GLOBAL OCCUPIER SERVICES

CONSTRUCTION INSIGHTS

FOR GLOBAL OCCUPIERS

SPRING 2025

Better never settles

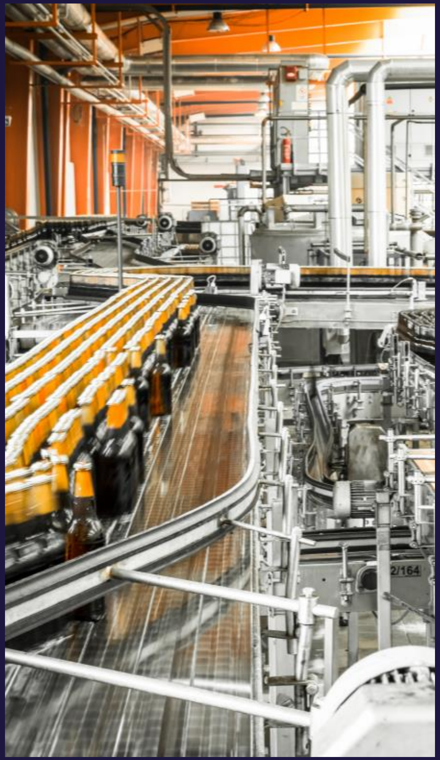
CONTENTS

INTRODUCTION

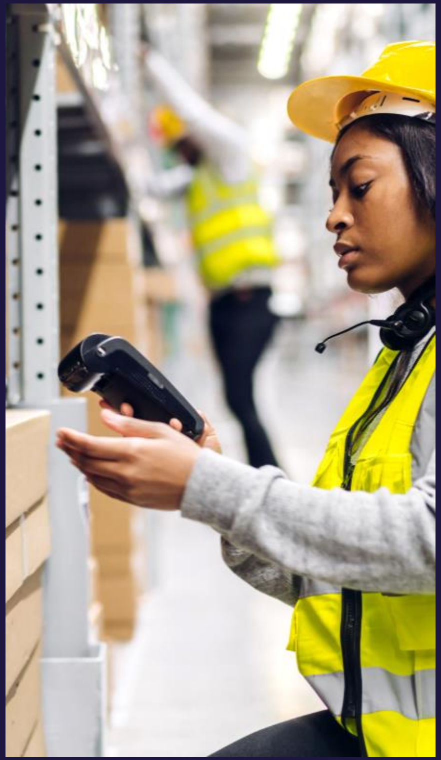
Global uncertainty has grown as the world's largest economy seeks to rewrite global trade agreements, driving up construction-related commodity prices with further increases expected. This is another headwind, as the sector continues to struggle with skilled labor shortages.

Construction activity has slowed as companies recalibrate 2025 projects, emphasizing the need for policy clarity to enable long-term planning.

Despite this uncertainty, global growth expectations remain, though at a slower pace.



Global supply chain stress has risen but remains below recent highs. Growing uncertainty complicates planning and may increase stress.



Labor constraints remain challenging, especially in skilled labor. Wage increases are necessary to attract talent to construction but add further pressure to overall costs.

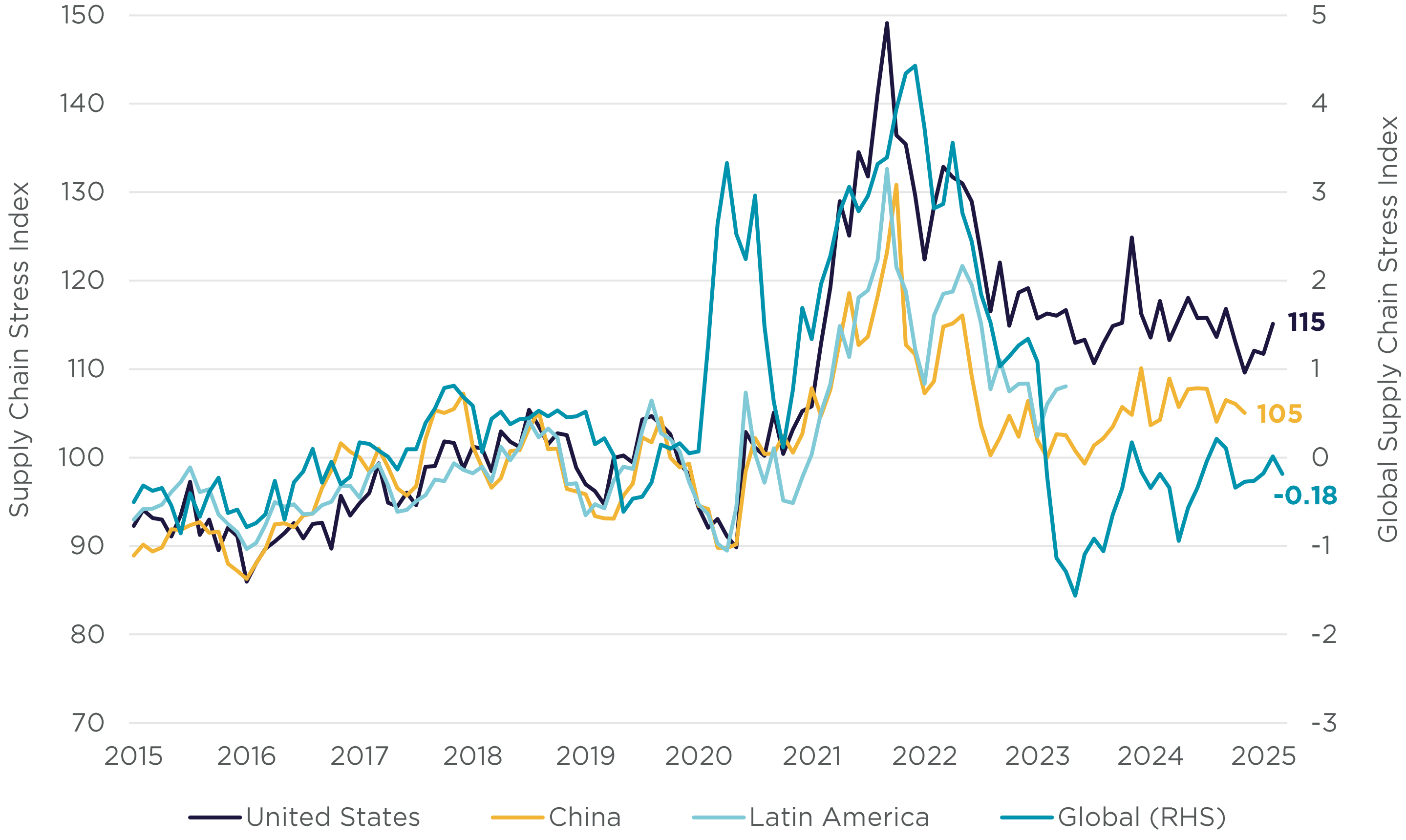
Office and industrial construction pipelines have fallen in the Americas and EMEA but continue to be robust in APAC.

01

ECONOMIC DRIVERS

GLOBAL STRESS LEVELS INCREASE

Despite rising global tensions, global supply chain stress levels remain below long-term averages

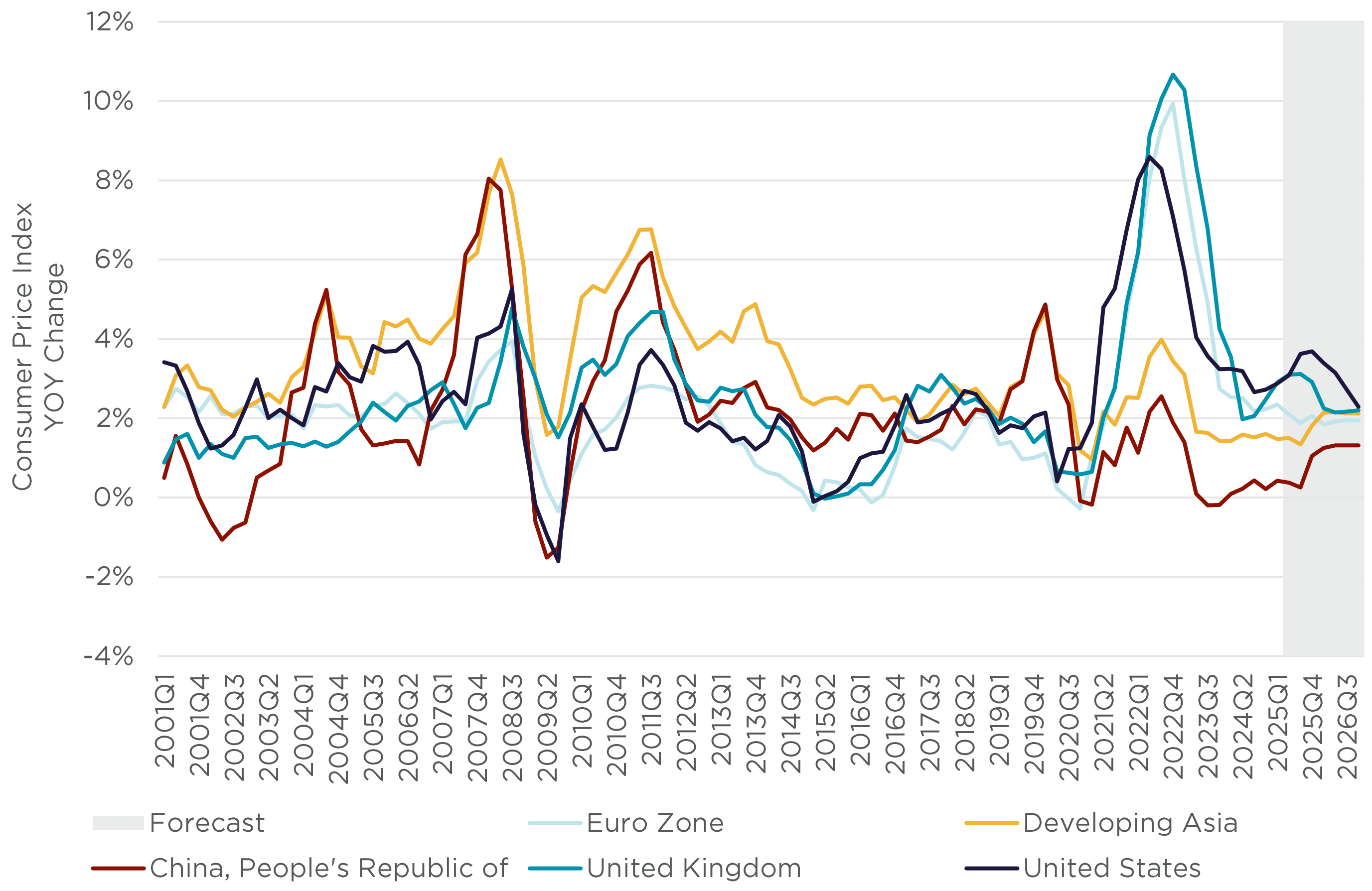


Source: Federal Reserve Bank of New York

- Global geopolitical tensions rose in the first quarter of 2025, as a new U.S. administration focused on tariff policies with the aim of rebalancing global trade. Over the past 12 months, the global supply chain stress reading averaged -0.2, much lower than pandemic-level highs but higher than the prior 12-month average of -0.6, indicating that overall stress levels are ticking up.
- Supply chain stress levels have increased in China, with the 12-month average rising to 107 from 104 in the prior period. Supply chain challenges are likely to increase until tariff policy settles. Current uncertainty makes long-term planning difficult for companies, further straining the supply chain.
- Stress in the U.S. recently ticked up, but at 114 for the past 12 months, it remains relatively flat from the 115 level in the previous 12 months and significantly below the 2022 peak. Tariff uncertainty will likely push stress higher in the near term.

