

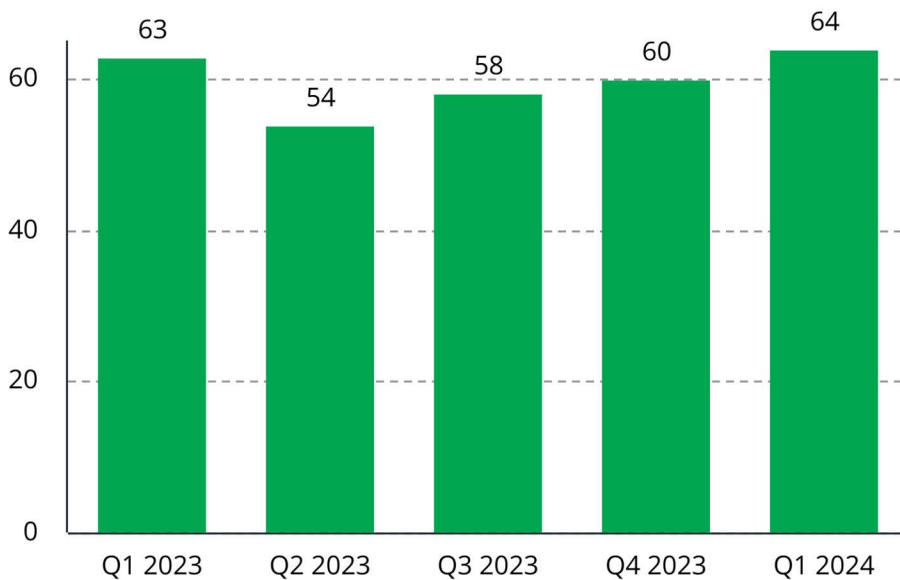
NCS Credit's Lien Index is derived from carefully monitored national and regional mechanic's lien activity, construction economic data from various sources, and general economic trends. The Lien Index compares mechanic's lien data, quarter over quarter.

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.



Rising 6.7% over Q4 2023, the Lien Index ended Q1 2024 at 64, signaling payment challenges persist as mechanic's lien activity increases nationwide.

National Mechanic's Lien Activity

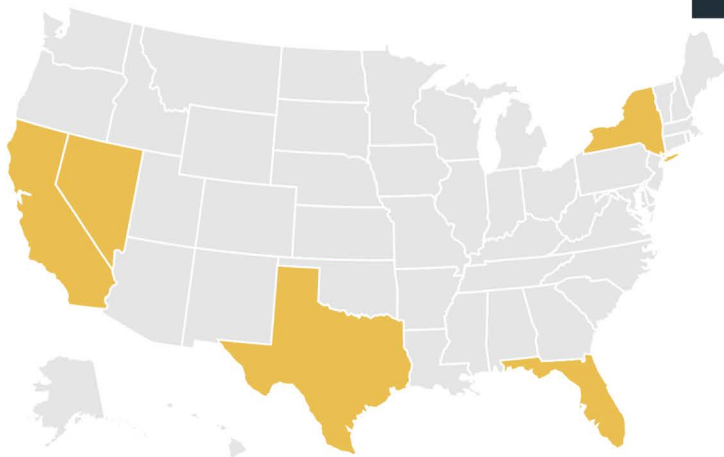


The Q1 2024 Lien Index is 64. This is a **6.7% increase over Q4 2023** and 1.6% increase over the same time last year. This is the highest the Index has been since Q2 2020 (68).

Is it time to sound alarm bells? Considering the ongoing issues plaguing the industry (interest rates, supply chain, inflation etc.), an increase in activity is expected. *However*, with the Index at near-pandemic levels, it is certainly cause for concern.

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

States with Highest Lien Activity



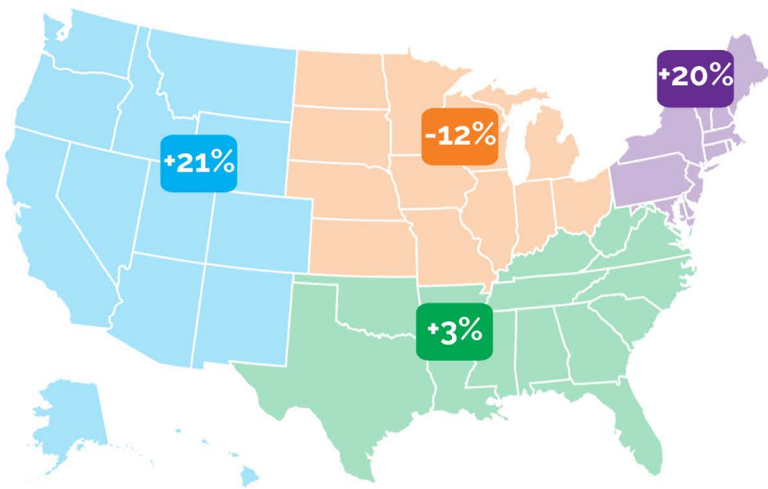
The top 5 states for lien activity were (in order of volume): **Texas, Florida, California, Nevada** and **New York**.

