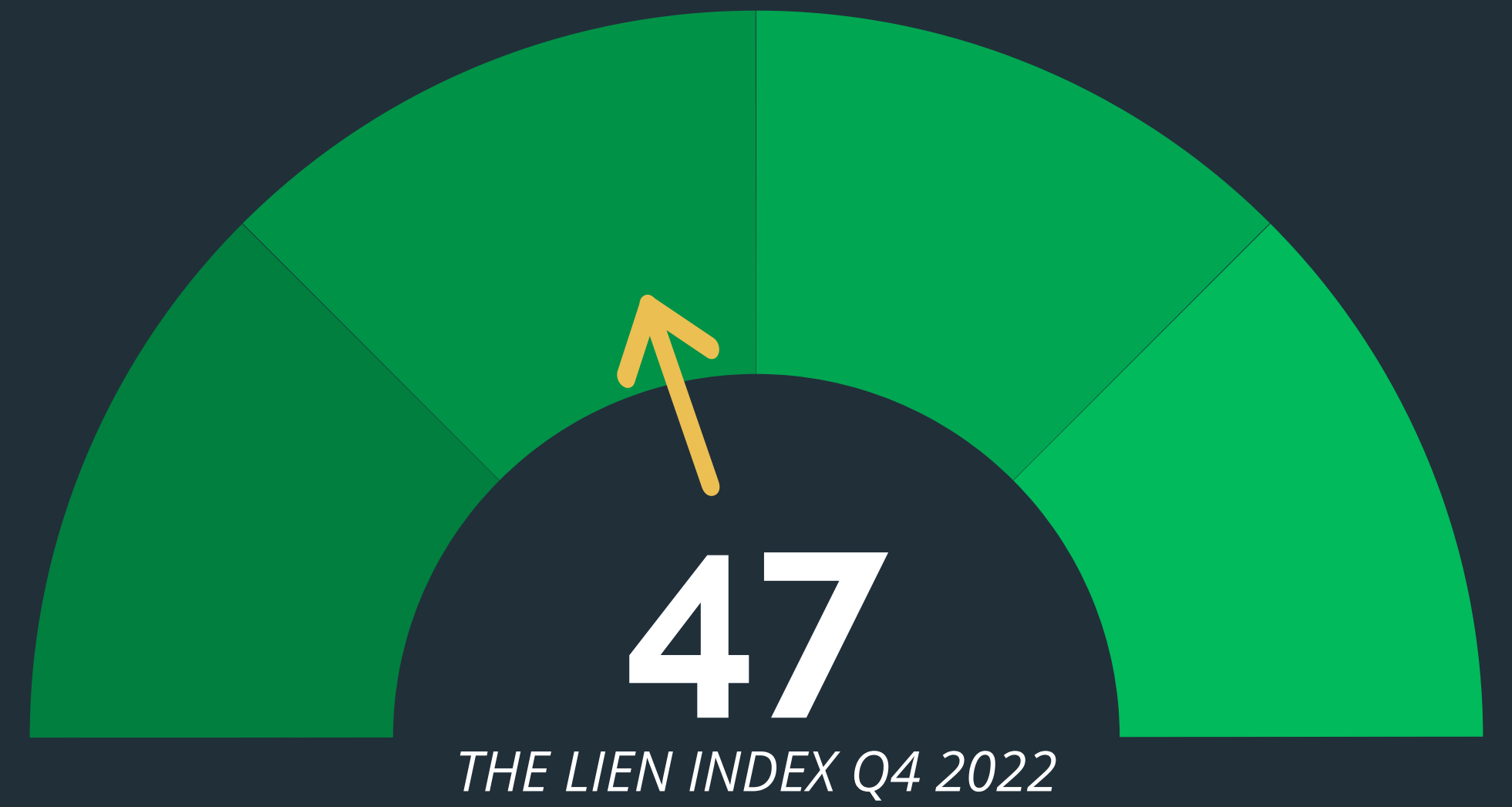


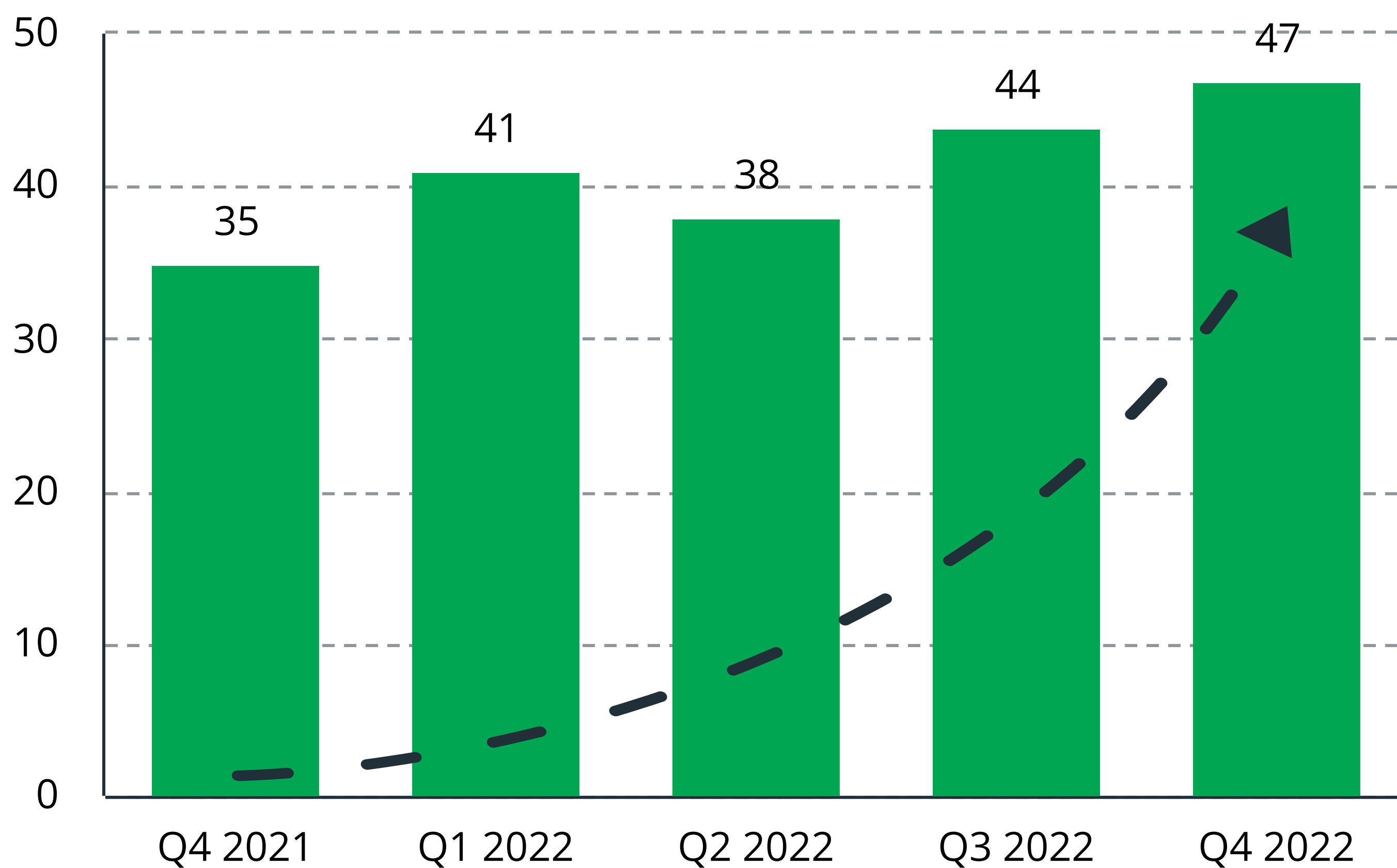
NCS Credit's Lien Index is derived from carefully monitored national and regional mechanic's lien activity, construction economic data from various sources, and general economic trends. The Lien Index compares mechanic's lien data, quarter over quarter.

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 3 points in Q4 2022 to 47, a 7% increase over Q3 2022 and 34% increase year over year.

