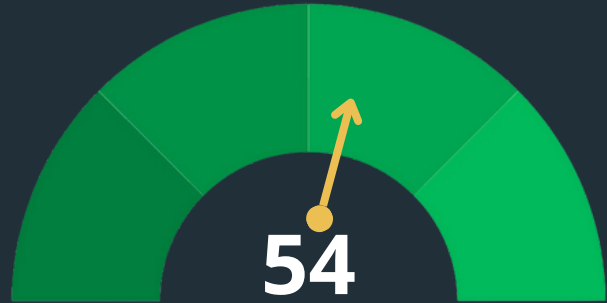


NCS Credit's Lien Index is derived from carefully monitored national and regional mechanic's lien activity, construction economic data from various sources, and general economic trends. The Lien Index compares mechanic's lien data, quarter over quarter.

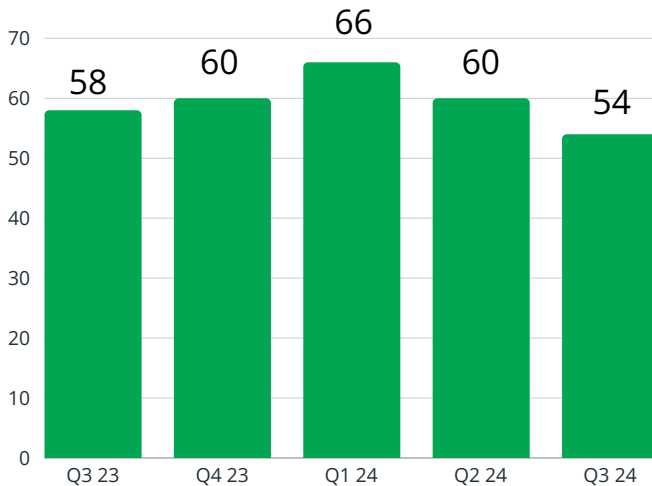
The standard is fifty ("50"), with a number greater than "50" representing an increase in mechanic's lien activity, and less than "50" representing a decrease in mechanic's lien activity.



The Lien Index Q3 2024

Payment issues ease as the Lien Index declined to 54 at the end of Q3. Down 6 points from revised Q2 '24 of 60 and down 4 points over Q3 '23.

## National Mechanic's Lien Activity



As lien activity slows, payments have improved over last quarter. However, an Index of 54 confirms payment issues remain.

In addition to the typical pain points like high material costs and high interest rates, we are now met with the uncertainty of the election season.

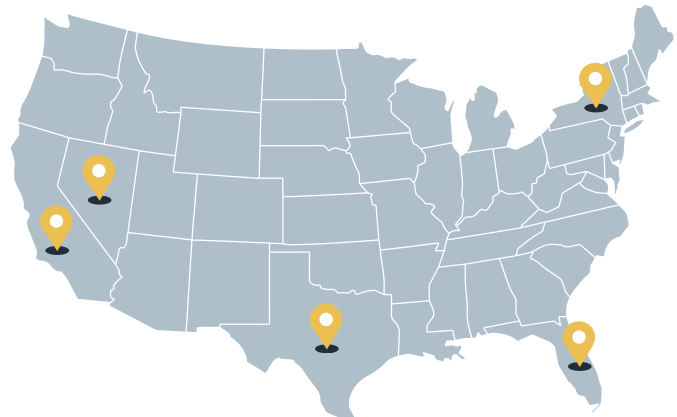
With a new president we will see new policies which could impact corporate taxes, tariffs and infrastructure investments.

## States with Highest Lien Activity

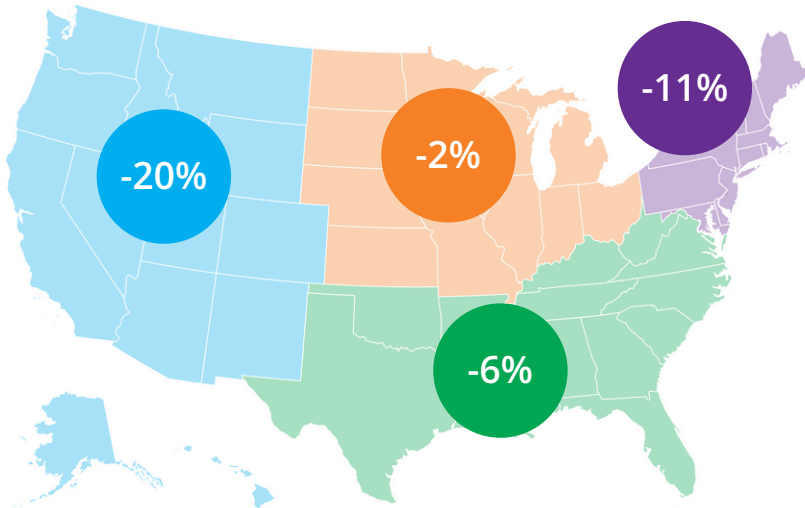
The top 5 states for lien activity were (in order of volume): **Texas, Florida, California, Nevada** and **New York**.

