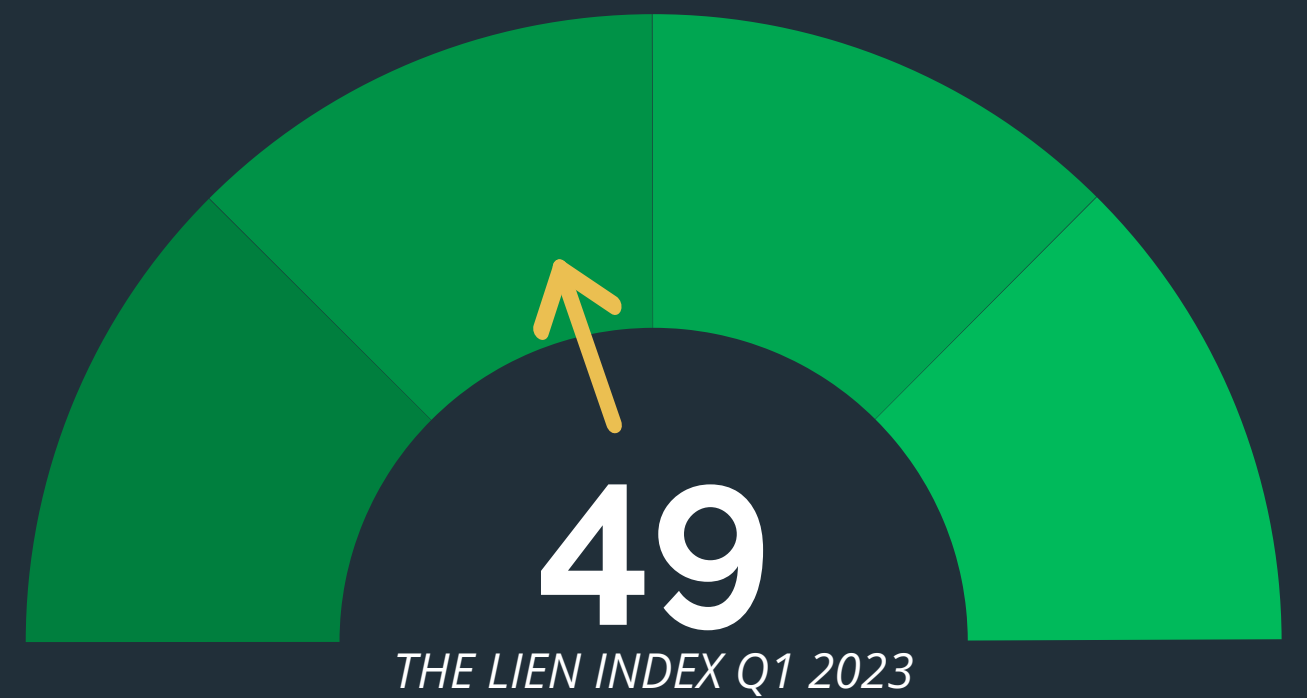


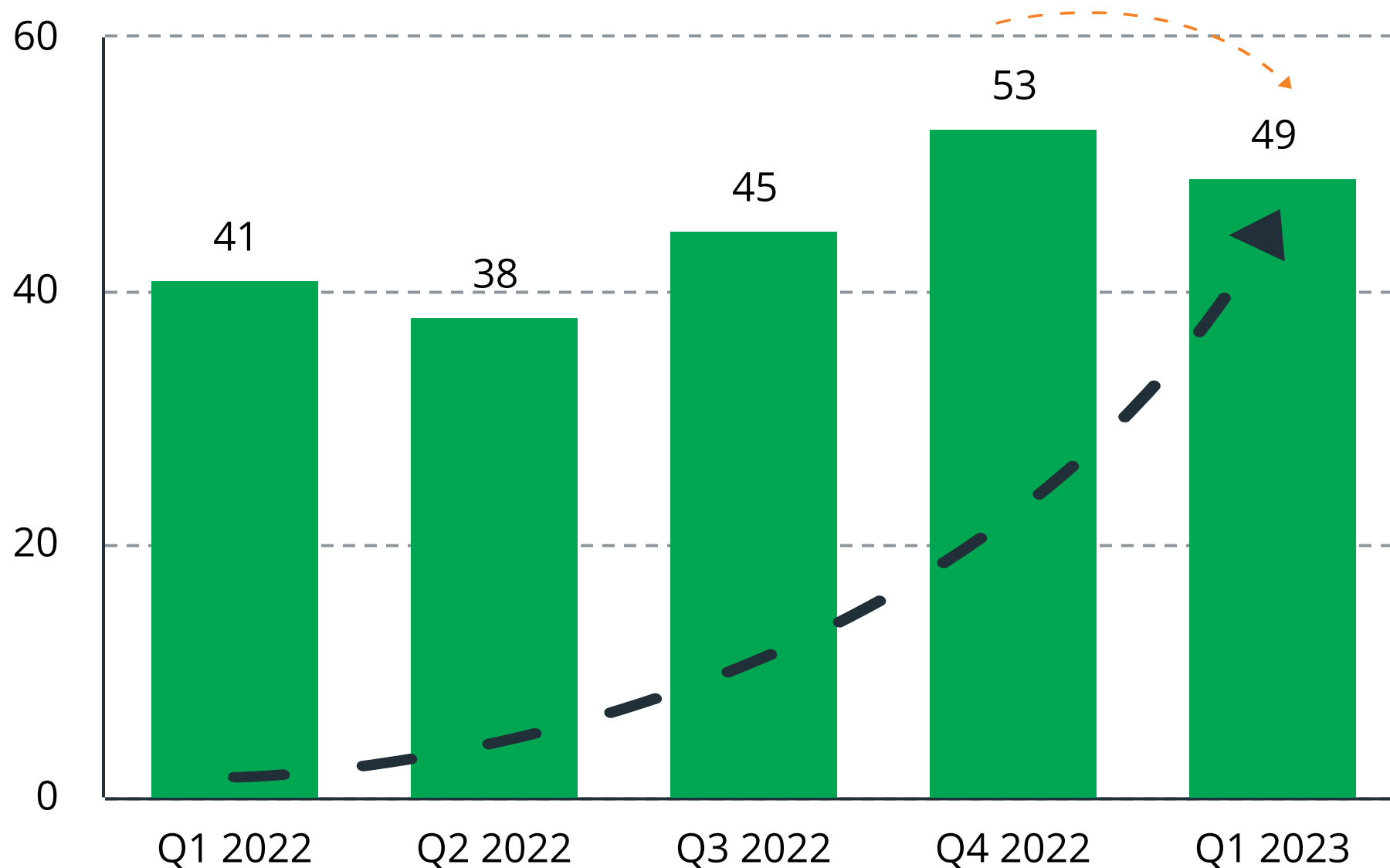
NCS Credit's Lien Index is derived from carefully monitored national and regional mechanic's lien activity, construction economic data from various sources, and general economic trends. The Lien Index compares mechanic's lien data, quarter over quarter.

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 decreased 4 points in Q1 2023 to 49, an 8% decrease from revised Q4 2022 and a 20% increase year over year.