GLOBAL INFLATION FALLING SLOWER

Inflationary pressure is building after a period of disinflation

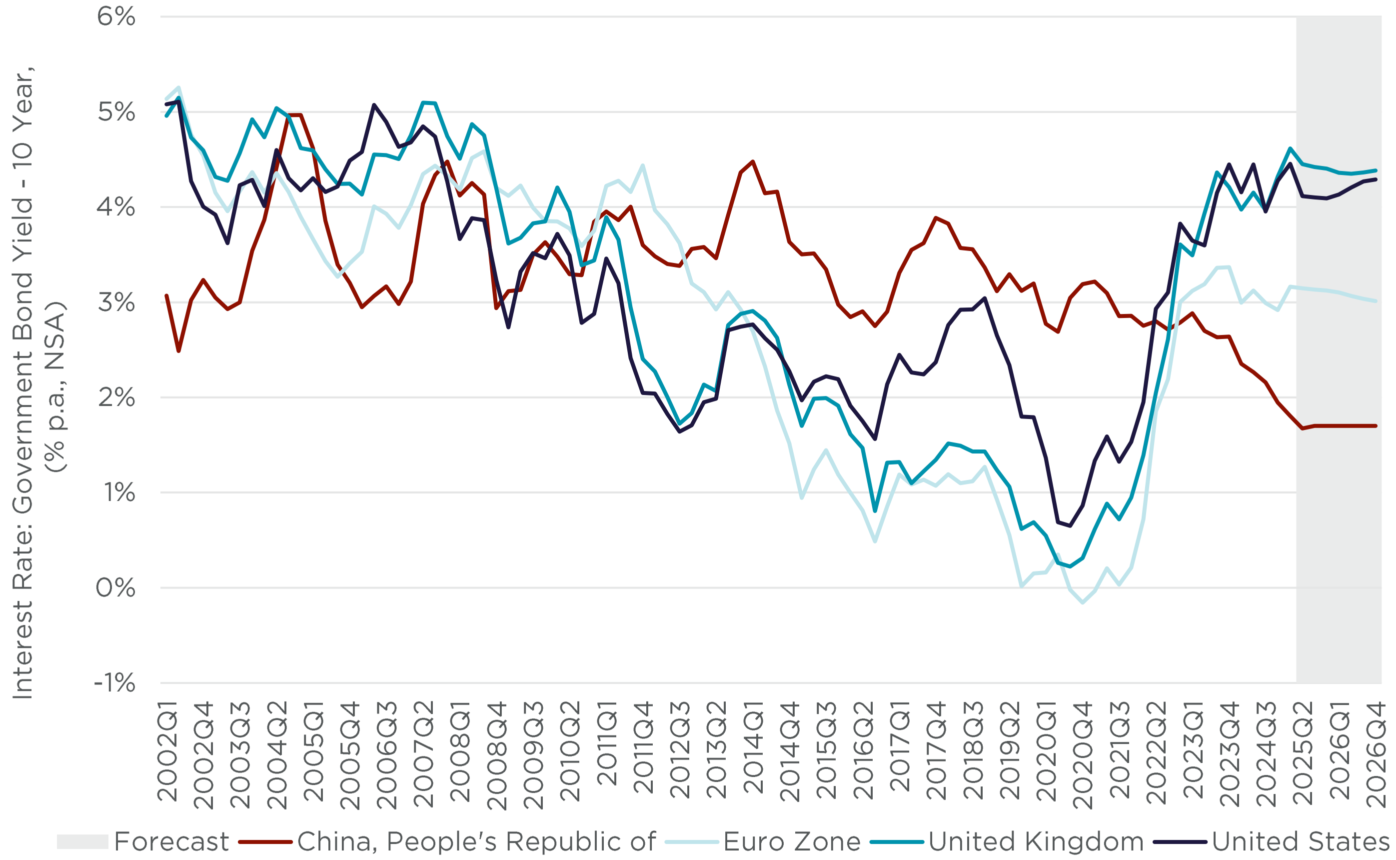


Source: The World Bank; Moody's Analytics

- Current inflation levels have declined from their 2022 highs, but recent global economic uncertainty has slowed the pace. Based on the International Monetary Fund (IMF) April 2025 Outlook, global inflation forecasts have been revised slightly higher while still projecting a downward trend. Global inflation is expected to fall to 4.3% in 2025 and further to 3.6% in 2026.
- The IMF revised inflation slightly upward for mature economies and slightly downward for emerging and developing economies.
- The Moody's Analytics two-year forecast calls for higher inflation in the U.S. and the UK in 2025, primarily due to tariff policies. However, these increases are expected to be temporary, with inflation falling through 2026.
- Higher inflation is forecasted through 2026 in China and developing Asia, as they contend with rising global pricing and uncertainty.
- Continued uncertainty around tariffs poses a downside risk to the global economy.

INTEREST RATE CUTS UNCERTAIN

The interest rate trajectory is unclear due to potential inflationary conditions



Source: The World Bank; Moody's Analytics

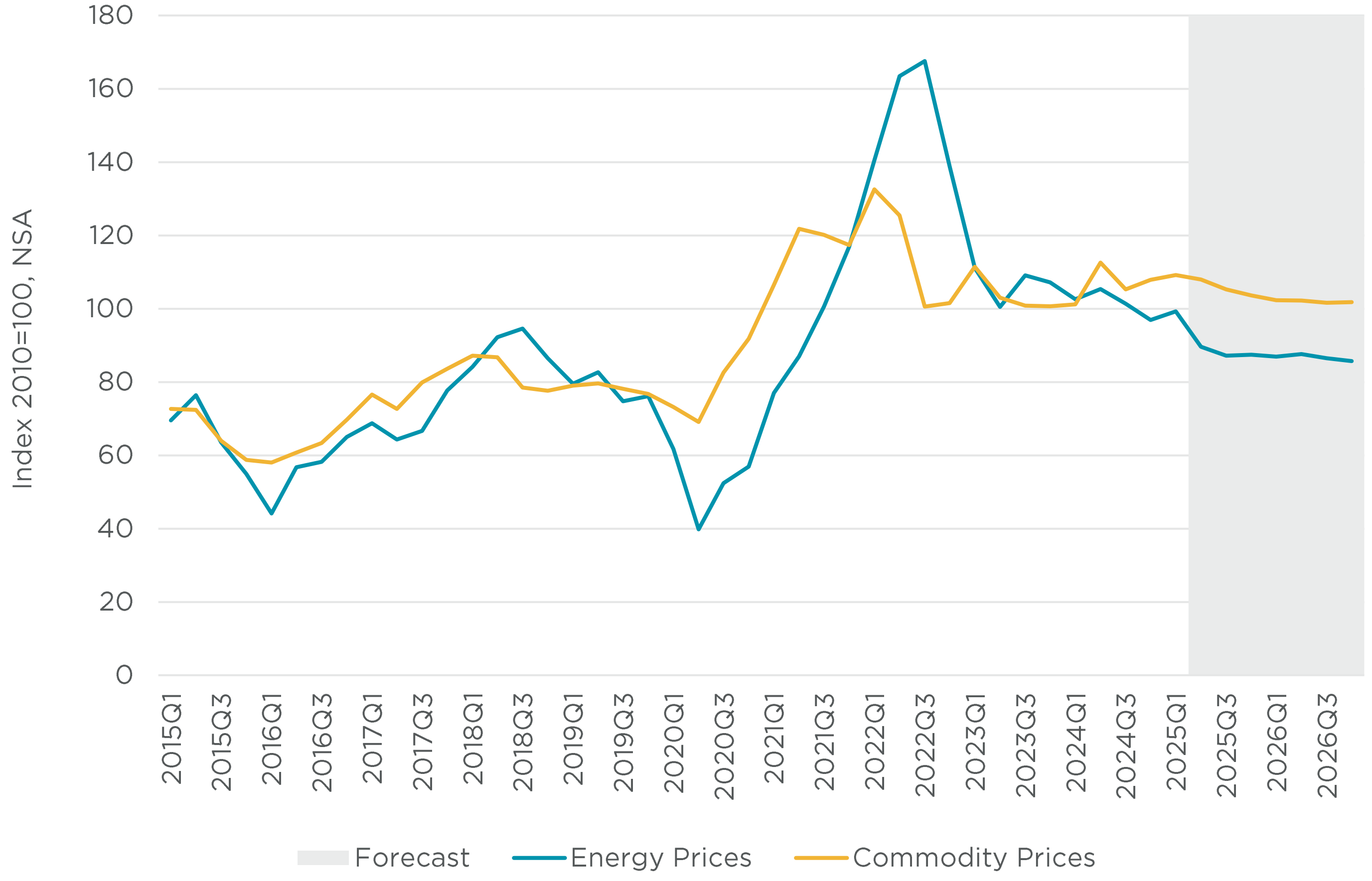
- While global inflation is still expected to continue to fall through 2026, current geopolitical policies may create inflationary conditions. Due to potential increases in inflation, central banks are likely to pause or slow further interest rate cuts until inflation indicators subside.
- Positive construction sector sentiment at the start of the year has faded due to growing uncertainty. With interest rates not falling as quickly as expected, the pace of construction activity will likely be subdued until there is more clarity.

