

Construction Payments Report 2018



Why the speed of construction payments matter

54 Days

Our report confirms PWC findings that subcontractors suffer from one of the longest days sales outstanding in the US.

\$40B

Estimated impact on the industry for carrying forward the fees and costs of slow payments.

83%

Percent of contractors who have filed a lien against the project due to slow payments.

Why it matters?

Subcontractors perform the majority of all construction activities in the US. Slow payment cycles hamper these small businesses from meeting payment obligations like payroll and material purchases. The cash flow cycle results in significant financing costs as well as liens placed against properties to ensure payment.

Slow payments are part of business as usual within the commercial construction industry. However, accepting the status quo has consequences on the overall industry.

If construction lenders and borrowers were to offer net 30 payments to contractors, this would represent significantly lower costs and potential for project halting risks.

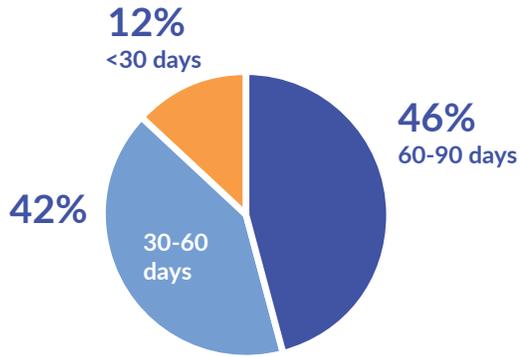
Study Details

In partnership with Building Connected, Contract Simply conducted an industry-wide survey to better understand how slow payments affect costs, risks, and project completion. The survey was distributed to 1,300 contractors representing a wide diversity of trades at the American Subcontractors Association (ASA), Texas Contractors Association, and contractors within the Building Connected and Contract Simply databases.

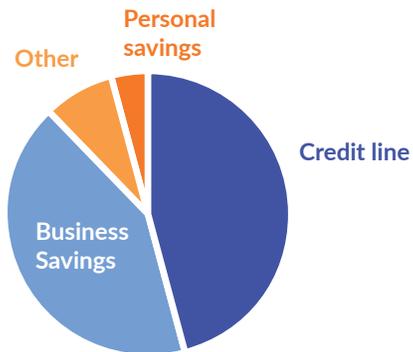
We learned that slow payments are more pervasive and more costly than expected.

Key Findings

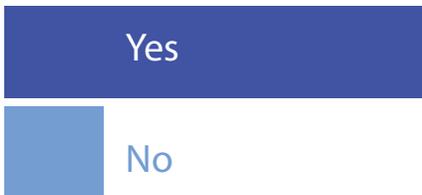
88% Of contractors wait 30+ days for payment



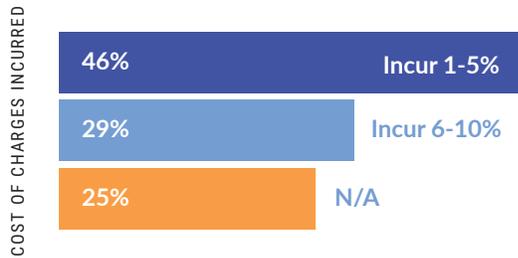
46% Of contractors tap a credit line to float payments



83% Of contractors have filed liens due to slow payment



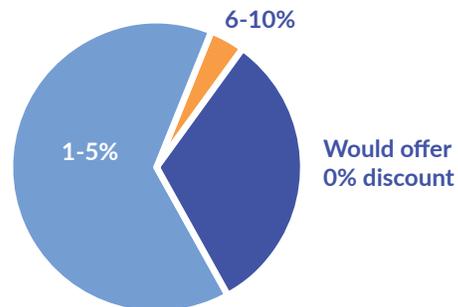
3.3% Of total project costs are finance charges and expenses from floating payments



\$40B

Estimated impact on the industry for carrying forward the fees and costs of slow payments.

70% would offer a discount for net 30 payments



Big Picture Vision

Key impacts of faster payments?

Construction is a \$1.2T industry and subcontractors are paying nearly \$40B in fees to finance projects due to slow payments. These fees are built into their proposals, so expediting payments has the potential to remove an existing “cost” in the current ecosystem. For example, 70% of study participants indicated they would offer a discount in exchange for net 30 payments. That’s an opportunity for developers, builders and lenders to capture over \$18B of value.

Upon analysis of the study data, we identified tremendous opportunity for key stakeholders in the construction lending ecosystem. In addition to improving working capital for contractors, expediting payments can benefit developers, general contractors, and lenders.

Paying faster, not only has the opportunity to lower project costs, but with better payment tracking all stakeholders can avoid the opportunity for costly and time-consuming liens. Paying promptly also enables developers and builders to attract and retain the best subcontractors in a competitive labor market. Furthermore, processing construction loan payments faster helps lenders attract additional borrowers and manage a more profitable portfolio of loans.

Top Four Recommendations to Expedite Payments

1. Implement digital solutions to track and expedite payments to cut days from invoice processing
2. Offer additional payments options like wires, ACH and push-to-debit
3. Collect lien releases digitally with payments to eliminate friction
4. Automate invoice approval workflows with daily reminders

About Us

Contract Simply provides a cloud-based digital solution to simplify construction lending. What once required days of manual review, can now be done in minutes through automated document reading, payment processing, lien release management, and invoice approvals.

Contract Simply streamlines documents and payments in your construction loans to reduce risk and improve borrower experience.



Visit our demonstration request page to reserve a live demonstration.
contractsimplify.com/request-demo

REQUEST DEMO

Or, contact Seth Snyder directly:
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