



## Q4 2024 MARKET TRENDS

# Surety

### Private Equity and Contractors

Private equity and construction have been heavily linked since the middle of 2021. With surety companies historically weary of the ideals (churn and burn method) that come with private equity, the space has seen an appetite change from some of the more aggressive markets.

With the continued growth within private equity, surety markets have found that risk management, acquisition strategy, project financing, operation functions and exit strategy can facilitate an agreement that was not available before. This allows continued growth in the surety realm, which includes renewable energy, condos/apartments, commercial real estate development, roadwork and more. With adequate capital and higher returns, operations will improve, and surety-related acquisitions could transpire, overcoming the prior loss dynamics.





## Broadband Equity, Access and Deployment Program (BEAD)

High-speed internet is inconsistent throughout the U.S. This limits the productive capacity in many small towns, rural areas and underserved neighborhoods in large cities. Consistent high-speed connectivity is needed across the U.S. to maintain its global competitiveness and to improve education, healthcare and public safety.

To conquer this inconsistent infrastructure problem, the National Telecommunications & Information Administration and Broadband USA are rolling out the Access Broadband Act, providing billions of dollars of grant money to each U.S. state and territory. When grant money is awarded to a broadband service provider, they must provide a letter of credit (LOC) or surety bond to guarantee the proper use of the funds. Posting a performance bond instead of the LOC provides greater cash flow to the service provider. Surety providers are gearing up for a large influx of new surety applications in late 2024 and 2025.

## Data Centers and High-Tech Manufacturing

There has been a significant increase in data center and semiconductor/high-tech manufacturing buildouts, which will continue into 2025. This increase has led to supply chain issues for mechanical and electrical equipment, which suffer from historically high lead times.

Because these data centers and high-tech manufacturing facilities tend to be very large and concentrated in specific parts of the country, such as Texas, Kansas and Iowa, they are experiencing tighter labor markets. Because of their size and complexity, just one project can tie up many trades for an extended period. Despite recovering from workforce losses during COVID-19, the industry faces rising wages due to inflation and a lack of sufficiently skilled workers, highlighting the need for effective training and employee retention strategies. Surety underwriters are closely monitoring build activity and associated pressures to complete projects on time and on budget.



## How Brown & Brown Can Help

Connect with our Brown & Brown team to learn about our knowledge in your industry, how we build our risk mitigation strategies and how we can aid your business in building a cost-saving property & casualty program.

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