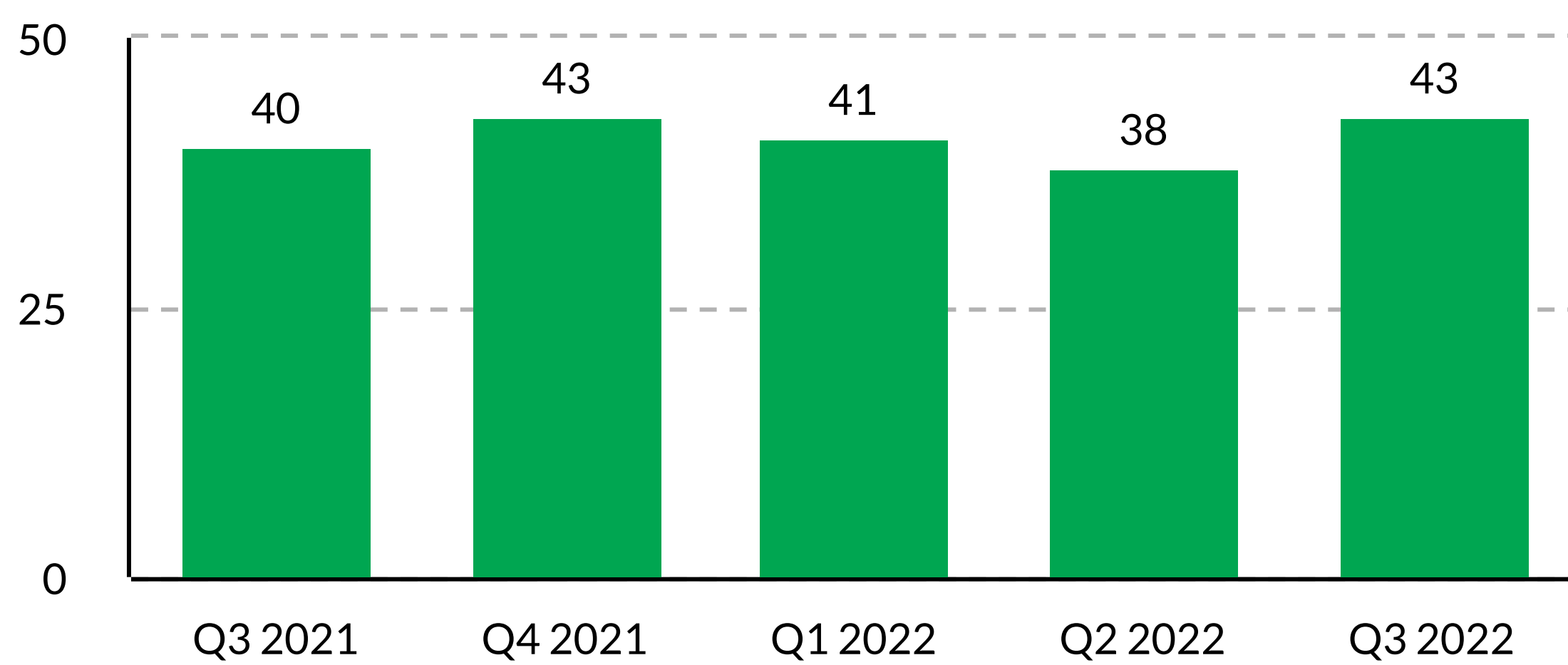
Midwest



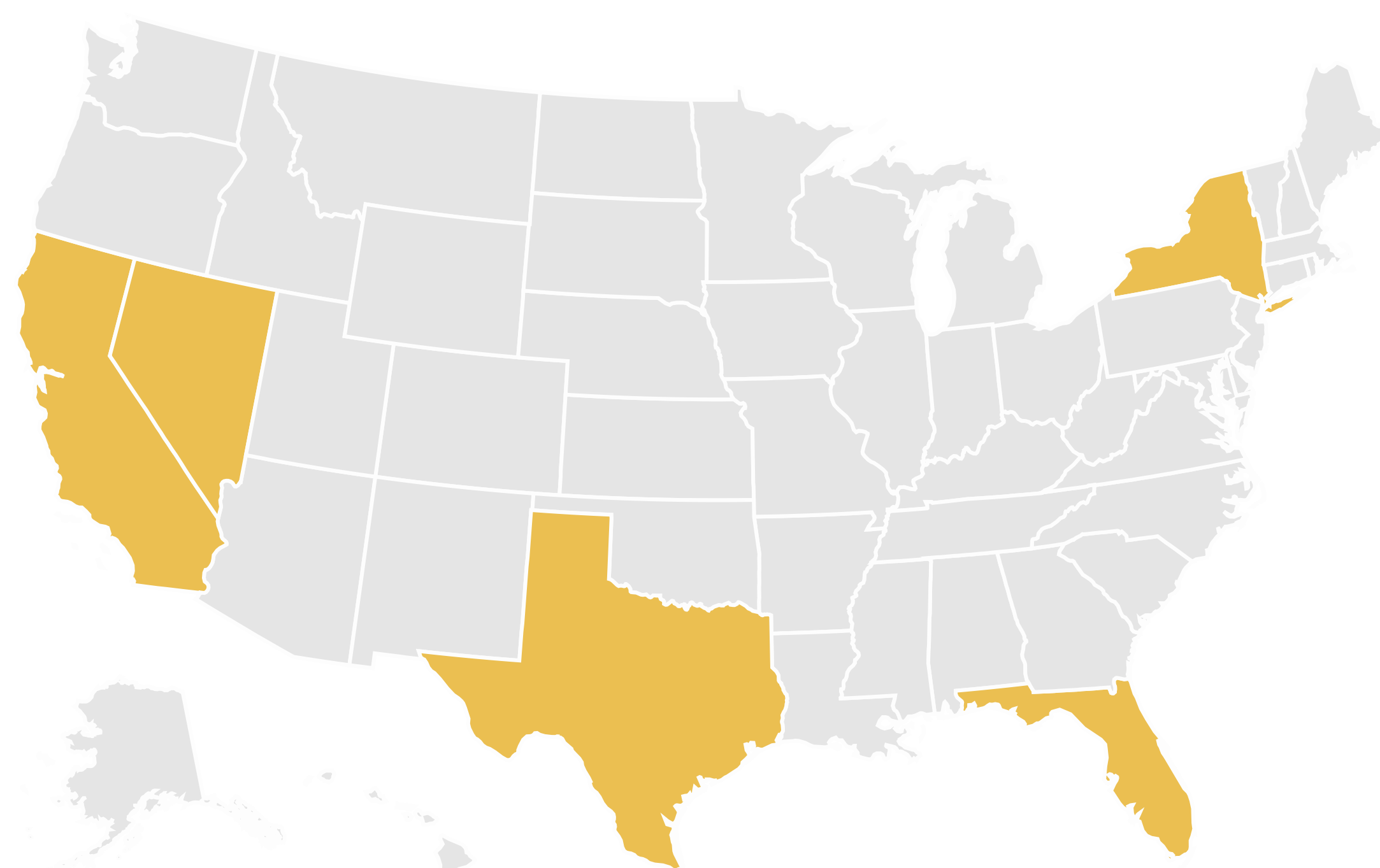