Top 3 States by Region

Midwest: Iowa, Michigan, Illinois
Northeast: New York, Massachusetts, New Jersey
South: Texas, Florida, Georgia
West: California, Nevada, Colorado

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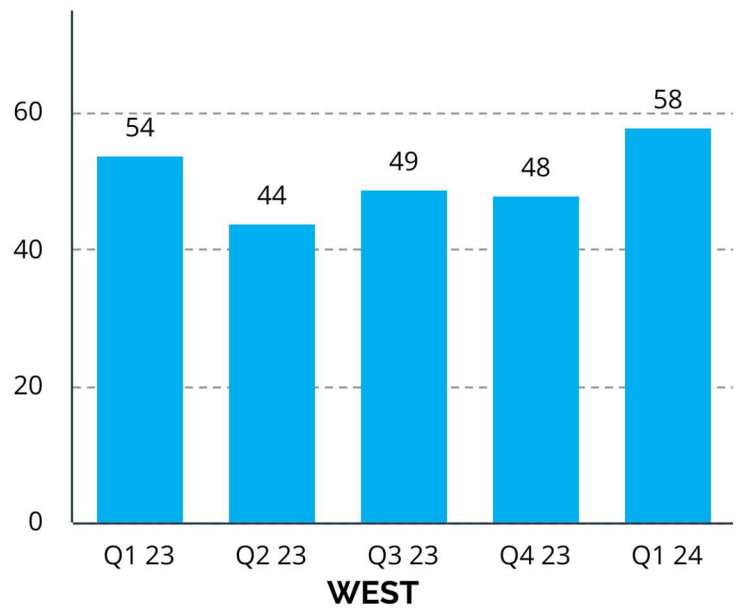
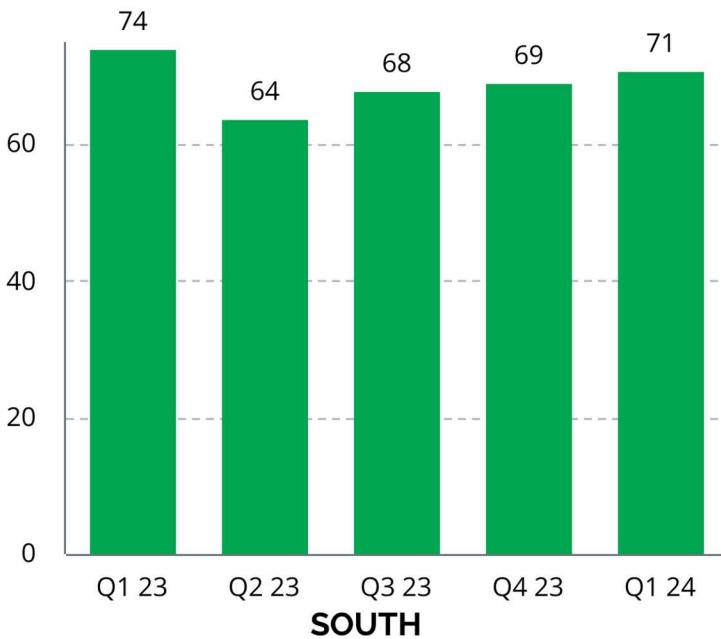
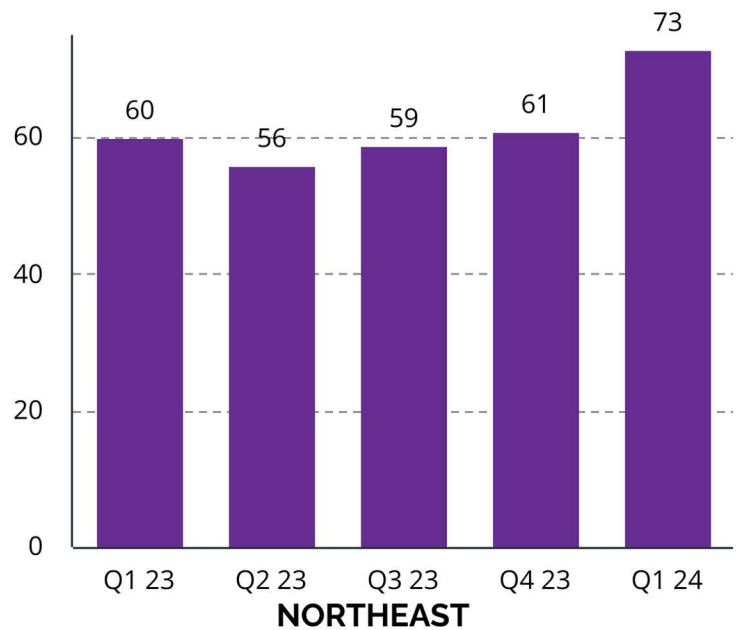
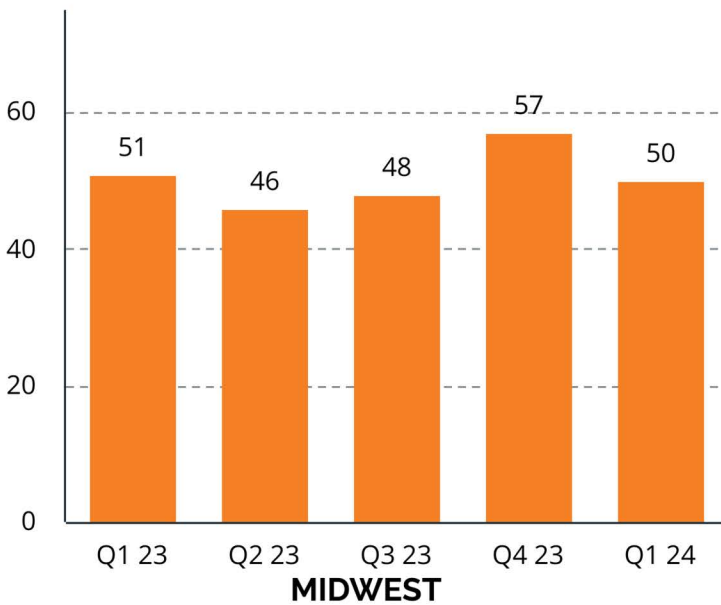
Regional Mechanic's Lien Activity



