

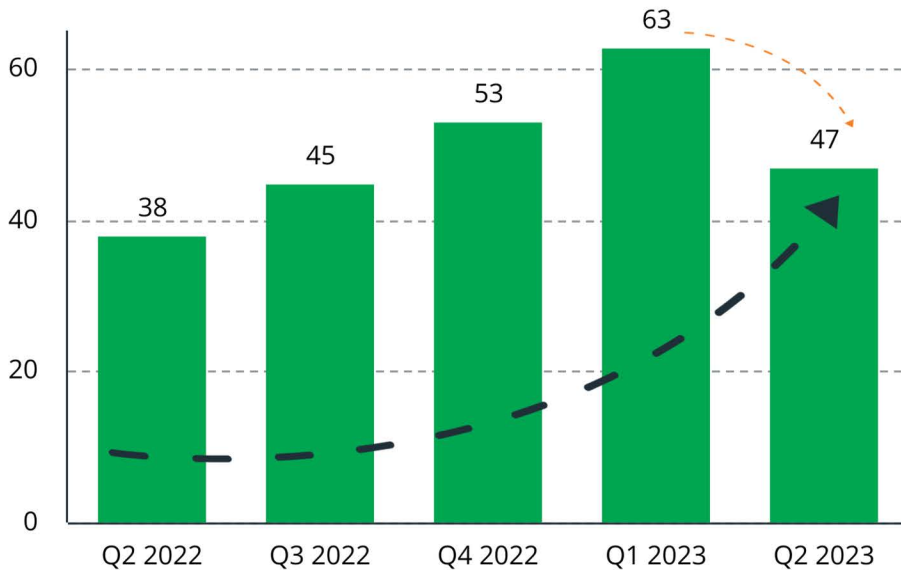
NCS Credit's Lien Index is derived from carefully monitored national and regional mechanic's lien activity, construction economic data from various sources, and general economic trends. The Lien Index compares mechanic's lien data, quarter over quarter.

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 16 points in Q2 2023 to 47. The significant decrease comes as the revised Q1 2023 Index skyrocketed to 63.

National Mechanic's Lien Activity



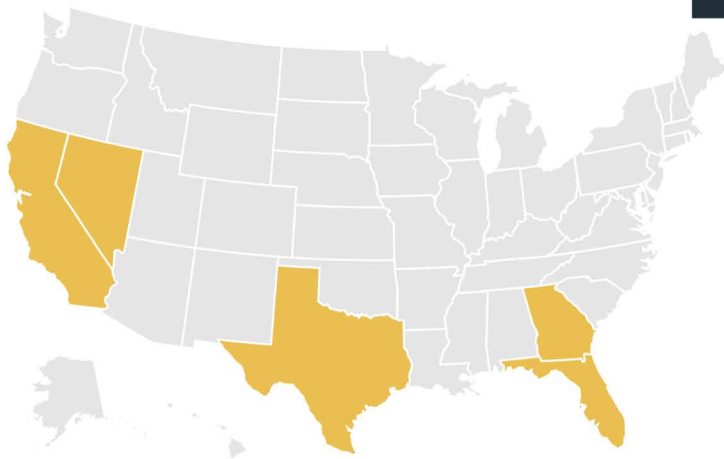
As anticipated, the revised* rate of activity for Q1 2023 skyrocketed to 63, resulting in a **19% increase in lien activity over Q4 2022.**

The remarkable increase in Q1 makes the **25% decrease in activity in Q2** seem almost optimistic.

Though lien activity has receded, The Lien Index is up 24% over Q2 2022, and we anticipate the revised data to actually reflect higher than normal lien activity.

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

States with Highest Lien Activity



The top 5 states for lien activity were (in order of volume) **Texas, Florida, California, Nevada, and Georgia.**