National Mechanic's Lien Activity



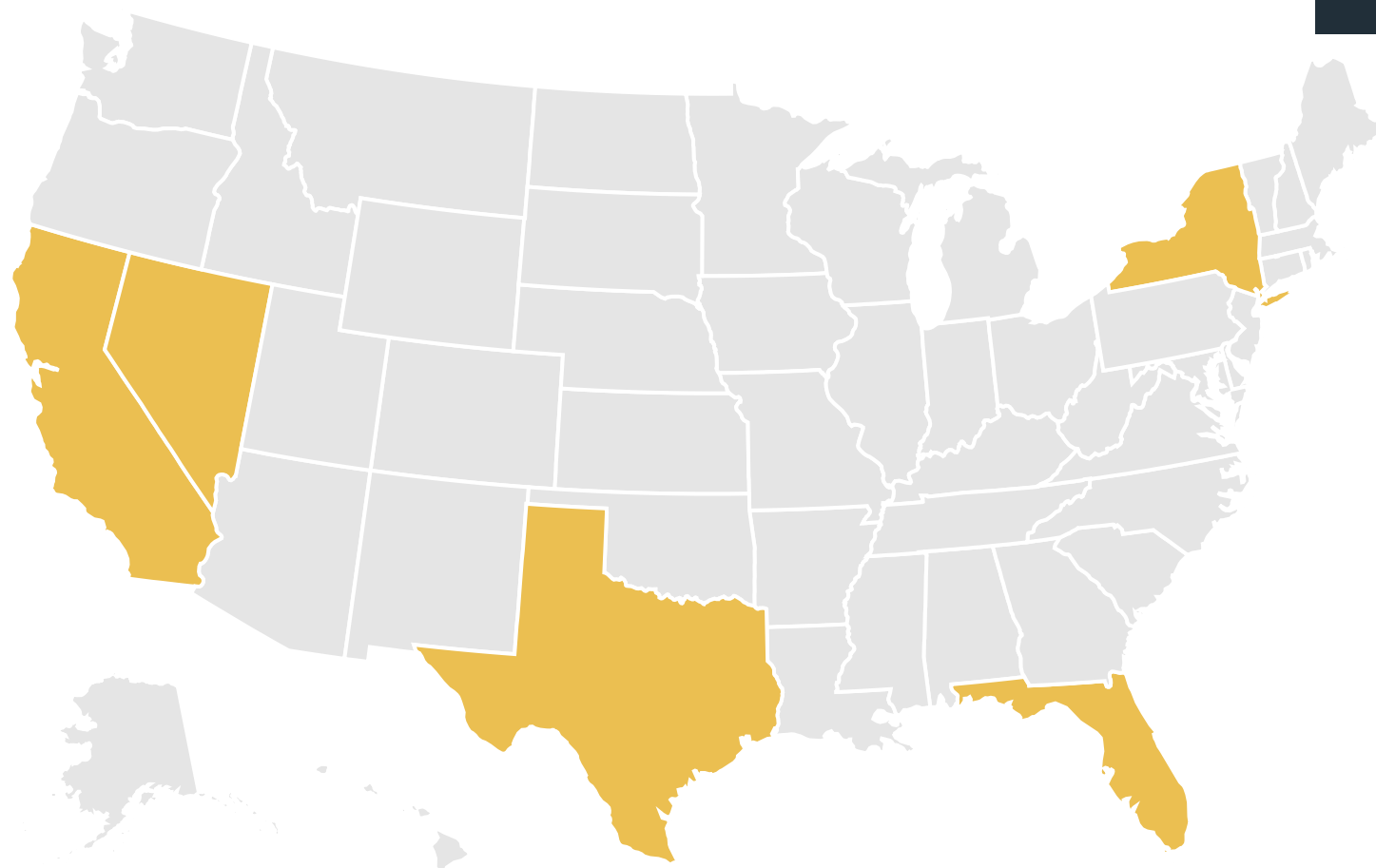
Mechanic's lien activity **fell 8% in Q1**, over the revised* rate of activity in Q4 2022, which had jumped to **53 -- an Index high we haven't seen since the onset of the pandemic in early 2020.**

Though lien activity slowed in Q1, as cyclically anticipated, **the rate of filings is up 20% from Q1 2022.**

Interest rates, inflation, and the overall economic squeeze are putting significant pressure on the industry. We are certainly seeing an increase in lien activity and anticipate the revised Q1 number to climb.

*Nationwide, recording offices continue to manage a backlog of requests. The Index data is adjusted and revised accordingly.

States with Highest Lien Activity



For the third consecutive quarter, 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, Illinois, Michigan