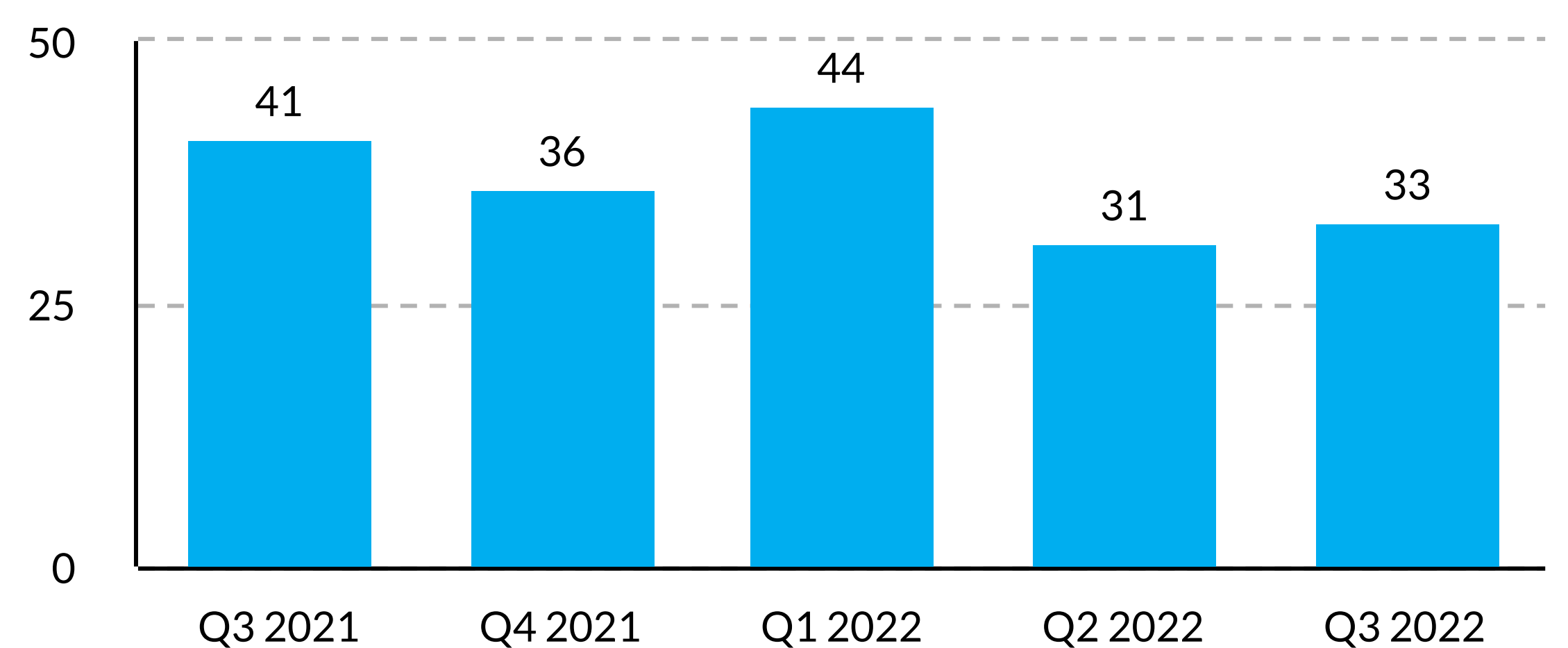
Northeast