National Mechanic's Lien Activity

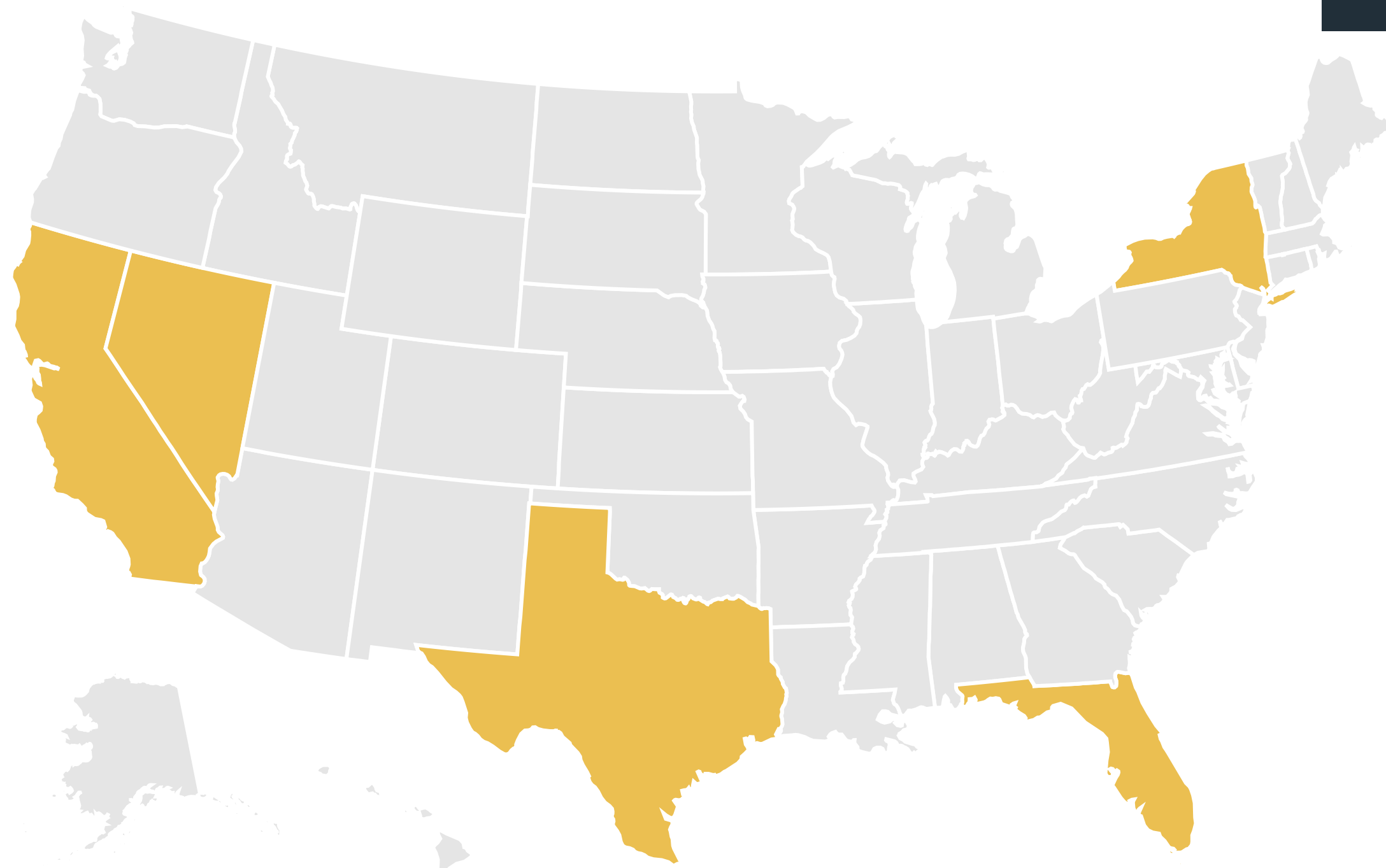


The end of 2022 saw an increase in mechanic's lien activity, with an increase of 7% over the revised rate of activity in Q3.

In review of the last 5 quarters, mechanic's lien activity maintained the overall expected cycle. However, notice the **significant increase in filing activity in Q4 2022 versus Q4 2021. In a year over year comparison, lien filing activity jumped 34%.**

As payment issues become more prevalent, expect a continued rise in lien filings.