02

CONSTRUCTION COSTS

ENERGY AND COMMODITIES

Energy prices continue to trend downward

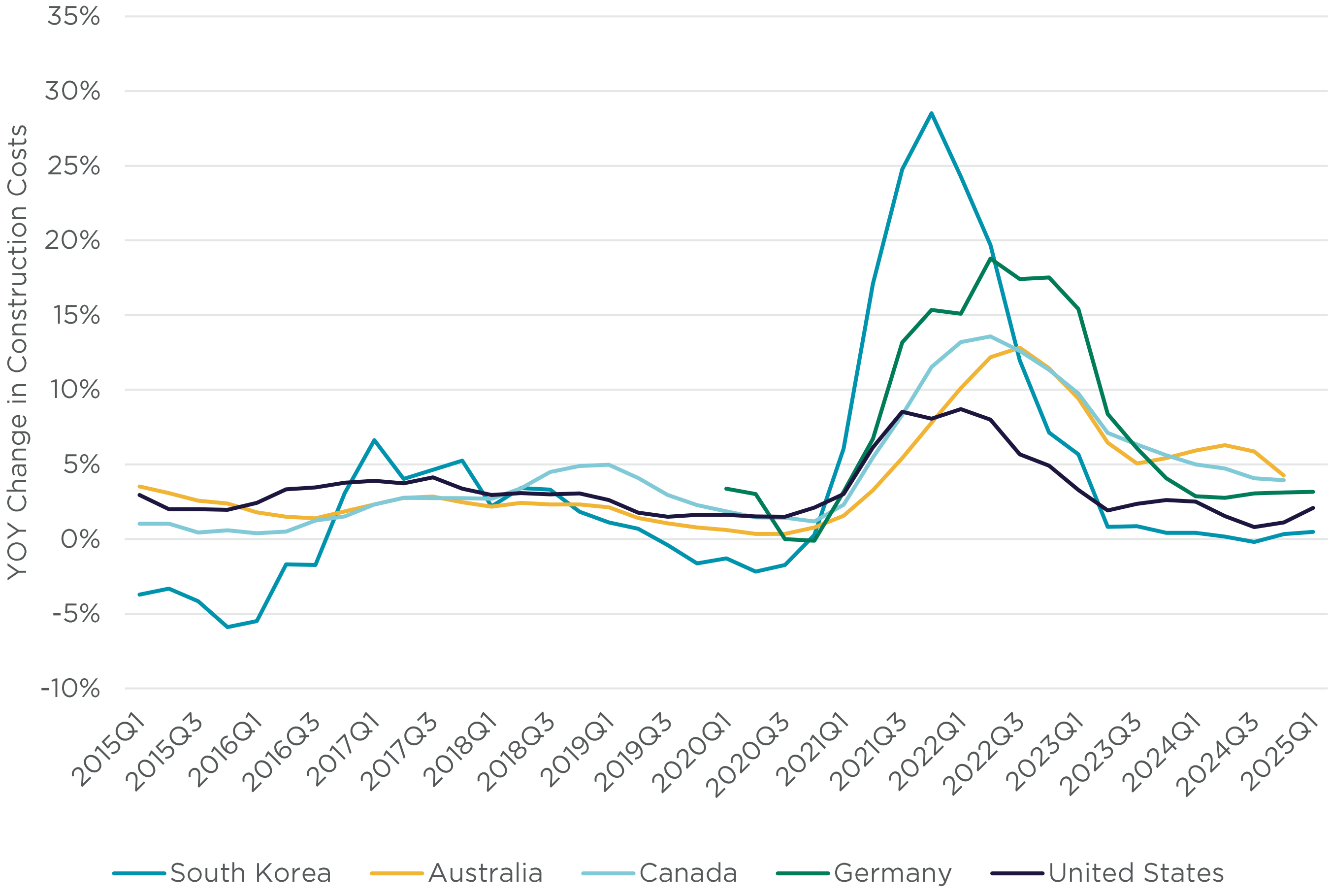


Source: The World Bank; Moody's Analytics

- In the first quarter of 2025, global energy prices rose 2.4% quarter-over-quarter (QOQ) but were 3.2% lower than a year ago. Energy prices remain higher than pre-pandemic levels, up 61% from the first quarter of 2020. The World Bank expects energy prices to decline by 17% through 2025, with a further decline of 6% in 2026. These price declines are expected to help offset some of the cost pressures from higher tariffs.
- Global commodity prices rose 1.1% QOQ and 7.9% year-over-year (YOY) as markets began pricing in higher tariff rates during the first quarter. While commodity prices are 49% above pre-pandemic levels, they have eased from their 2022 peaks. The forecast calls for softening of commodity prices overall, however, until there is more clarity around tariff policies, volatility in pricing should be expected.

CONSTRUCTION COSTS TICK UP

Cost increases have decelerated across most countries, but recent geopolitical turmoil is applying upward pressure



Source: Moody's Analytics

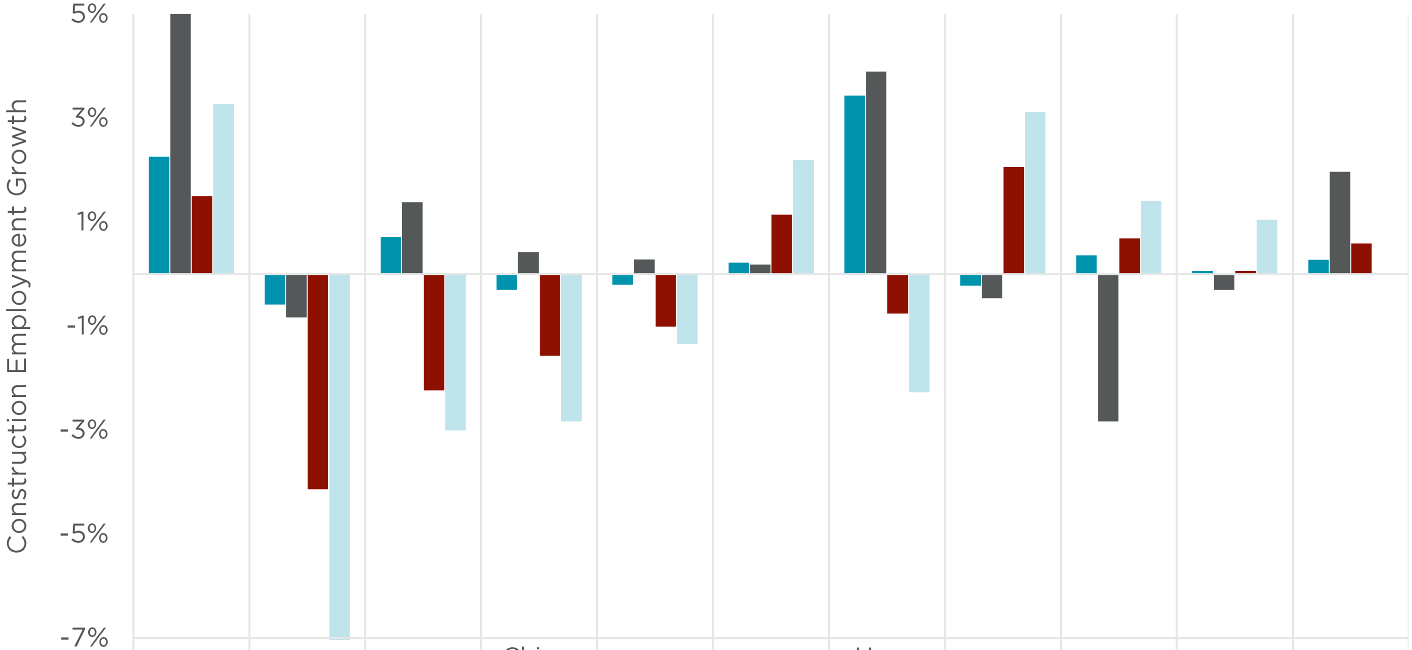
- The pace of construction cost increases has decelerated from 2021-2022 highs, but recent global pressure on prices is beginning to impact costs.
- As of the fourth quarter of 2024, the average YOY increase in construction costs across these representative countries was 2.6%, a 107-basis point (bp) drop from cost increases a year ago.
- Costs began rising in the first quarter of 2025, as reflected in price indices for countries that have data available. Despite this uptick in prices, increases remain well below their average 10-year increase. Further increases in 2025 are expected to remain below the 10-year average and not approach 2021-2022 levels. However, it's important to note that costs remain significantly higher than pre-pandemic levels, and countries are already operating at a higher cost basis.