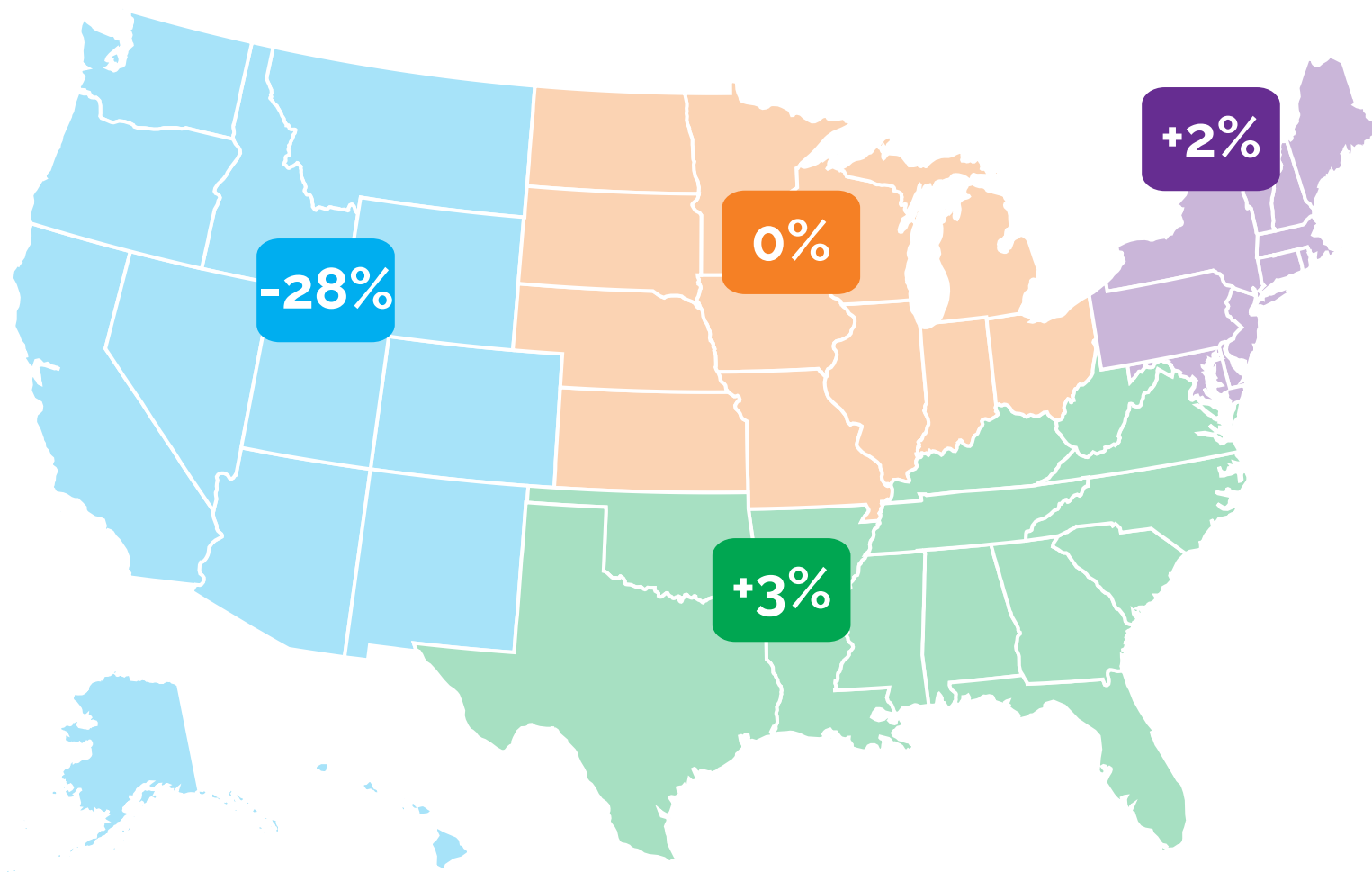
Northeast: New York, Massachusetts, New Jersey

