Unveiling the Reality: Subcontractor Defaults in Construction



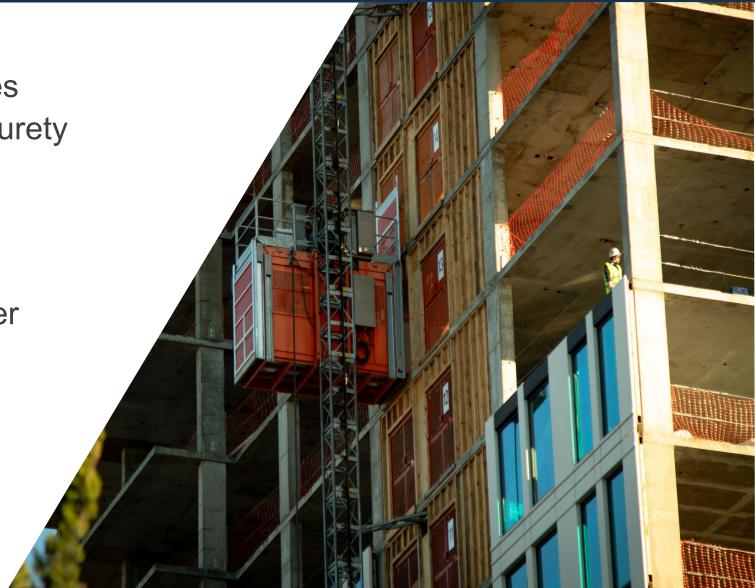
Results from the 2024 AGC/FMI Risk Survey



Study – Quick Facts

Results are based on responses from risk managers in AGC's Surety Bonding and Construction Risk Management Forum.

Data was collected in December 2023 and January 2024.





Key Themes

Top risks today

Project cancellations/delayed starts

Subcontractor distress/default

Risk mitigation strategies





Top Risks Today

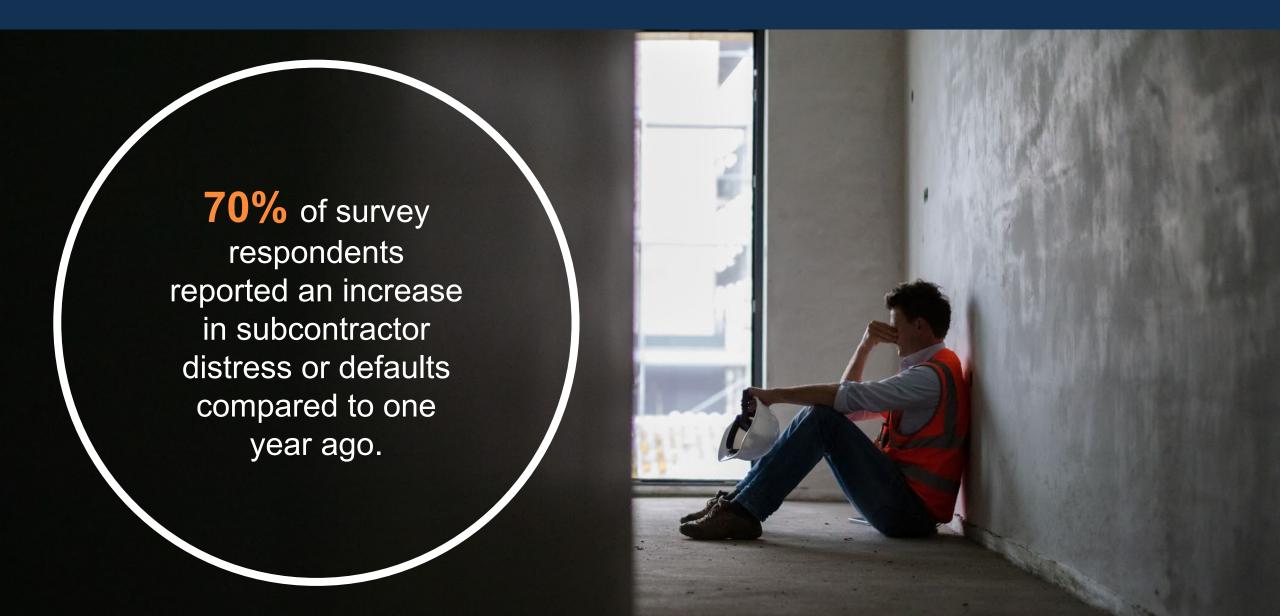
Rank	2024	2023
1	Lack of skilled/craft workers	Price increases (materials & equipment)
2	Design -related issues	Lack of skilled/craft workers
3	Changes in insurance terms/costs	Lack of field supervisors
4	Project delays or cancellations	Design-related issues
5	Changes in contract language	Changes in contract language



Project Cancellations/Delayed Starts



Subcontractor Defaults



Subcontractor Defaults

Top 3 reasons for subcontractor distress/defaults

1. Financial distress

38%

2. Lack of qualified labor

27%

3. Quality of work

24%



Subcontractor Defaults

Top 3 trades experiencing an uptick in default/distress

Electrical



Plumbing



3 Concrete







Risk Mitigation Strategies

What changes are AGC risk managers making to their sub prequal approach?

27%

Enhanced thoroughness of financial and staffing evaluations

21%

Sought out new/additional subcontractors

19%

Increased frequency of financial and staffing reviews