03

CONSTRUCTION EMPLOYMENT

CONSTRUCTION EMPLOYMENT

Remains challenging around the globe



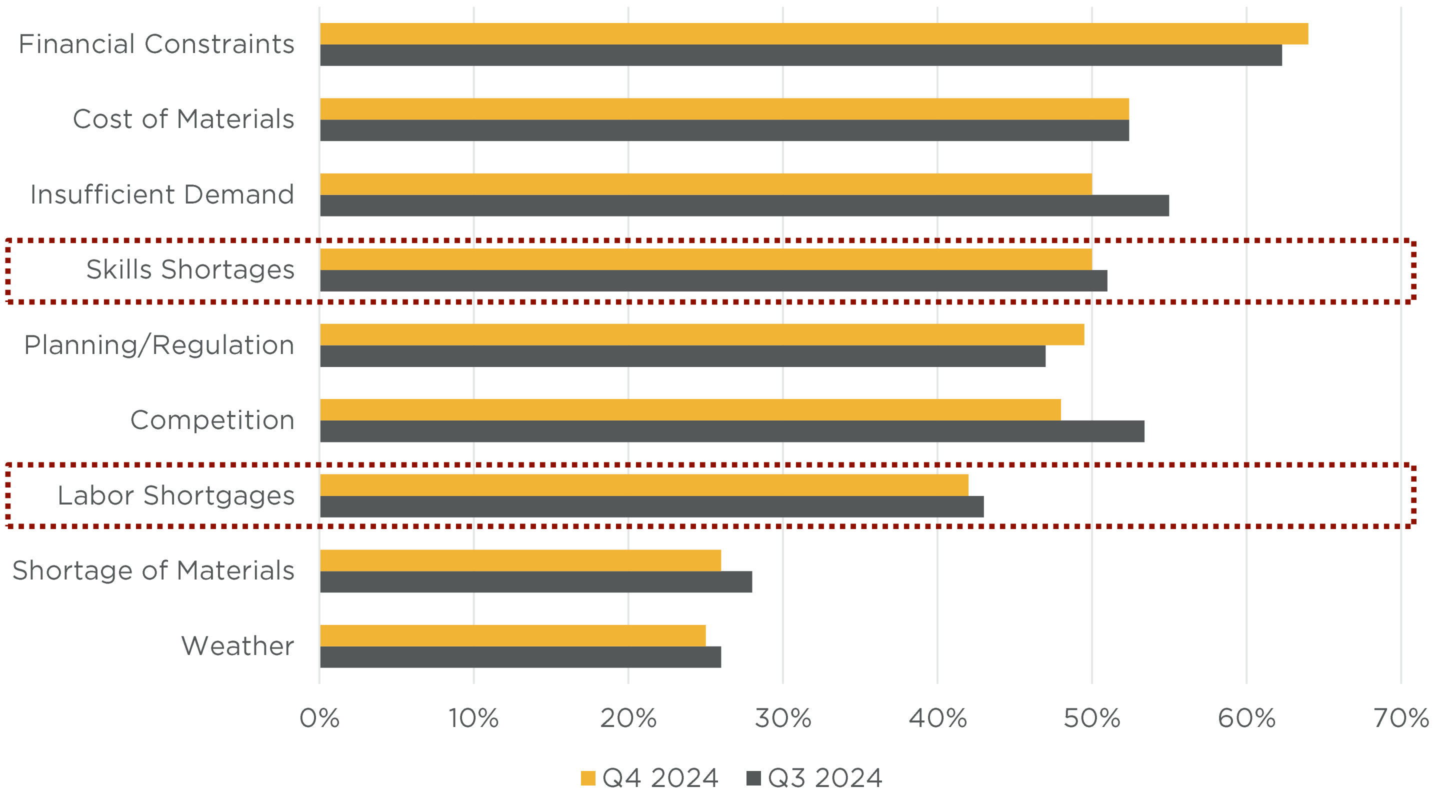
	Australia	Brazil	Canada	China, People's Republic of	Euro Zone	United Kingdom	Hong Kong SAR (China)	India	Japan	Mexico	United States
QOQ	2.3%	-0.6%	0.7%	-0.3%	-0.2%	0.2%	3.4%	-0.2%	0.4%	0.1%	0.3%
YOY	5.8%	-0.8%	1.4%	0.4%	0.3%	0.2%	3.9%	-0.5%	-2.8%	-0.3%	2.0%
1-yr F	1.5%	-4.1%	-2.2%	-1.6%	-1.0%	1.1%	-0.8%	2.1%	0.7%	0.1%	0.6%
2-yr F	3.3%	-7.5%	-3.0%	-2.8%	-1.3%	2.2%	-2.3%	3.1%	1.4%	1.0%	0.0%

Source: Moody's Analytics

- Construction employment grew an average of 0.5% QOQ and 0.9% YOY across the countries represented in this chart.
- Growth is expected to soften in 2025 and 2026 as uncertainty impacts project planning. However, growth will remain positive in mature economies, including Australia, the UK, Japan and the U.S., as well as emerging markets of India and Mexico.
- Other global markets expect weakening construction employment growth as a softer global economy and increasing costs impact construction projects globally.

LABOR CONSTRAINTS EASE SLIGHTLY

Despite some slight easing, labor remains constrained



Source: Royal Institution of Chartered Surveyors (RICS) Q3 2024 Global Construction Monitor

- According to the Royal Institution of Chartered Surveyors (RICS) Q4 2024 survey of over 2,500 companies worldwide, businesses have observed a slight easing in labor shortages. Despite this improvement in sentiment, labor shortages remain the primary factor limiting construction activity.
- The survey also shows a slight easing in skill shortages, however, access to skilled labor remains a concern, especially in the Americas where demand for labor is stronger.

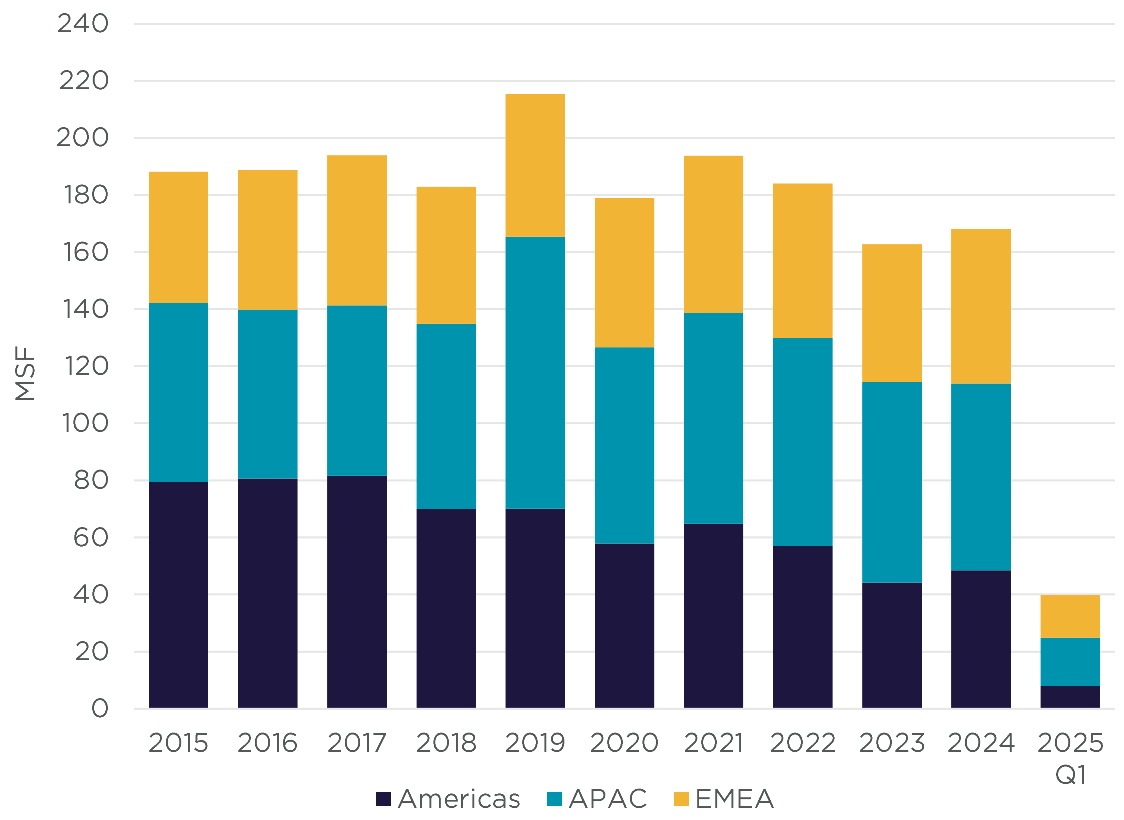
04

SECTOR SPOTLIGHTS

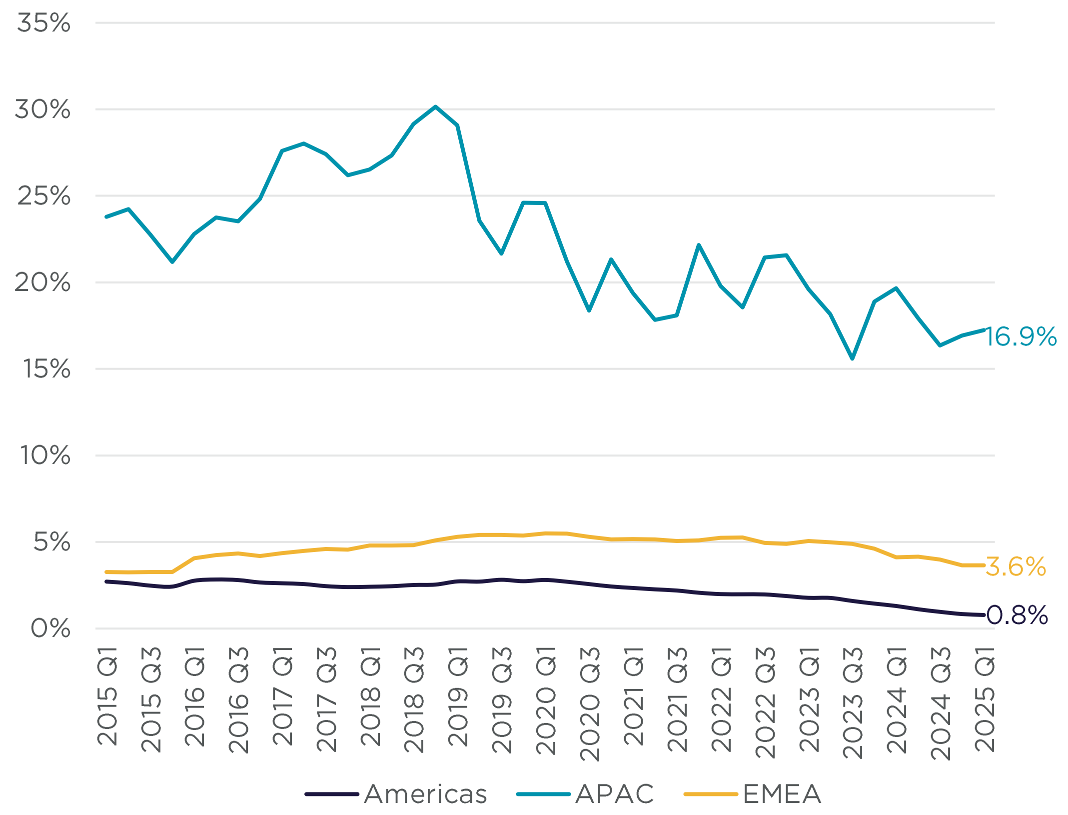
GLOBAL OFFICE CONSTRUCTION DROPS TO 20-YEAR LOW