### Top 3 States by Region

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



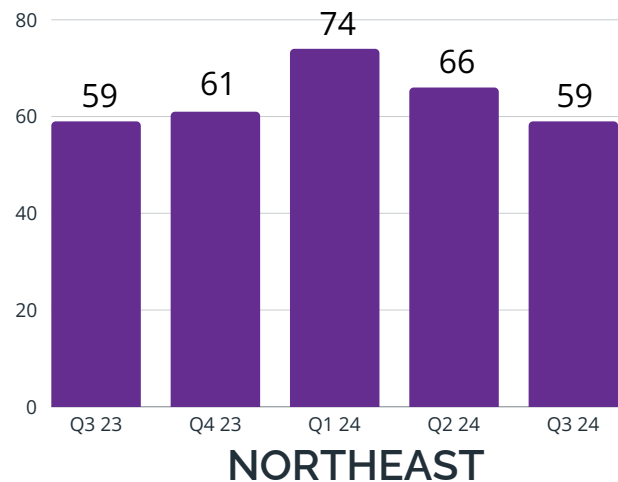
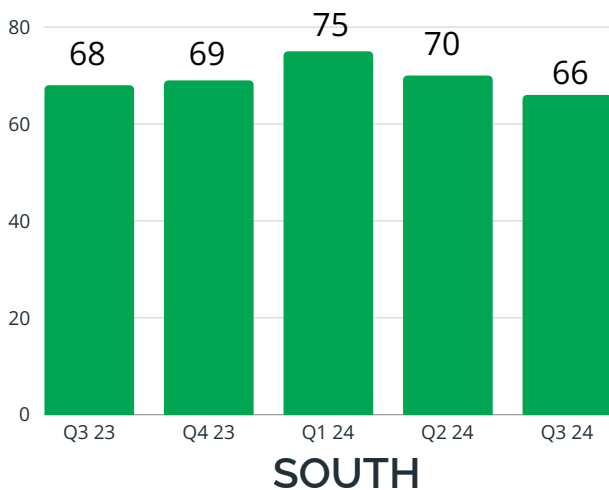
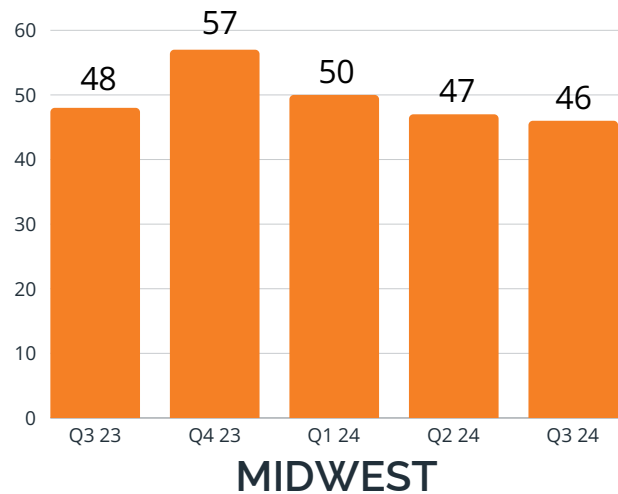
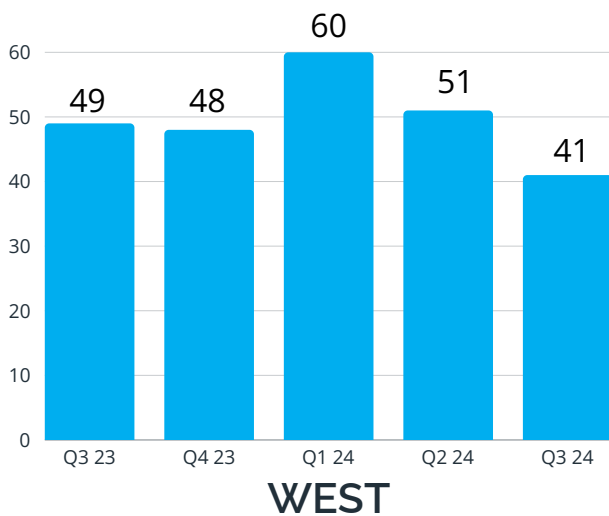
# Regional Mechanic's Lien Activity