Top 3 States by Region

Midwest: Iowa, Illinois, Ohio

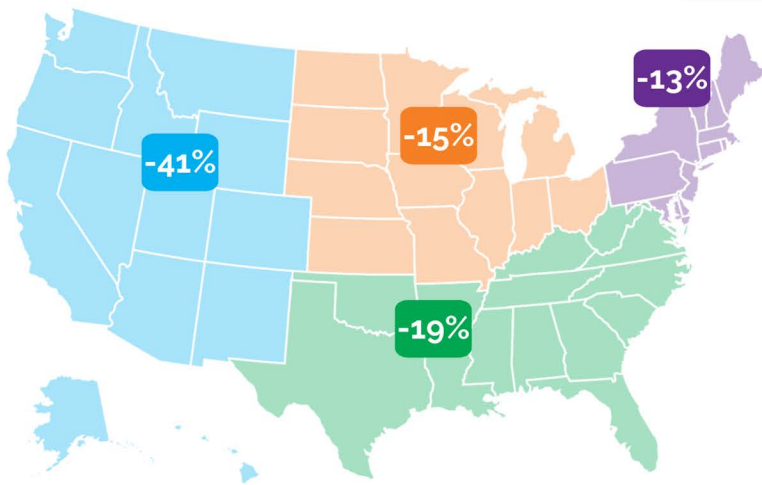
Northeast: New York, Massachusetts, Connecticut

South: Texas, Florida, Georgia

West: California, Nevada, Colorado

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Regional Mechanic's Lien Activity

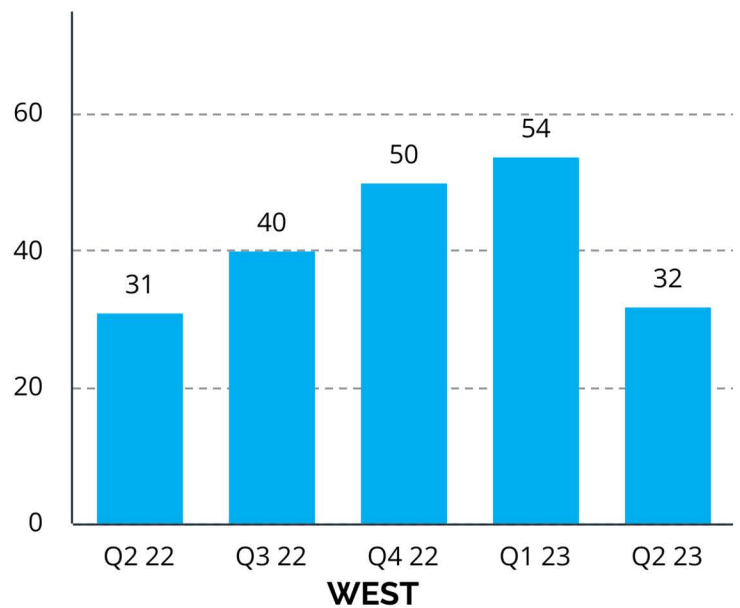
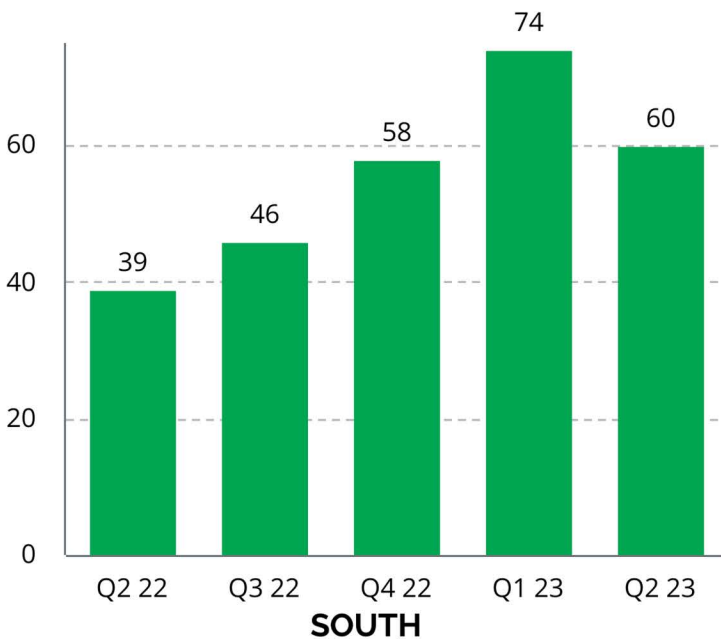
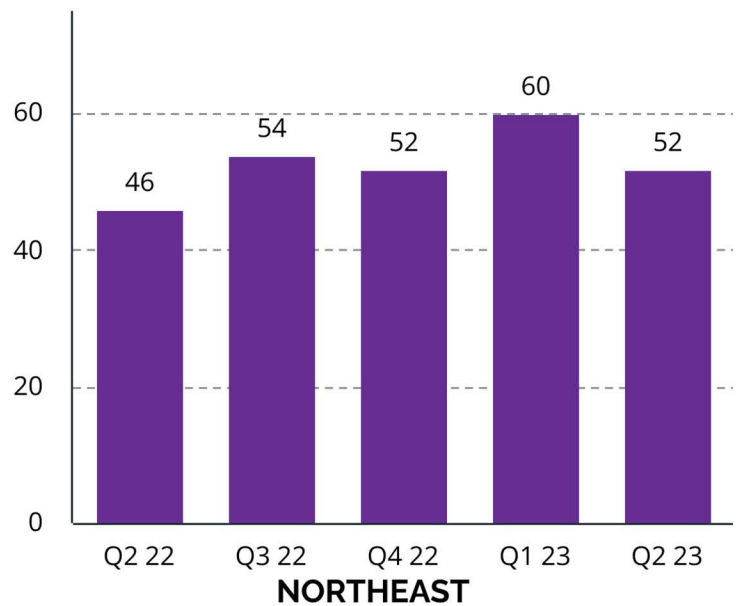
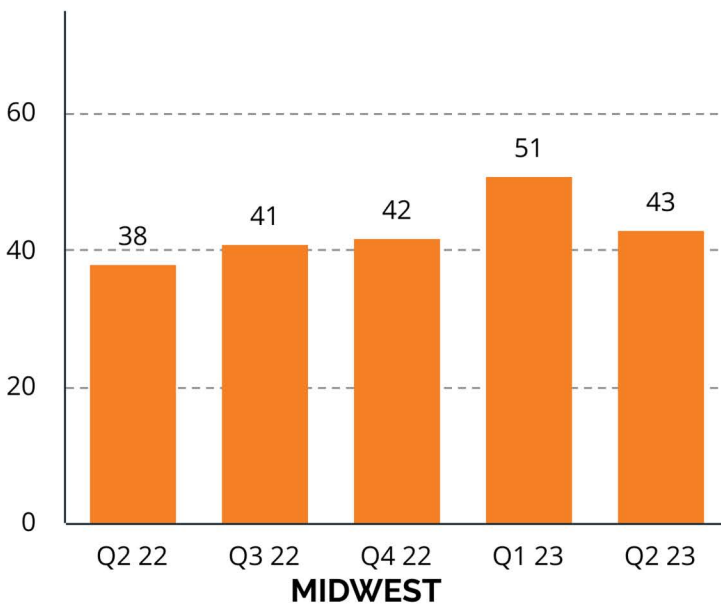