The construction pipeline continued to shrink but remains robust in APAC

Office Deliveries by Region



Under Construction as a % of Inventory

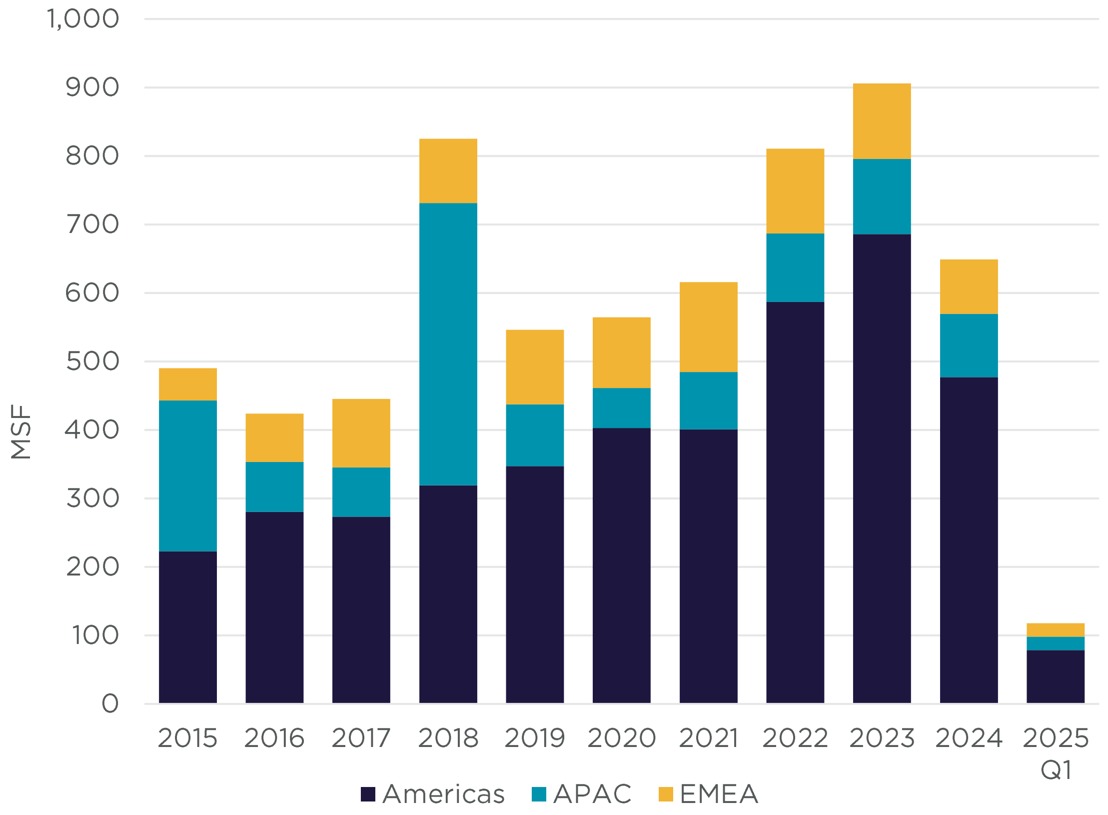


Source: Cushman & Wakefield Research

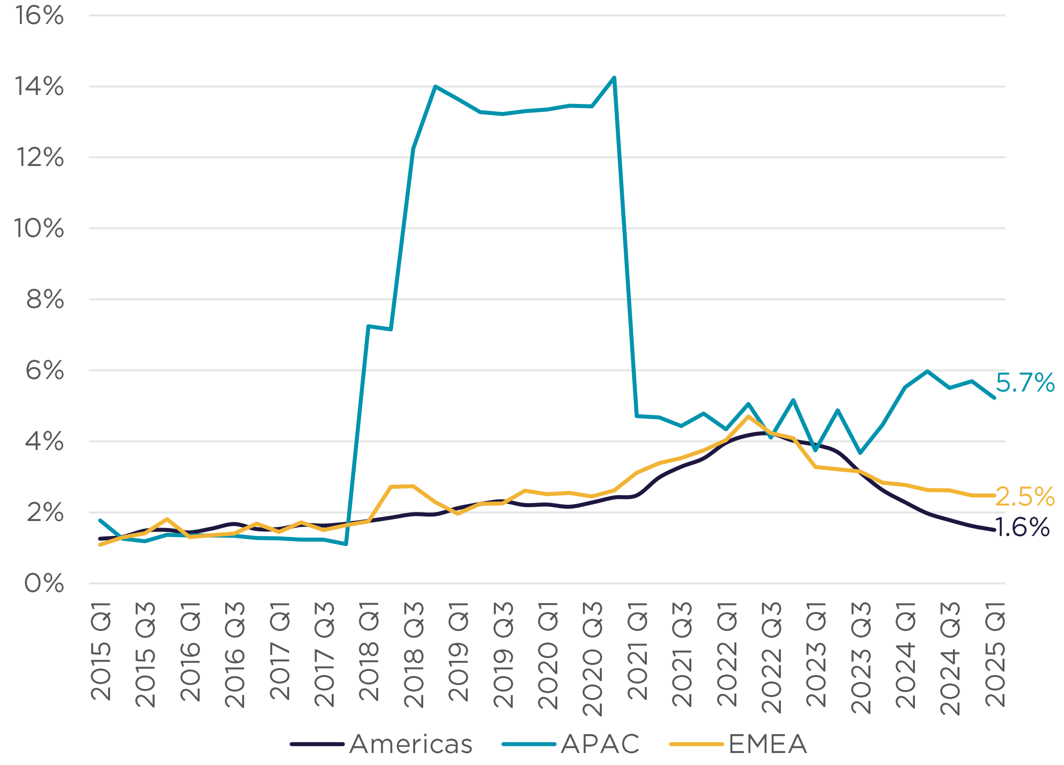
INDUSTRIAL CONSTRUCTION PIPELINE SLOWS FURTHER

The global industrial construction pipeline fell below its 10-year annual average, but the total inventory under construction remains above 2018 levels

Industrial Deliveries by Region



Under Construction as a % of Inventory



Source: Cushman & Wakefield Research

05

COUNTRY DEEP DIVE

UNITED STATES

CONSTRUCTION COSTS

The U.S. construction sector is entering a period of uncertainty and price adjustment. Tariffs on in-demand metals have driven double-digit YOY price increases as suppliers prepare for a high-cost environment. The possibility of further tariffs has pushed up prices for both services and products. Price volatility is expected to continue until long-term policies are finalized, though increases are unlikely to reach peaks seen during the pandemic.

TARIFF UNCERTAINTY INCREASES

Current tariffs are subject to change

U.S. Tariffs	Retaliatory Tariffs
20% broad tariff on all Chinese imports (effective February 4; increased March 4)	China 10%/15% list (announced February 4)
10% tariff on Canadian potash and energy (effective April 2)	Canada 25% list (announced March 4)
25% tariff on all Mexican imports and other Canadian imports* (effective March 4)	China 10%/15% list (announced March 4)
25% tariff on all automobiles, with an exemption for US content** (effective April 3)	Canada 25% list (announced March 13)
25% tariff on all steel and aluminum imports (effective March 12)	China broad 125% (announced April 4)
Modified April 2 announcement: 10% minimum tariffs on all countries ex. China, Canada, & Mexico; 125% tariff on China (effective April 9, modified April 9, 90-day duration)***	China suspension of exports of minerals and magnets (announced April 11)****

Source: Yale Budget Lab
* USMCA-compliant trade remains duty-free. TBL assumes that 49% of imports by value from Mexico are USMCA-compliant, while 38% of imports from Canada are compliant.
** TBL assumes that 40% of automobile content in imported motor vehicles from Canada and Mexico are of US origin.
*** The tariffs announced on April 2 apply to most imported goods but exempt steel, aluminum, and autos—which have already been tariffed separately this year—as well as copper, pharmaceuticals, semiconductors, lumber, energy, and critical minerals. The Administration clarified the scope of the semiconductor exemption on April 13. TBL carved out these commodities in its analysis of the April 2 announcement but does stack tariffs on those commodities from earlier announcements where applicable.
**** TBL simulated this as a prohibitive Chinese export tariff on these commodities.

- The U.S. administration's tariff policy remains fluid, with changes to current and future tariffs expected. This ongoing unpredictability increases uncertainty and limits companies' ability to plan long-term projects.
- Despite this uncertainty, cost increases have already been observed in supplier prices as they attempt to plan in the short term.
- Considering this uncertainty, C&W expects construction costs to rise further. Tariffs are expected to drive up construction material costs by an estimated 5-7% in 2025. Reduced immigration could add upward pressure to labor costs if the labor market remains resilient. These dynamics will slow new development, benefiting existing assets as the supply pipeline contracts.

GIVING BACK 2024 PRICE DECLINES

Prices have preemptively increased across most segments in expectation of tariff impacts

Macroeconomic and geopolitical uncertainty are driving pricing higher as the construction sector strives to understand the impact of recent policies. In the absence of clear policy and in anticipation of a higher cost environment, the industry has preemptively raised prices across major services.

As of April 2025, nonresidential structural prices were up 1.7% YOY. Overall, structure prices were up 1.6% YOY, giving back the 1% price decrease from the prior year. Healthcare prices posted the largest price escalation at 3.4% YOY.

Contractor prices rose 2.1% YOY. Roofing contractor prices have been stubbornly high, increasing 3.2% YOY after a 1.3% increase the prior year.

Prices for services increased the most at 5.4% YOY, significantly higher than the prior year increase of 2.9%. Utility prices were lower on a month-over-month (MOM) basis due to recent softness in oil prices but are still 6.3% higher on a YOY basis.

	1-Month % Change	YOY % Change	Prior Year* % Change	% Change Jan-2020
STRUCTURES				
Nonresidential	-0.4%	1.7%	-1.0%	38.7%
Office	-0.5%	2.5%	-1.8%	44.1%
Industrial	-0.4%	0.5%	-1.0%	39.5%
Warehouse	-0.2%	-0.2%	0.0%	43.5%
Healthcare	-0.2%	3.4%	-1.2%	37.7%
Average Change	**-0.3%**	**1.6%**	**-1.0%**	**40.7%**
CONTRACTORS				
Concrete Contractors	0.5%	2.1%	0.3%	32.6%
Roofing Contractors	0.4%	3.2%	1.3%	54.5%
Electrical Contractors	0.4%	2.0%	-0.7%	32.4%
Plumbing; HVAC Contractors	-1.4%	1.3%	2.1%	29.4%
Average Change	**0.0%**	**2.1%**	**0.7%**	**37.2%**
SERVICES				
Utilities	-0.6%	6.3%	0.6%	32.7%
Janitorial	0.1%	3.8%	1.1%	17.4%
Waste Collection	-0.7%	6.9%	4.2%	38.0%
Nonresidential Bldg. Maintenance & Repair	0.0%	4.6%	5.7%	31.2%
Average Change	**-0.3%**	**5.4%**	**2.9%**	**29.8%**

*Source(s): United States Bureau of Labor Statistics (www.bls.giv/ppis); *Prior year represents April 2024 YOY price change*

COMMODITY PRICE INCREASES ACCELERATE

Tariffs are driving costs higher across commodities and products

Commodity-focused tariffs have pushed prices for in-demand metals higher. While tariffs are not a 1:1 price increase, expectations of a higher cost environment have pushed YOY increases to double digits across many commodities and products.