South: Texas, Florida, Georgia

West: California, Nevada, Colorado

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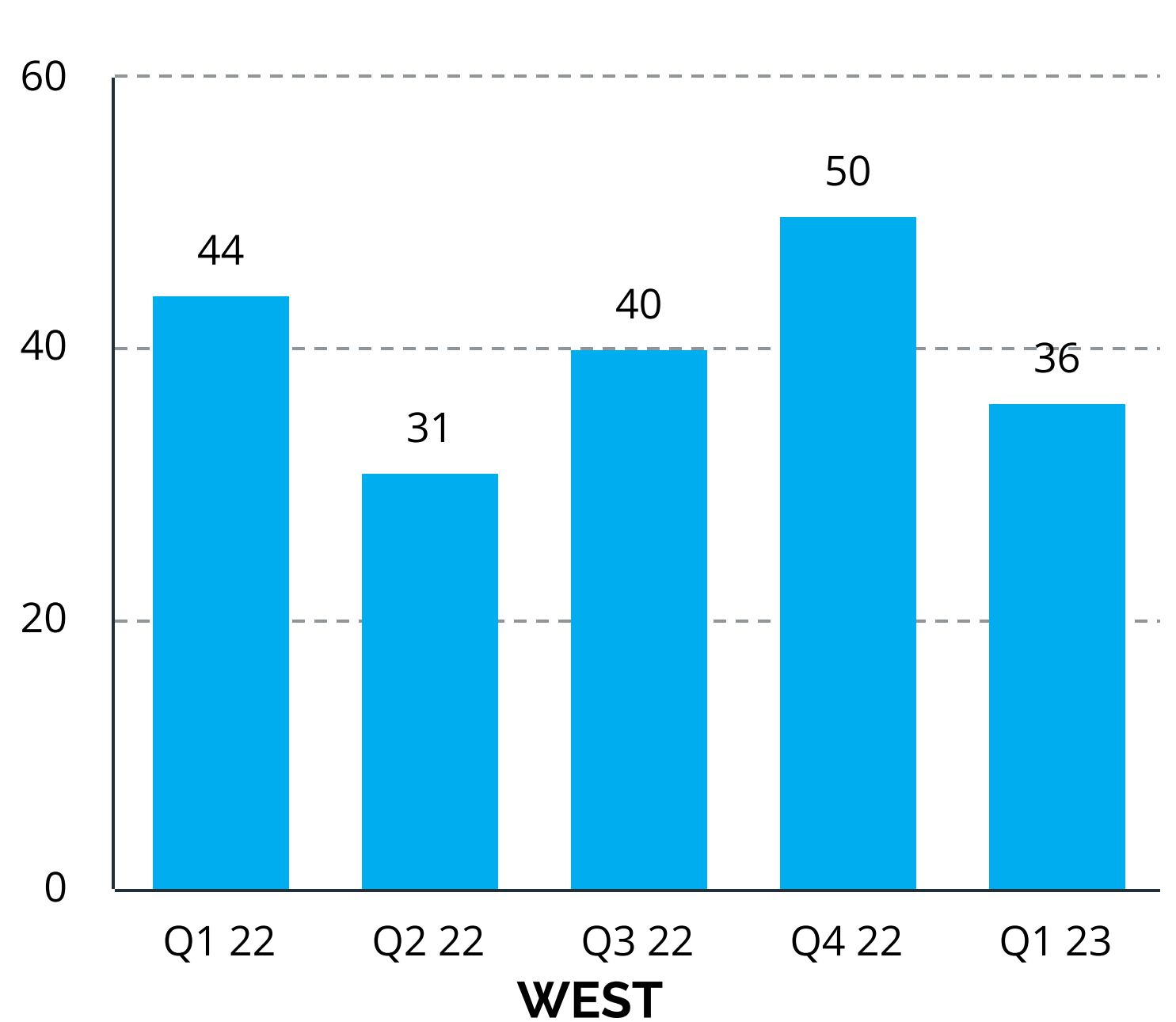