States with Highest Lien Activity



For the second quarter in a row, the top 5 states for lien activity were (in order of volume) **Texas, Florida, California, Nevada, and New York.**

Top 3 States by Region

Midwest: Ohio, Iowa, Michigan

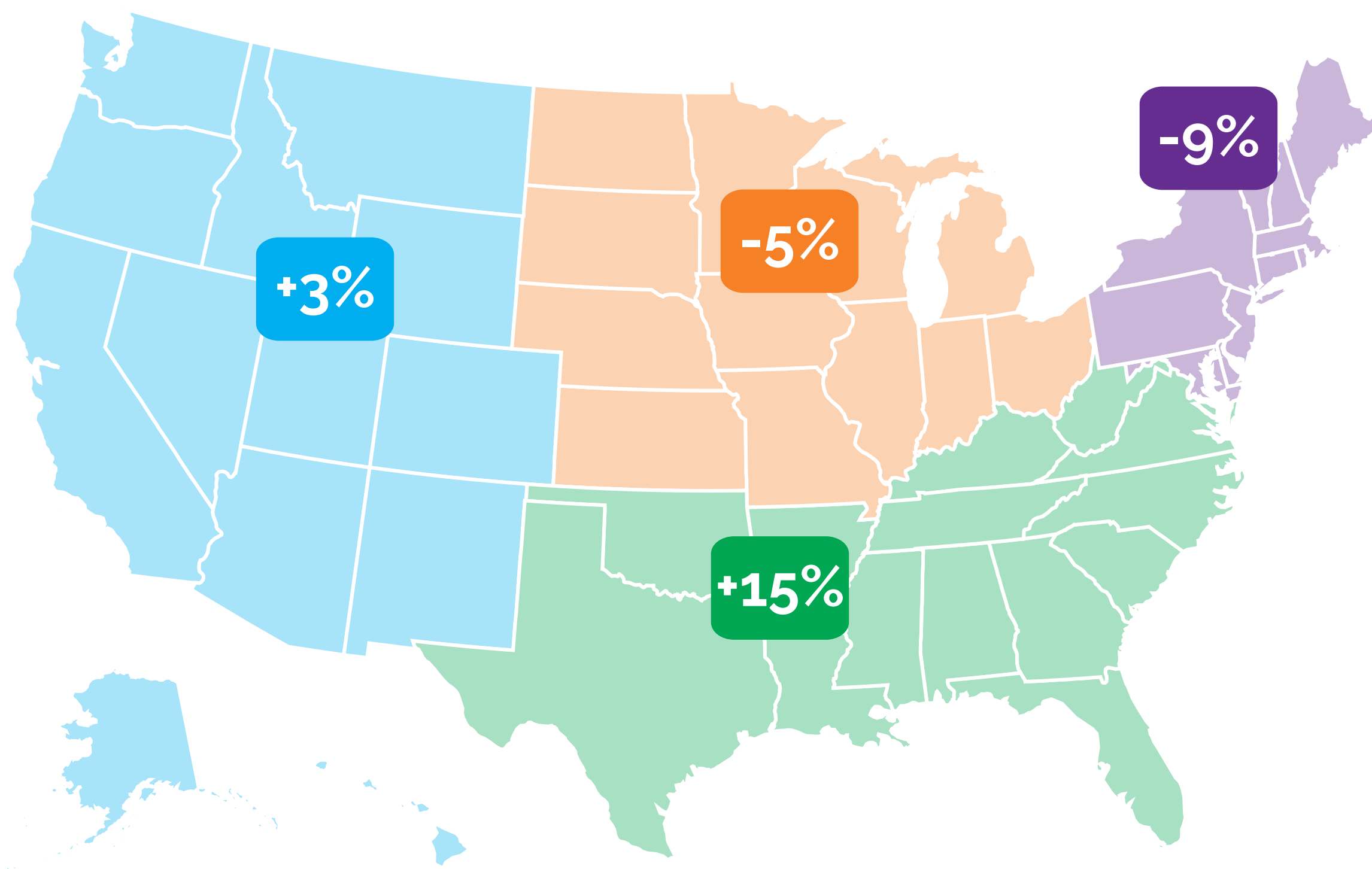
Northeast: New York, Massachusetts, New Jersey