Construction-related commodity prices increased 4.0% on a YOY basis as of March 2025, higher than the prior year's 1.0% increase. Some commodities saw price declines on a YOY basis, including hot rolled bars, steel pipe and tube, fabricated structural metal and prefabricated metal buildings.

Prices for aluminum, fabricated steel plate and nonferrous metals prices increased YOY by double digits.

The three- and six-month forecast calls for price increases across all commodities. Tariffs are expected to result in additional an 7.9% increase in copper and aluminum prices in the next six months.

On average, costs are projected to be:

- ⬆ 4.0% from current prices to June 2025
- ⬆ 4.1% from current prices to September 2025

	1-Month % Change	YOY % Change	Prior Year % Change	3-Month Forecast* (Mar-2025)	6-Month Forecast* (Sep-2025)
Lumber	1.5%	2.5%	-2.2%	4.4%	3.3%
Hot rolled bars; plates & structural	1.2%	-9.1%	-2.9%	4.6%	5.4%
Steel pipe and tube	1.1%	-7.9%	-10.0%	4.6%	5.4%
Nonferrous metals	1.4%	11.1%	-2.4%	3.7%	4.8%
Nonferrous wire and cable	1.0%	3.8%	-0.8%	3.4%	4.2%
Fabricated structural metal	0.6%	-3.8%	-4.6%	1.5%	1.9%
Fabricated steel plate	0.3%	13.9%	-0.6%	1.2%	1.5%
Prefabricated metal buildings	0.6%	-2.0%	5.7%	1.9%	2.5%
Miscellaneous metal products	0.5%	3.0%	1.9%	1.5%	2.7%
Glass	1.1%	2.7%	0.8%	2.7%	2.2%
Concrete and related products	1.6%	7.0%	6.8%	3.4%	3.0%
Concrete products	1.1%	3.4%	6.6%	3.2%	3.8%
Asphalt felts and coatings	2.8%	3.3%	4.9%	8.4%	4.9%
Other nonmetallic minerals	3.5%	8.6%	3.1%	6.8%	4.3%
Copper Base Scrap	2.4%	7.8%	2.1%	6.8%	7.8%
Aluminum Base Scrap	2.5%	20.2%	8.4%	6.6%	7.9%
Average Change	**1.5%**	**4.0%**	**1.0%**	**4.0%**	**4.1%**

Source(s): United States Bureau of Labor Statistics (www.bls.giv/ppis); Prior year represents March 2024 YOY price change

EQUIPMENT PRICES BEGIN TO ESCALATE

Prices have begun accelerating after softening in 2024

January equipment prices increased 3.9% YOY, slower than the 4.3% growth from the prior year.

Transformers and power regulators experienced some price easing, up 1.0% YOY versus a 3.9% increase the prior year. Prices for switchgear continued to rise, increasing 6.4% YOY, close to the 6.7% YOY increase the prior year.

Tariff policy is having an outsized impact on price increases. Higher costs are expected in 2025, with prices increasing significantly in the next two months across all equipment categories.

On average, equipment prices are projected to be:

⬆ 3.5% from current prices to June 2025

⬆ 6.3% from current prices to September 2025

	1-Month % Change	YOY % Change	Prior Year % Change	3-Month Forecast* (Jun-2025)	6-Month Forecast* (Sep-2025)
Switchgear; switchboard; etc. equipment	1.9%	6.4%	6.7%	5.8%	6.8%
Metalworking machinery and equipment	1.3%	3.7%	4.6%	4.0%	4.8%
Pumps; compressors; and equipment	0.9%	4.8%	5.9%	3.1%	5.8%
Fans and blowers; except portable	0.8%	1.7%	1.6%	3.9%	6.8%
Electrical machinery and equipment	0.1%	2.0%	2.4%	1.4%	4.0%
Motors; generators; motor generator sets	0.0%	5.8%	4.1%	2.6%	7.5%
Transformers and power regulators	0.0%	1.0%	3.9%	3.9%	11.0%
Process control instruments	1.1%	5.7%	4.8%	3.0%	3.9%
Average Change	**0.8%**	**3.9%**	**4.3%**	**3.5%**	**6.3%**

Source(s): United States Bureau of Labor Statistics (www.bls.giv/ppis); Prior year represents September 2023 YOY price change

UPTICK IN CONSTRUCTION COSTS

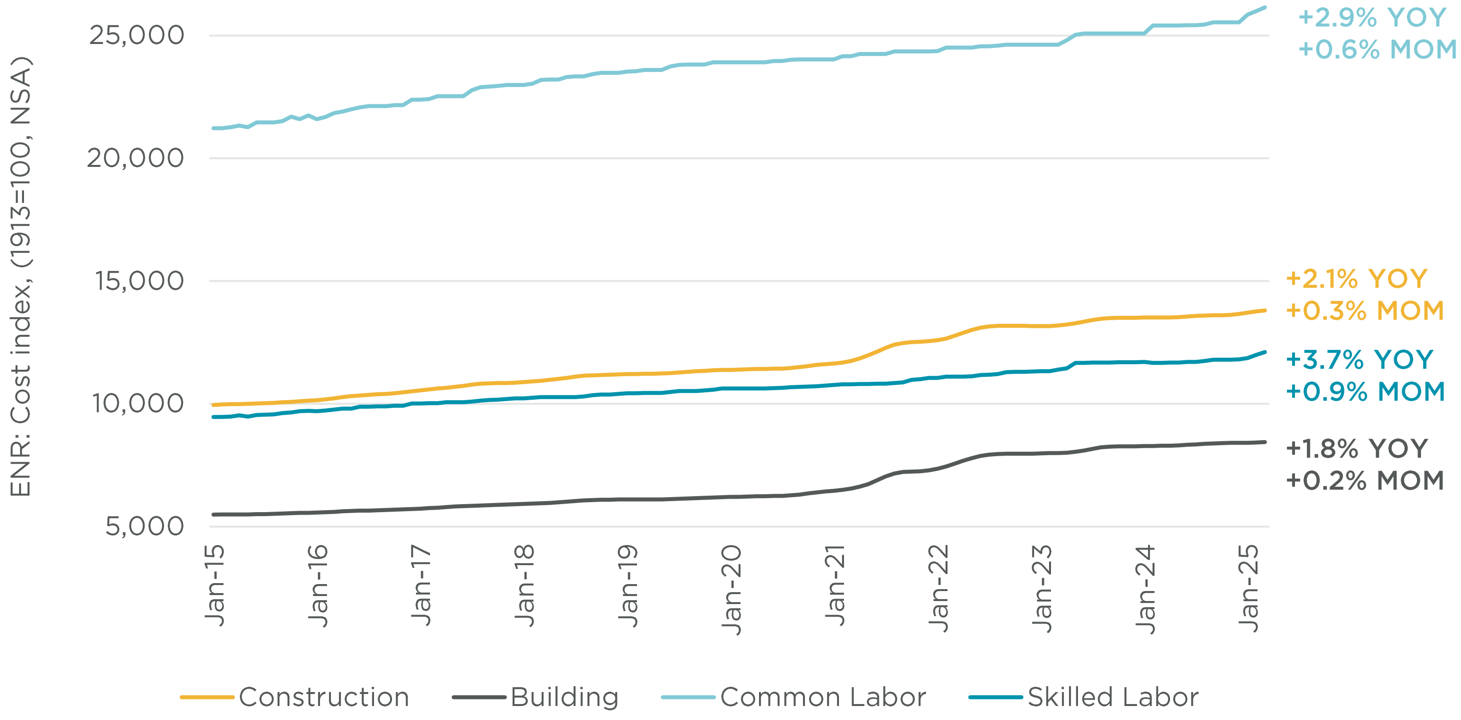
Costs edged higher as tariff uncertainty impacted pricing

Construction costs began to edge higher in January 2025 in anticipation of tariff policies. While tariffs have been placed on aluminum and steel imports, the scope of additional tariffs remains uncertain. The lack of clarity has resulted in higher construction costs as contractors and suppliers try to plan their projects.

Based on the Engineering News-Record index, construction costs, which include common labor, rose 2.1% YOY, as of March 2025. Building costs, which include skilled labor, increased 1.8% YOY. While additional increases are expected in 2025, costs are not expected to increase sharply like they did in 2022.

March labor cost increases were more pronounced, with common labor rising 2.9% YOY and skilled labor up 3.7% YOY. Further increases are expected as labor constraints continue to increase.

Core and shell commodities, including structural and fabricated metals, glass, switchgear and mechanical, continue to increase.



Source: Engineering News-Record (ENR) (McGraw-Hill)