Lien activity slowed across the country in Q3. Activity in the **West** **dropped an astonishing -20% over Q2** and 16% over the same time last year. Cyclically, we may see another quarter of decrease from the West, but expect an increase in Q1 2025.

The **Midwest** saw a **modest decrease of -2%**, followed by the **South at -6%** and the **Northeast at -11%**.

It's important to note, although activity decreased in the South and Northeast, activity remains over 50. Unfortunately, we anticipate higher activity in the South over the next few quarters, as rebuilding from the devastating hurricanes begins.



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## Looking Forward

This quarter has been a true mixed-bag of news and events. Let's start with the good. In addition to a decrease in national mechanic's lien activity, there's the welcome news of reduced interest rates. In September, the Fed cut interest rates by half a point. This is the first reduction we've seen since 2020.

Now for the bad. Unfortunately, the high costs of materials are still pressuring industries across the board, including construction. With depleted cash reserves and limited lending options, bankruptcy filings continue to rise and experts expect filing volumes to steadily increase throughout 2024 into 2025.

Then there's the uncertain. We are on the verge of electing a new president which means new policies that will undoubtedly impact industries nationwide. Fortunately, it will take time for these policies to be implemented. While the future is uncertain, you have a tremendous opportunity to take control of your receivables, now. Secure your payment rights on construction projects with mechanic's liens and bond claims and file UCCs on any customer who has an open line of credit. You can't control what the economy will do, but you can control how you prepare for it.

The **Architecture Billings Index (ABI)** remained soft throughout Q3. "Despite recently announced rate cuts by the Federal Reserve, clients are still cautious about future projects. Inquiries into potential new projects continued to increase, but the pace has slowed since the beginning of the year. However, firms continue to report average backlogs of 6.4 months, which remains above pre-pandemic historical averages and is a good indicator of existing work in the pipeline, even if new work coming in has slowed." - The September ABI report

**Associated Builders and Contractors (ABC)** reported its **Backlog Indicator** faced challenges in Q3. "Contractor confidence rebounded in September," said ABC Chief Economist Anirban Basu. "While the reading for profit margins briefly dipped below the threshold of 50 in August, indicating net expectations of contraction, contractors are back to expecting modest expansion in their margins as of September. This optimism likely reflects falling interest rates, which will eventually serve as a tailwind for the industry, and the fact that materials prices have actually declined over the past year. Despite the improved outlook in September, contractor confidence is worse and backlog shorter than one year ago, suggesting that the effects of high interest rates continue to weigh on the industry."

The **Dodge Momentum Index** fell in the early part of Q3, but has shown signs of rebound. "Heightened momentum in warehouse planning activity supported the commercial side of the Index this month, while muted education planning activity slowed the institutional portion," stated Sarah Martin, Associate Director of Forecasting at Dodge Construction Network. "Overall levels of planning activity remain robust and will support construction spending over the next 12 to 18 months."

**Epiq Bankruptcy** reported a 33% increase in Chapter 11 filings and 15% increase in total filings. "As we close out the third quarter in 2024, we continue to see a steady increase in both individual and commercial filings this year to date. The recent Fed rate cut (and signal for further cuts) spurred by slowing job gains and an increase in the unemployment rate leads me to believe the steady increase in those seeking bankruptcy protection will continue through 2024 and into 2025," said Michael Hunter, vice president of Epiq AACER. "The recent devastation from hurricane Helene in the Southeast, current geopolitical conflicts and a potential for large supply chain impacts (duration of strike) will all influence bankruptcy volumes in the months ahead."

## 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™

**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!

## About NCS Credit

NCS Credit is the industry's only full-service provider. From UCC filings and mechanic's liens to commercial collections, we have it all under one roof.

Powered by our knowledgeable staff and fueled by technology, NCS will simplify your current process and deliver a best-in-class client experience.

With unparalleled industry expertise, we understand the complexities of commercial credit. We believe everyone deserves to get paid for the work they do.

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