The **West** and **Northeast** led the nation in lien activity with a staggering **increase of 21% and 20%** respectively.

The **South** saw a modest **increase of 3%** and even though the increase was lower than expected, its overall Index remains well above the standard of 50.

The **Midwest declined 12%** and although Midwest activity declined, this is the first time in over 18 months where all regions are at or above 50, signaling payment issues throughout the country.



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Looking Forward

Lien activity returning to pandemic-era levels is concerning, especially as industry experts expect the year to be challenging (*potential reprieve anticipated in 2025*). The industry continues to battle inflation, interest rates, supply chain issues and the risk of debtor default as bankruptcy filings increase. As your credit teams tighten credit processes and secure mechanic's lien rights to shore up any risk exposure, consider filing UCCs to supplement payment security.

The **Architecture Billings Index (ABI)** reached its lowest level in the last 8 months. "This marked the 14th consecutive month of declining billings at firms as inflation, supply chain issues, and other economic challenges continue to affect business. More notably, the value of new signed design contracts was flat in March... However, most firms report that they still have strong project backlogs of 6.6 months... so even with the ongoing soft patch, they still have work in the pipeline." - The March ABI report

Associated Builders and Contractors (ABC) reported its Backlog Indicator was down, but contractors remain confident. "With excess inflation remaining stubbornly durable, at least according to certain measures, interest rates are poised to remain higher for longer," said ABC Chief Economist Anirban Basu. "That gives higher borrowing costs more time to upset the economic momentum... With so much federal money still entering the economy, there will continue to be support for growth in certain construction segments, including public works and manufacturing-related megaprojects, but industry weakness is more apparent in segments that rely more purely on private financing."

The **Dodge Momentum Index** fell throughout the quarter, but dropped drastically by 9% in March. "In 2023, commercial planning decreased while institutional planning notably improved, sitting 29% above year-ago levels in February 2024. While strong market fundamentals should support institutional planning this year, this side of the Index is more at risk for a substantive correction after last year's growth," stated Sarah Martin, Associate Director of Forecasting for Dodge Construction Network.

Epiq Bankruptcy reported an increase in filings across all chapters in Q1. "As we expected, the upward trajectory in both commercial and individual related bankruptcy filing volumes continue," said Michael Hunter, Vice President of Epiq AACER. "March marks 20 consecutive months that total individual and commercial bankruptcy filings have registered monthly year-over-year increases. Factors contributing to this trend are the higher cost of funds and interest rates, a reduction in consumer discretionary spending, higher housing costs, and a continued drawdown of excess savings. These factors coupled with the post-pandemic anticipated normalization of bankruptcy volumes lead me to believe this upward trend will continue through 2024."

Get Paid for the Work You Do

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.

- ✓ Identify and evaluate credit for all parties in the ladder of supply.
- ✓ Obtain as much project and party information as possible.
- ✓ Serve preliminary notices on every project, every time.
- ✓ Monitor activity on your existing projects and 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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