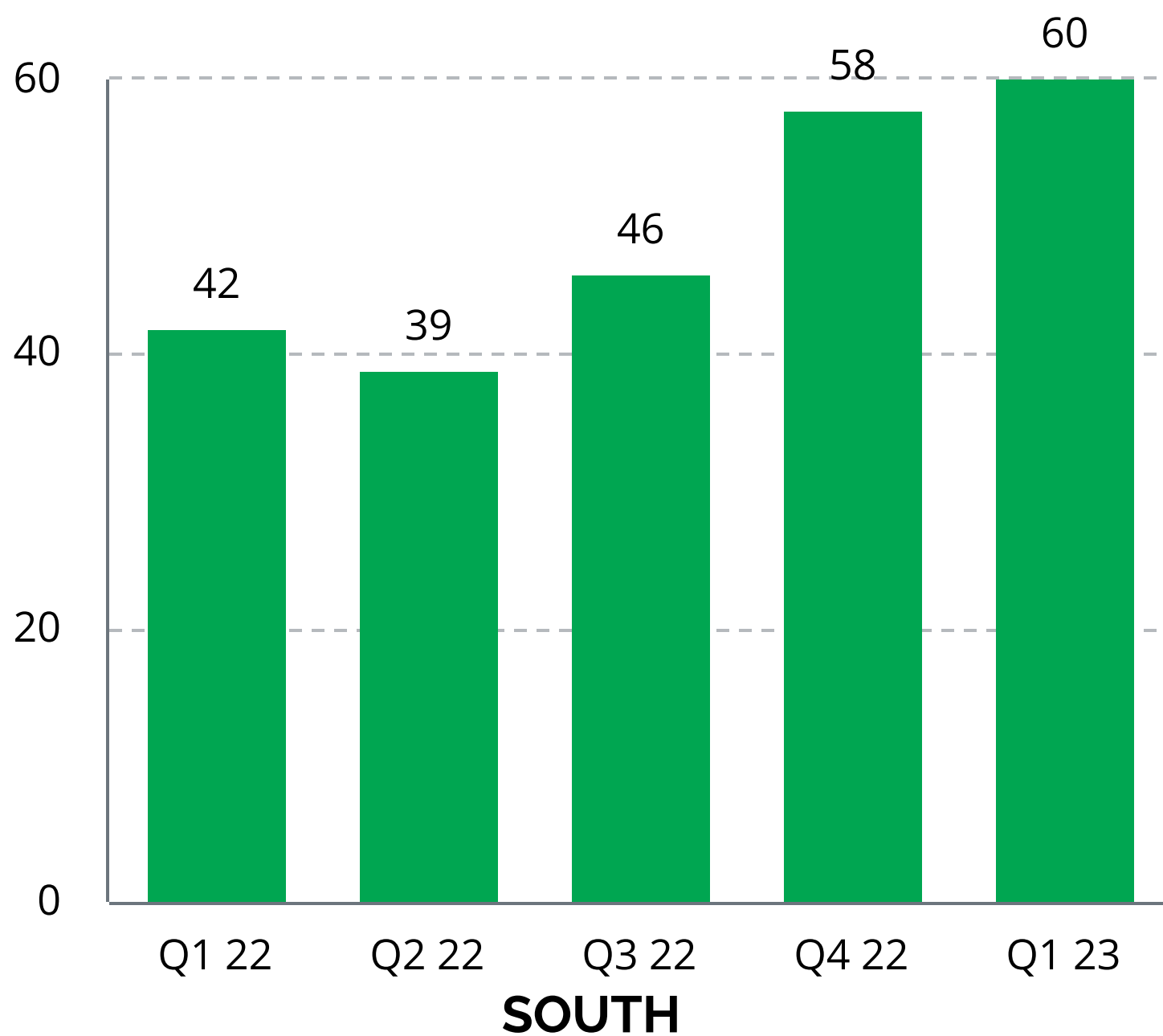
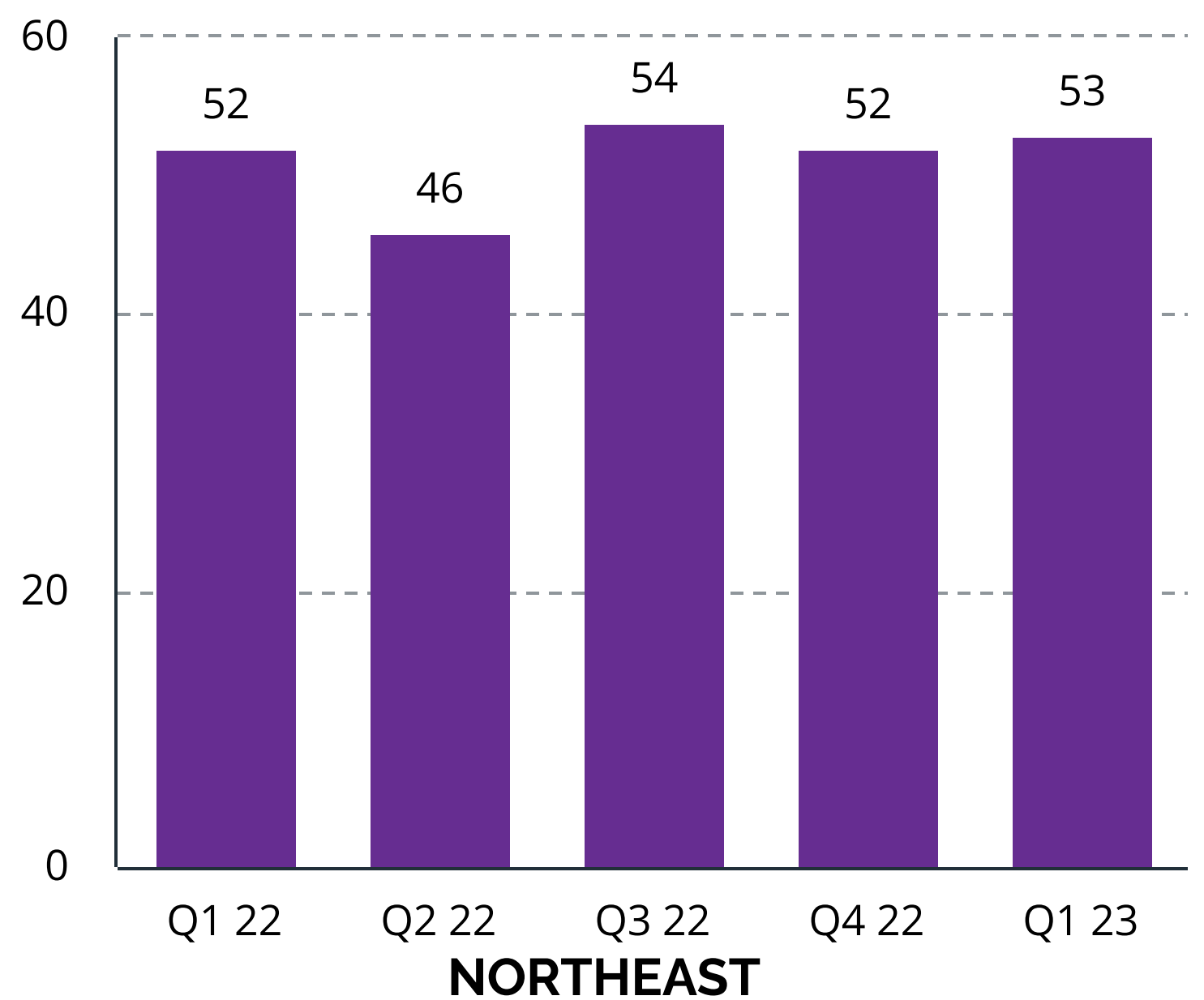