South: Texas, Florida, South Carolina

West: California, Nevada, Colorado

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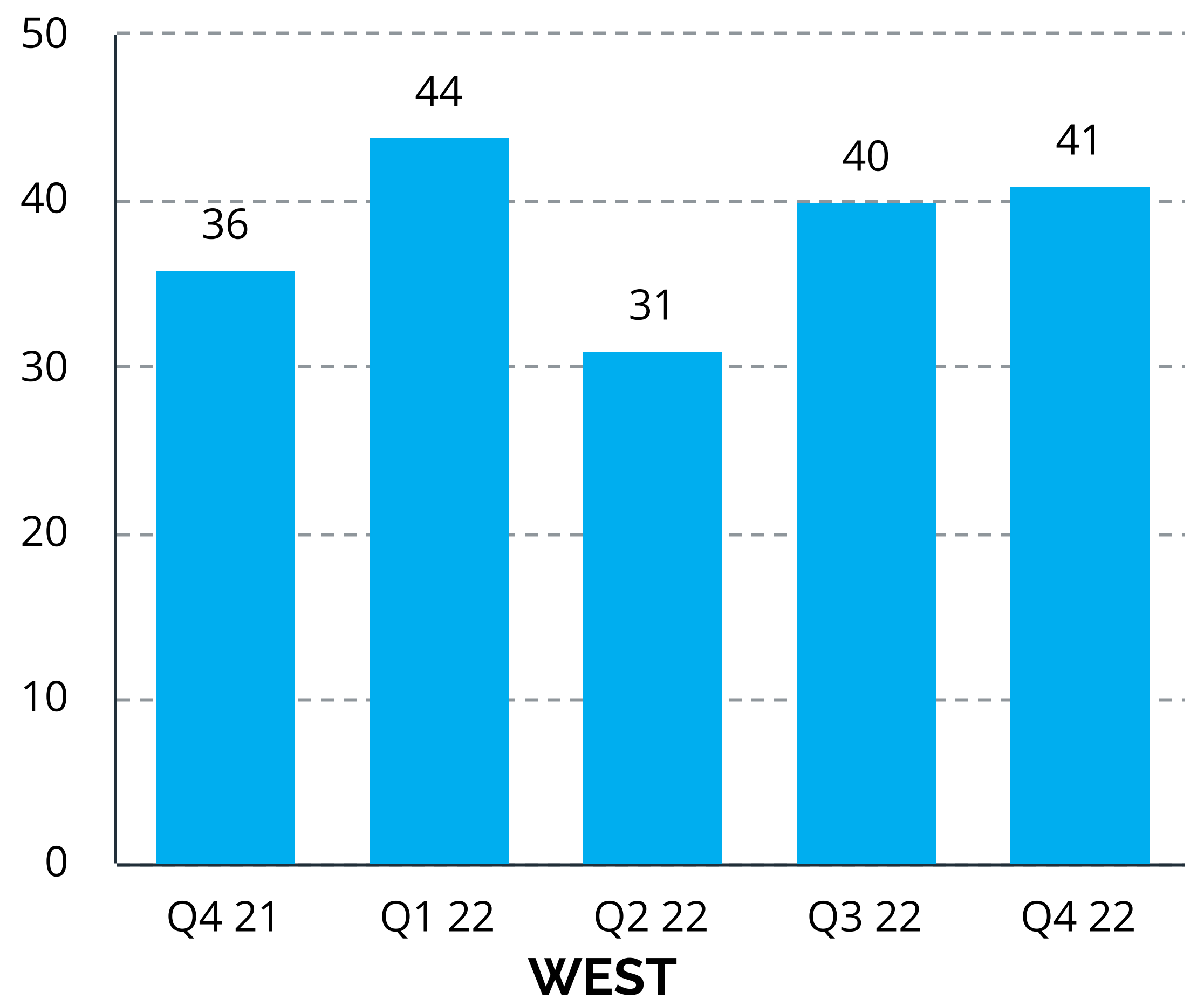
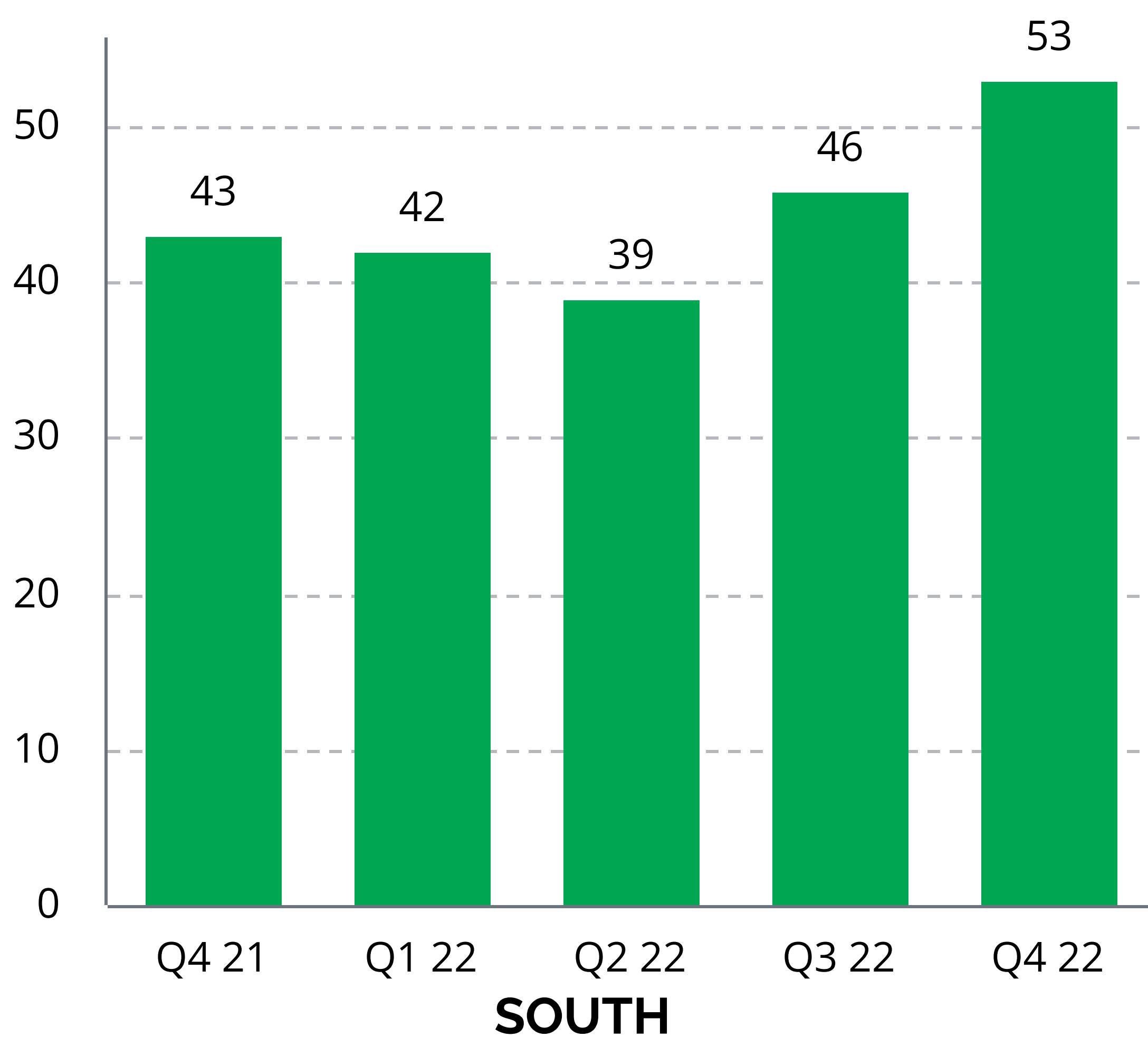