South



West



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

Top 3 States by Region

Midwest: Ohio, Iowa, Michigan

Northeast: New York, Massachusetts, New Jersey

South: Texas, Florida, Georgia

West: California, Nevada, Colorado

Serve preliminary notices on EVERY project, EVERY time.

Be Prepared

Despite the ongoing challenges, the construction industry remains resilient and hopeful. The consistent challenges of inflation, rising borrowing costs, and material and labor shortages, are now joined by weather (hurricane Ian) and slowing growth. Upside? Backlogs are robust, according to multiple sources.

Architecture Billings Index (ABI) remained over 50 throughout Q3 (20 consecutive months of growth), though in its recent survey firms reported optimism for growth in 2023 has waned.

Associated Builders and Contractors (ABC) reported its **Construction Backlog Indicator** increased and ended Q3 with the highest level since May 2022. Additionally, **ABC's Contractor Confidence** bounced back after a rocky start in the beginning of Q3, with expectations of growth over the next 6 months.

The **Dodge Momentum Index** wrapped up Q3 just 5% shy of the all-time high. And **Dodge Construction Network** reported construction starts went gangbusters with a 48% increase at the beginning of Q3, slightly cooling as the quarter ended.

Epiq Bankruptcy noted bankruptcy filings have increased year over year, however, year to date filing volume remains low. Experts agree, pressures will continue to squeeze business financials and the expectation of bankruptcy filing increases remains.

- 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.

LienFinder™: Innovation & Business Intelligence Like You've Never Seen

LienFinder™ is an online database that captures construction project data nationwide, from hundreds of recording offices daily. Locate essential project information and avoid potential payment risks, through the review of national mechanic's lien activity. **Contact us today to learn more about this revolutionary database!**

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

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