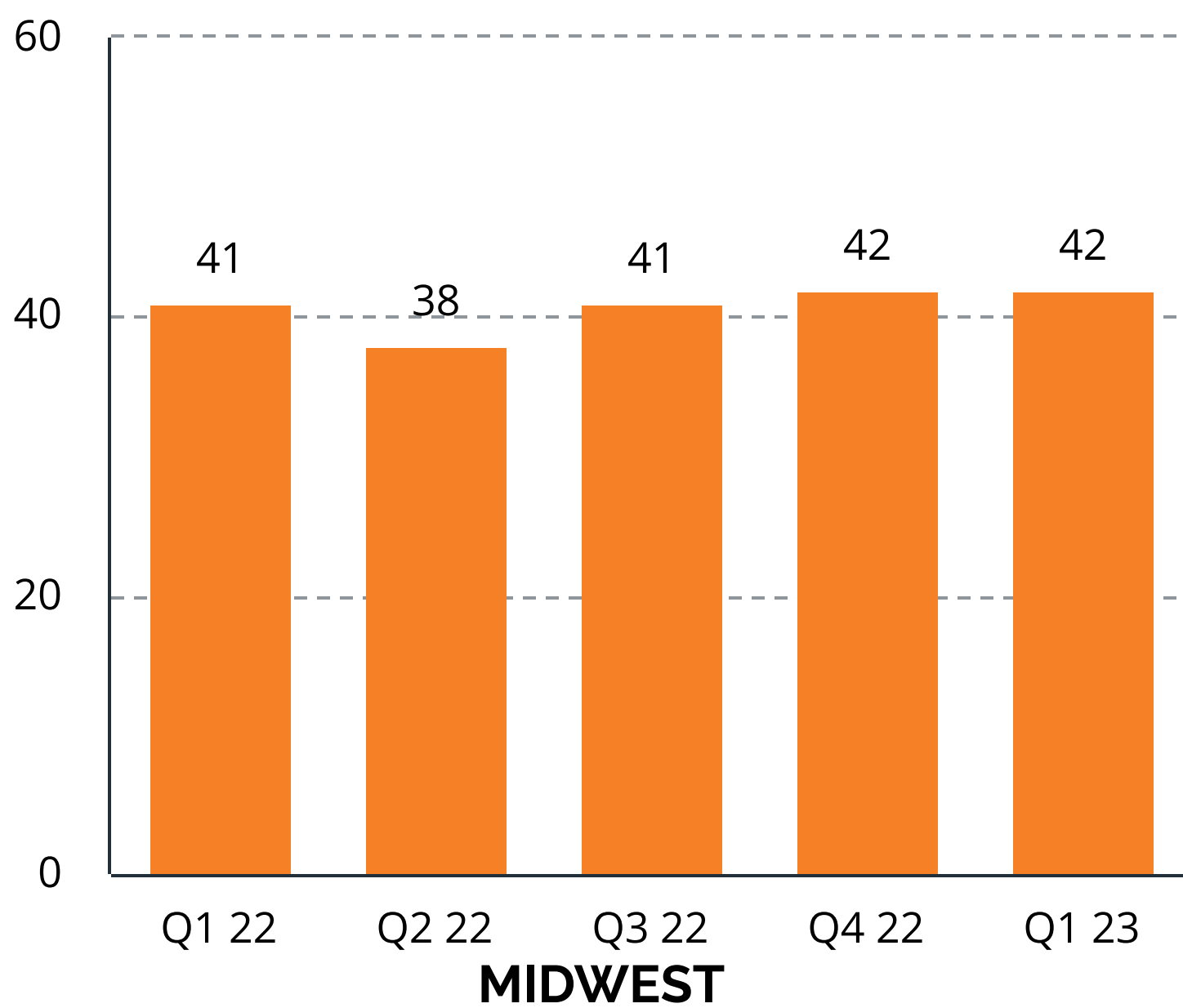
Regional Mechanic's Lien Activity