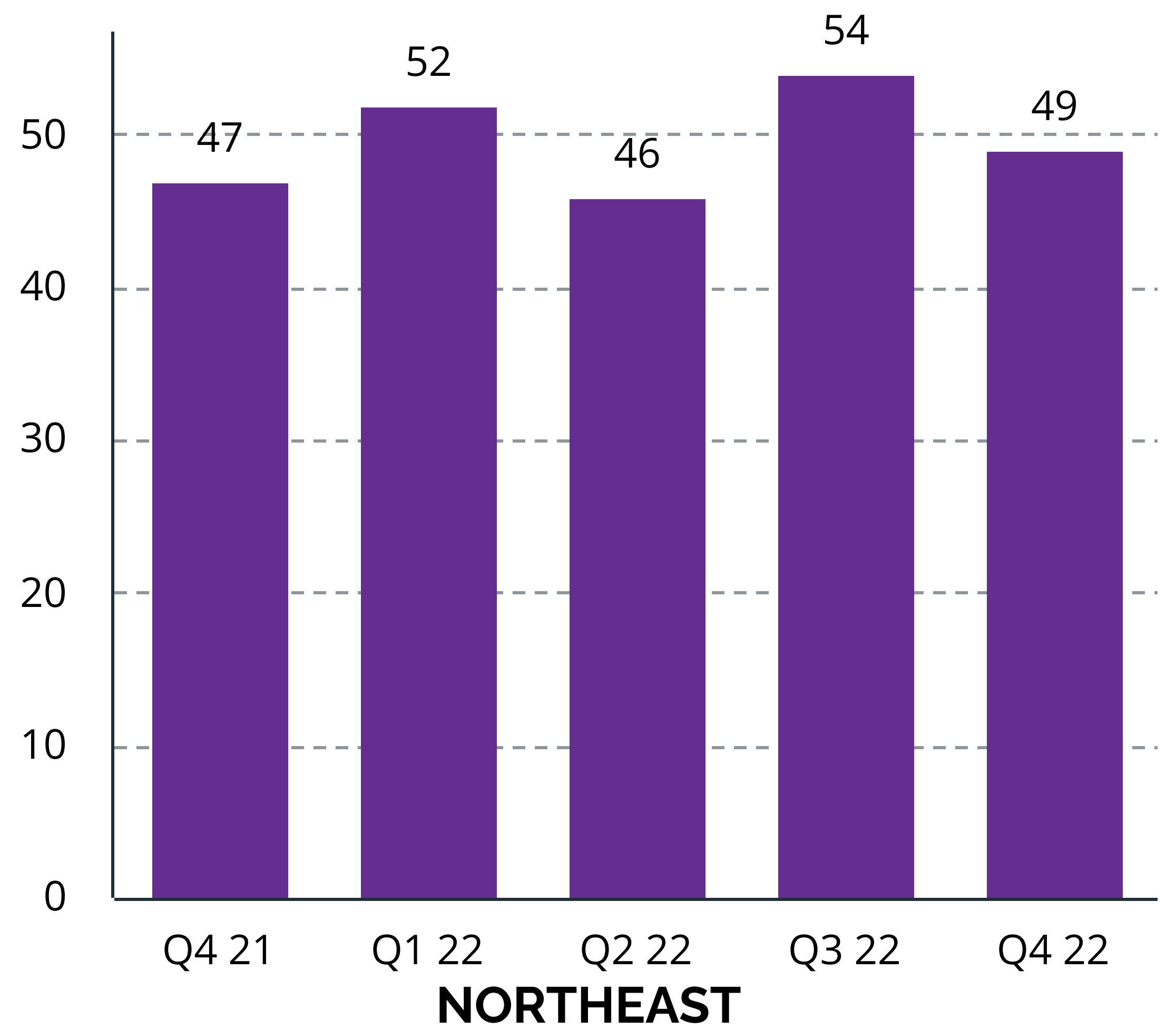
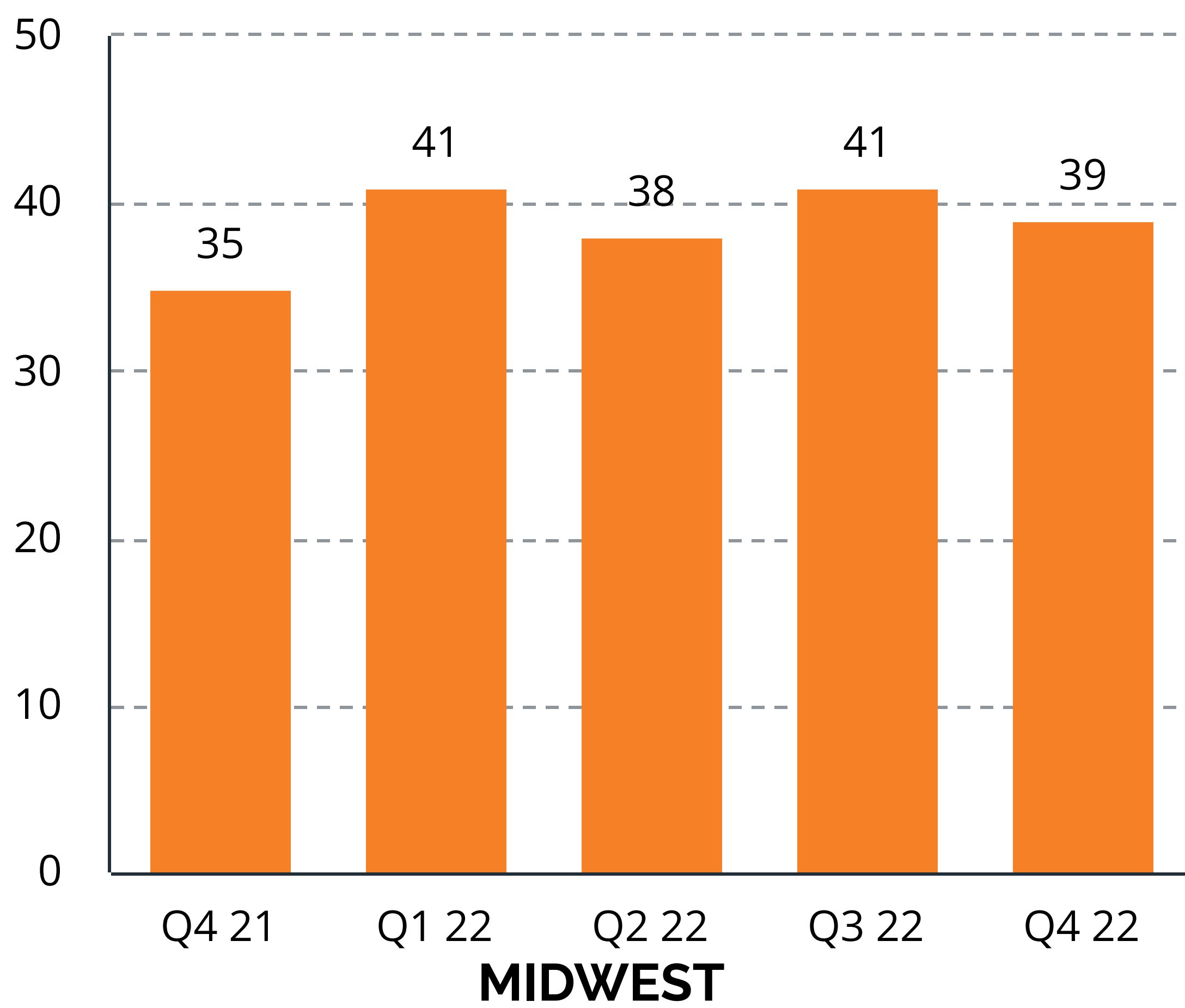
Regional Mechanic's Lien Activity