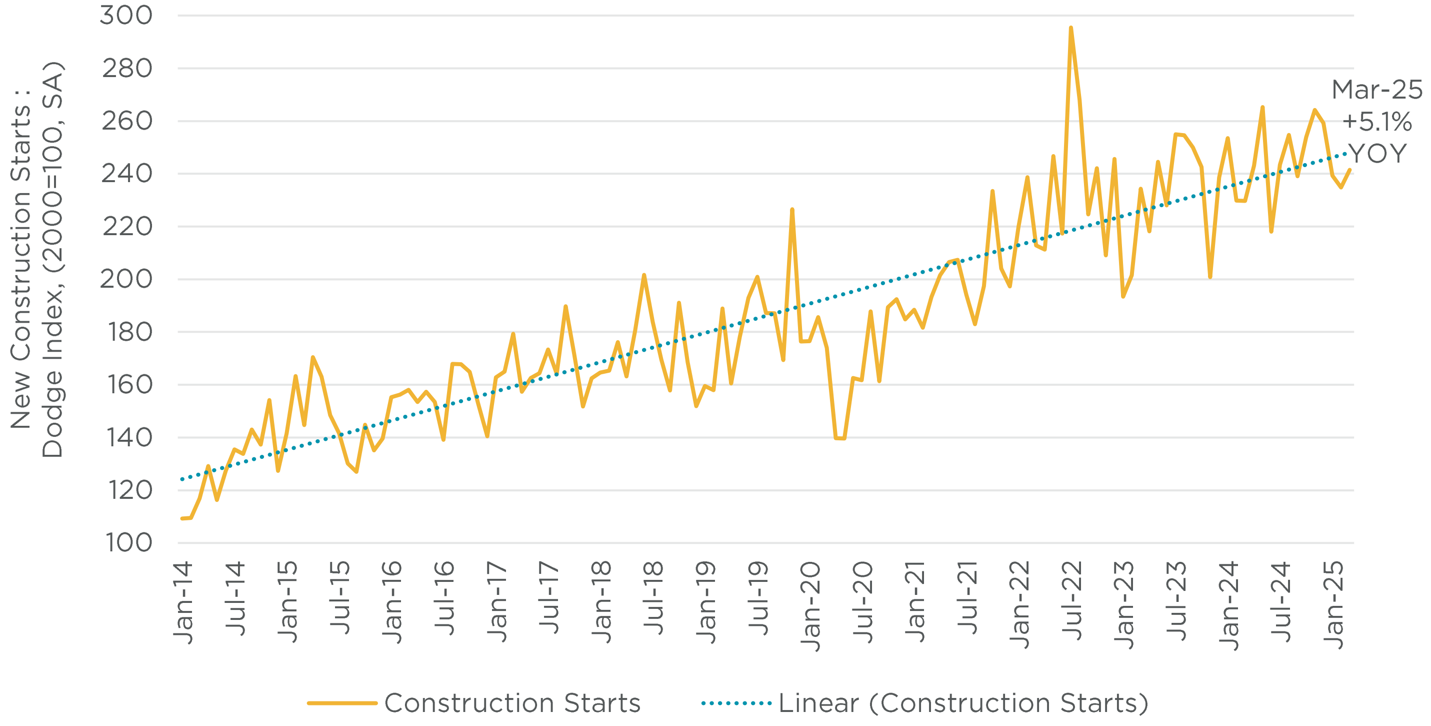
NEW CONSTRUCTION STARTS INCREASED YOY

However, nonresidential building starts decreased

March 2025 new construction starts rose 5.1% YOY and were up 2.9% MOM after falling at the start of the year. Despite this recent uptick, starts are below their long-term trend.

Nonresidential building starts increased 6% MOM but were down 9% YOY. Some of the MOM strength came from the industrial sector, with manufacturing starts up 122% MOM.

Increased materials pricing and uncertainty around tariffs is impacting construction planning. Additionally, interest rates remain high, with the timing of potential cuts by the Fed uncertain. This means that some starts planned for this year may be put on hold until more clarity emerges.



Source: Dodge Data & Analytics

METRO-LEVEL COSTS DECELERATE

Annual construction cost increases have slowed

On a QOQ basis, construction costs increased an average of 1.0% across these 14 metros. On a YOY basis, costs increased an average of 4.4% in the first quarter of 2025, slowing from the 5.9% increase a year ago.

YOY costs increased the most in Chicago at 5.5% and Honolulu at 5.4%. Los Angeles had the smallest YOY cost increase at 3.6%.

Cost increases in all metro areas decelerated from the previous 12-month period. Although Chicago had the largest YOY increase at 5.5%, this is 312 basis points (bps) lower than the increase during the previous 12 months.

Metro	QOQ % Change	YOY % Change (Q1 2025 vs. Q1 2024)	Prior Year % Change (Q1 2024 vs. Q1 2023)
Boston	1.0%	4.8%	6.2%
Chicago	1.5%	5.5%	8.6%
Denver	0.9%	4.2%	5.5%
Honolulu	1.4%	5.4%	5.5%
Las Vegas	1.0%	4.1%	6.1%
Los Angeles	0.7%	3.6%	5.1%
Miami	0.7%	3.8%	
Nashville	0.8%	5.2%	
New York	1.0%	3.8%	5.8%
Phoenix	0.9%	4.2%	4.6%
Portland	1.0%	4.4%	6.7%
San Francisco	0.8%	3.9%	4.0%
Seattle	1.1%	4.5%	7.1%
Washington D.C.	1.0%	4.6%	5.3%
Average	**1.0%**	**4.4%**	**5.9%**

Source: Rider Levett Bucknall

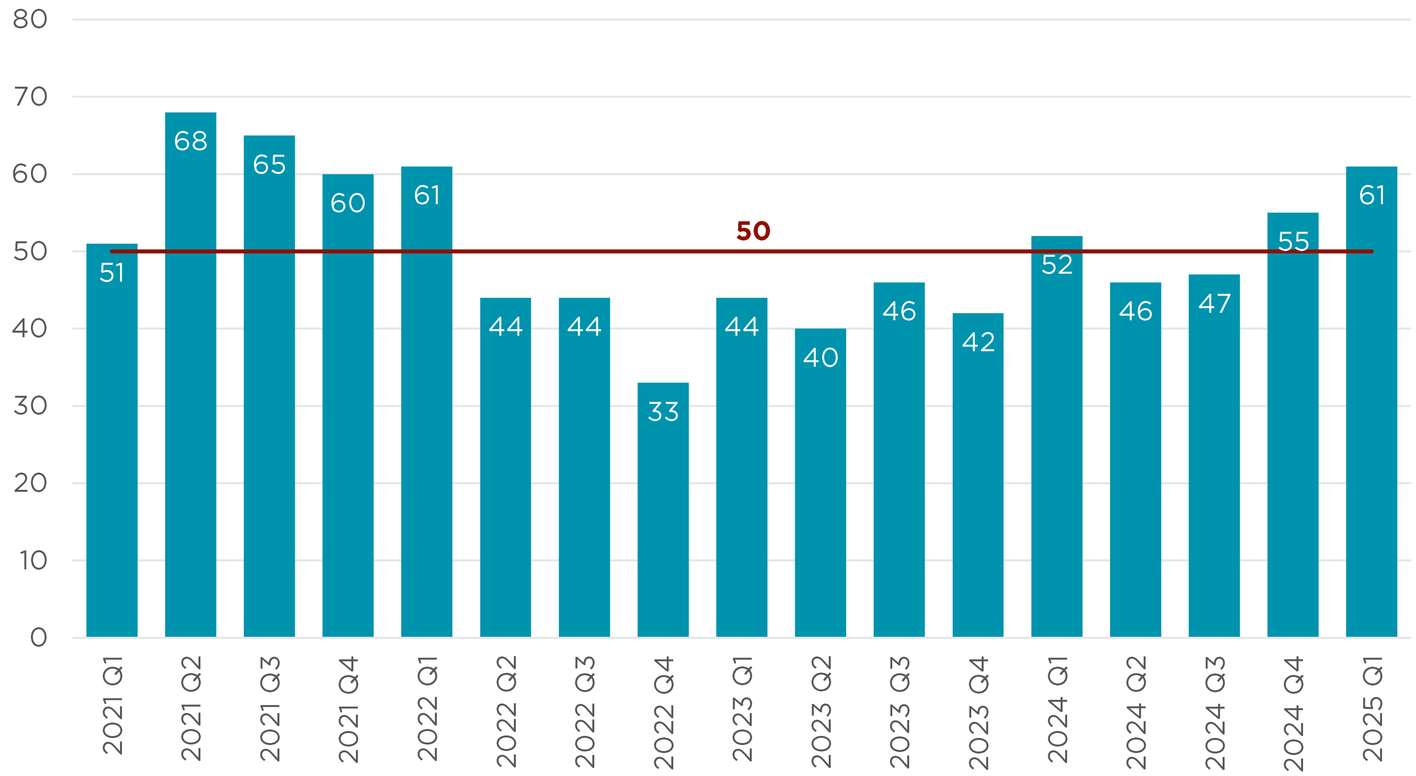
EXECUTIVE CONFIDENCE DISCOUNTS TARIFF UNCERTAINTY

Most still believe in long-term strength of the sector

The quarterly survey results from ENR, conducted among U.S. executives of leading general contractors, subcontractors and design firms, rose to its highest reading in three years during the first quarter of 2025.

Executive confidence rose to 61, illustrating the uncertainty that has roiled the markets. Based on feedback to ENR, executives feel that the price volatility due to tariff uncertainty is transitory, and once policy clarity takes over, growth will resume. However, pockets of concern exist, as some survey respondents see the economy weakening, and interest rate cuts have not occurred at the pace they expected.

The index measures sentiment regarding future market conditions and indicates that executives are optimistic about the economy in the next 12-18 months.



Source: ENR/BNP MEDIA

LABOR

Construction sector wage growth has decelerated but remains higher than most sectors. Labor costs are expected to remain high in 2025, applying upward pressure to overall costs. Despite increased uncertainty, construction companies continue to hire at a strong pace, hoping to overcome lingering challenges from labor pool constraints. Potential impacts from current immigration policies are still working their way through the sector.

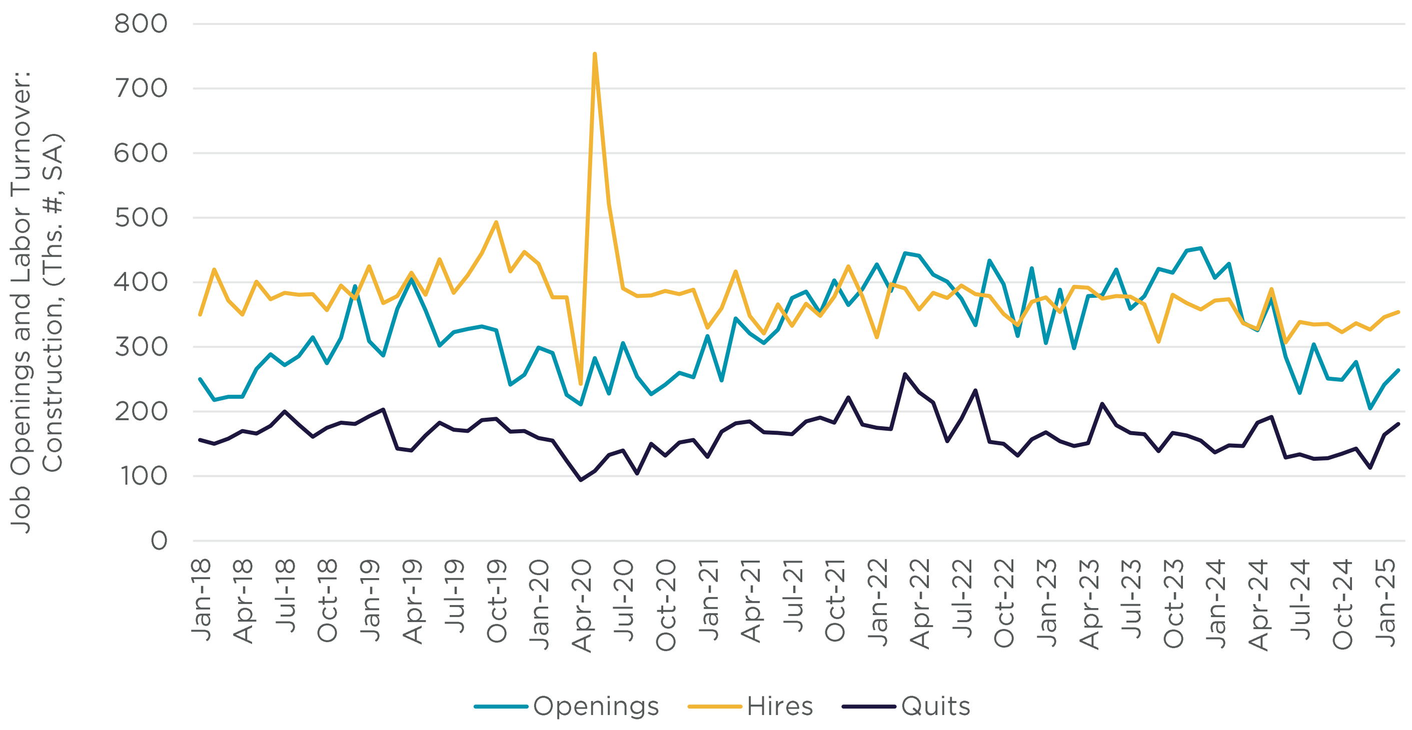
EMPLOYMENT GROWTH REMAINS ROBUST

The construction sector continues to add jobs at a faster pace than the overall labor market