Mechanic's lien activity **plummeted 28% in the West**, driving the overall Index down in Q1. *(Note: it's quite possible the revised Q1 numbers will rise for the West region, as it seems uncharacteristically low.)*

As you can see, the **Midwest experienced no change** from Q4 2022 to Q1 2023, and the **Northeast and South experienced a slight increase**.

Despite the slight increase in quarter over quarter, the **South has simply dominated** in lien filing volume, with year-over-year **activity rocketing 43%**.



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The Index may have registered a decrease over last quarter's revision, but the year-over-year increases are telling. Over the last 12 months, the economic battle winds have blown payments well beyond timely terms, and even stopped payments entirely.

After 5 months of decline, the **Architecture Billings Index (ABI)** saw slight improvement by the end of Q1 to 50.4. Unfortunately, inquiries for new projects declined. *"This likely reflects the ongoing concern among clients about committing to new projects due to lingering uncertainty about interest rates and inflation."* - The March ABI report

Associated Builders and Contractors (ABC) reported its **Construction Backlog Indicator** ended Q1 at its lowest level since August 2022. *"With widespread fears of recession, credit conditions tightening and more decision-makers turning their attention to cost containment, new construction work may be more difficult for contractors to line up,"* said ABC Chief Economist Anirban Basu.

The **Dodge Momentum Index** had a rocky start to 2023, with an 8.4% drop in January, a 1.9% increase in February, and another slip of 8.6% in March. *"We are predicting the Dodge Momentum Index to work its way back to historical norms throughout 2023, concurrent with weaker economic conditions,"* stated Sarah Martin, associate director of forecasting for Dodge Construction Network.

Bankruptcy filings increased throughout Q1. **Epiq Bankruptcy** reported a 19% increase in commercial bankruptcy filings in Q1 2023 vs Q1 2022. *"The increase in bankruptcy filings in the first quarter of the year demonstrates the growing debt burdens of both consumers and businesses,"* 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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