Mechanic's lien activity decreased across all regions, with the **West** taking the largest dip and coming in **41% lower** than the previous quarter.

Activity dropped **13%** in the **Northeast**, **15%** in the **Midwest**, and **19%** in the **South**.

Don't let the decrease in Q2 activity fool you. Though Q2 lien activity is down from Q1, activity remains higher than the same time last year.

Additionally, the revised Q1 data shows the highest quarterly activity over the last 12 months.



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Looking Forward

As businesses continue to struggle with high interest rates and inflation, the constriction on cash flow is slowing payments to creditors. Lien activity remains higher in the first half of 2023 when compared to 2022. We anticipate an increase in lien activity to continue.

The **Architecture Billings Index (ABI)** held steady in Q2. *"Inquiries into new work remained fairly strong, as did the value of new signed design contracts, which saw strongest growth since January. And while firm backlogs have decreased somewhat from their record-high levels in 2022, they remain robust, averaging 6.8 months."* - The June ABI report

Associated Builders and Contractors (ABC) reported its **Construction Backlog Indicator** rebounded from a sluggish Q1. *"Many aspects of the economy, including consumer spending and the labor market, held up better than expected in the second quarter. That bodes well for economic growth over the summer, but also suggests that the Federal Reserve may raise rates higher and keep them there longer in their ongoing efforts to suppress inflation. All else equal, that will reduce construction activity in the quarters to come,"* said ABC Chief Economist, Anirban Basu.

The **Dodge Momentum Index** continues to decline, with a 5.1% drop in April, a 2% decrease in May, and 2.5% decrease in June. *"A deceleration in institutional planning caused the Momentum Index to decrease in June,"* said Sarah Martin, associate director of forecasting for Dodge Construction Network. *"Project activity in this segment pulled back from the robust highs of the last three months but continued to dwarf year-ago levels. In contrast, growth in the commercial segment may be fleeting, as the continued elevation in interest rates and increasingly tight lending standards weigh down the sector in the latter half of the year."*

Epiq Bankruptcy reported a 68% increase in Chapter 11 filings in the first half of 2023. *"The growth in filings is reflective of more families and businesses facing surging debt loads due to rising interest rates, inflation, and increased borrowing costs,"* 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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