The driving force behind the rise in mechanic's lien activity came from the **South**, where activity increased by **15%**.

The **West** also contributed to the overall increase in lien activity; though, its lien activity increased at a more moderate rate of **3%**.

The **Midwest** saw a **5%** decrease in activity and the **Northeast** had a dramatic dip of **9%**.



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Looking Forward

Throughout the last year, economists warned of the toll of high interest rates and possibility of recession, and we are now beginning to see significant signs of slowdown ahead.

After months of consecutive highs, the **Architecture Billings Index (ABI)** fell in Q4. It's the first time since January 2021 that firms reported a decline: *"This indicates that not only are firms seeing a decline in current work, but that less new work is entering the pipeline as well."* - The November report from ABI

Associated Builders and Contractors (ABC) reported its **Construction Backlog Indicator** remained at its highest level since Q2 2019. *"Contractors enter the new year with plenty of optimism,"* said ABC Chief Economist Anirban Basu. *"Backlog remains elevated, which means that, even if the economy were to enter recession this year, contractors would likely be insulated from significant harm."*

The **Dodge Momentum Index** continued to climb throughout Q4 and wrapped up 2022 with over 6% growth in December. Though, according to **Dodge Construction Network (DCN)**, construction starts were up and down: *"Month-to-month volatility in construction activity continues to reign supreme as uncertainty mounts over the economy in 2023,"* said Richard Branch, chief economist for DCN.

Epiq Bankruptcy reported a 2% increase in commercial Chapter 11 filings and 13% increase in Subchapter V in 2022. *"Rising debt loads, increasing interest rates and inflationary pressures are presenting families and businesses with difficult economic challenges to navigate,"* said ABI Executive Director Amy Quackenboss.

- 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.



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!



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