As of March 2025, construction sector employment grew 3.0% YOY, outpacing total employment growth of 1.5%. The nonresidential construction segment added nearly 34,000 new jobs in the last 12 months, resulting in 3.9% YOY growth.

Construction job openings trended lower in 2024. While this trend carried over in 2025, openings ticked up in February 2025, up 9.1% MOM. However, increased uncertainty may keep openings lower as companies evaluate new projects in 2025.

Hires rose 2.3% MOM in February but were 5% lower YOY. Quits rose 10% MOM and 22% YOY, indicating that the construction labor market will remain constrained.



Source: U.S. Bureau of Labor Statistics (BLS)

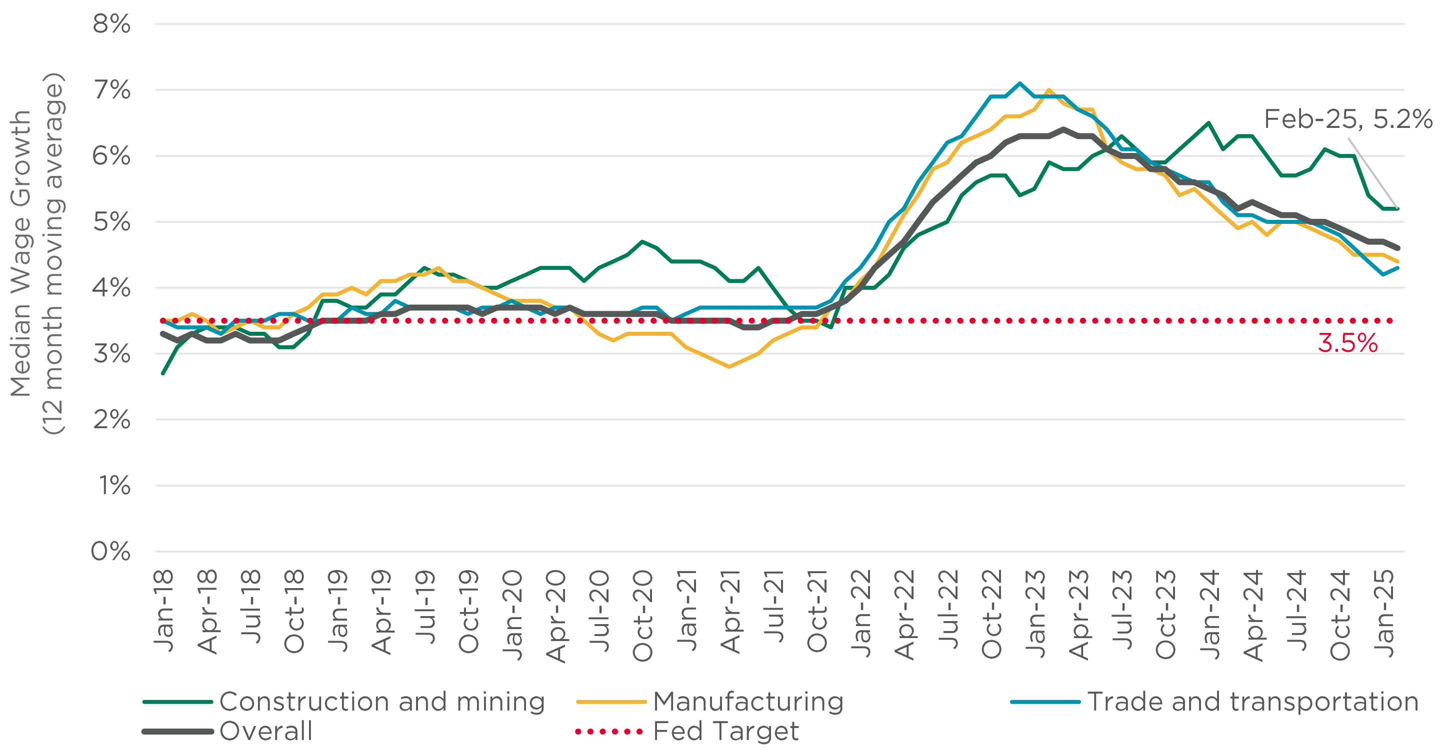
CONSTRUCTION WAGES OUTPACE OTHER SECTORS

Labor costs continue to apply upward pressure to overall construction costs

There has been a slight deceleration in median wage growth this year. Construction wage growth of 5.2% in February 2025 was down 20 bps from year-end 2024 and down 90 bps YOY. However, construction wages have remained higher than other sectors, and above the overall employment growth rate of 4.6%.

Construction sector average hourly earnings rose to $36.79 per hour as of March 2025, up 4.1% YOY and 19% higher than private hourly earnings.

Wage growth is expected to remain higher than overall employment wages as the sector continues to struggle with a constrained labor pool. New uncertainties regarding immigration policies have emerged, further constraining the labor pool.



Source: Federal Reserve of Atlanta

JOB GROWTH REMAINED ROBUST IN SELECT MARKETS

Texas and Florida top job growth

Texas and Florida continued to lead employment growth in the U.S. Houston topped the list of top employment markets once again, followed by Miami and Dallas. Infrastructure projects in the Washington D.C. metro resulted in increased construction employment and a spot in the top five markets. However, growth is expected to be short lived and will drop to 0.4% in the next year. Among the top 10 markets, Austin is expected to see strong construction employment growth of 3.4% in the next year, followed by Las Vegas with growth of 3.3%.

New York, Sacramento and Portland continue to experience slower construction employment. The New York metro still struggles with slower residential construction in New York City.

Total Gain/Loss as of Q1 2025

GAIN

Metro	YOY Change	%	1-Year Forecast
Houston, TX	16,130	6.9%	2.3%
Miami, FL	9,522	6.0%	2.5%
Dallas, TX	8,615	3.7%	3.2%
Washington, DC	6,316	3.9%	0.4%
Orlando, FL	6,102	6.7%	2.7%
Austin, TX	5,466	6.7%	3.4%
Minneapolis, MN	5,402	6.6%	0.6%
Columbus, OH	5,390	11.2%	0.8%
Las Vegas, NV	5,333	6.3%	3.3%
Salt Lake City, UT	4,620	8.2%	1.7%

LOSS

Metro	YOY Change	%	1-Year Forecast
New York, NY	-4,315	-1.1%	1.2%
Sacramento, CA	-3,723	-4.8%	1.2%
Portland, OR	-2,680	-3.4%	0.2%
Riverside, CA	-2,418	-2.0%	1.6%
Providence, RI	-1,956	-5.6%	0.8%
St. Louis, MO	-1,900	-2.5%	0.9%
Chicago, IL	-1,233	-0.7%	1.0%
San Jose, CA	-1,208	-2.3%	0.9%
Milwaukee, WI	-928	-2.5%	0.7%
Albany, NY	-775	-3.8%	1.1%

Source: U.S. Bureau of Labor Statistics (BLS), Moody's Analytics

PROJECT TIMELINES

Tariff uncertainty is affecting construction sector backlogs and sentiment. Although most companies were relatively optimistic at the start of 2025, sentiment in April shifted as more companies began to struggle with uncertainty in costs, which, in turn, disrupts future planning. This growing uncertainty underscores the importance of involving a project manager early in the planning process for upcoming projects.

PROJECT TIMELINES

Equipment lead times

While some delays remain, equipment lead times continue to improve.

- Small format CRAC units lead times have improved from 8-35 weeks last year to 8-20 weeks this year, giving projects back at least 15 weeks on the high end.
- Fan coil unit lead times are also seeing some improvements, from 16 weeks overall to 12-16 weeks.
- Air handlers are also seeing times falling to 20-30 weeks from 23-36 weeks last year.

Electric switchboards continue to experience extended lead times, but there are finally some improvements.

- 100-, 200-, 400- and 800-amp lead times have improved from 15-20 weeks to 8-12 weeks.
- 1,200-amp lead times have improved from 17-20 weeks to 12-16 weeks.
- 1,600-, 2,000- and 2,500-amp lead times have seen the most improvement, falling from 45-60 weeks to 32-52 weeks.

EQUIPMENT	SIZE	WEEKS
CRAC Units	Small format	8-20
CRAC Units	Large format	32-40+
Supplemental AC	Supplemental AC	16
Fan Coil Units	Fan Coil Units	12-16 --16
VAV Boxes	VAV Boxes	10
FPB	FPB	10
Air Handlers	Water Cooled DX Semi-Custom	23-36
Modular Chillers	Modular Chillers	24-35
Roof Top AHUs	Roof Top AHUs	24-34+
Centrifugal Chillers	Centrifugal Chillers	30
UPS	80 kva	16-39
UPS	100-150kva	20-26
UPS	225; 300; 500 kva	24-28
PDU	80; 100-150; 225 kva	40-54
PDU	300 kva	24-28
PDU	500 kva	22-26
Switch Boards	100; 200; 400; 800 Amp	8-12
Switch Boards	1200 Amp	12-16
Switch Boards	1600; 2000; 2500 Amp	32-52
Cat Generators	100-500kw	32-34
Cat Generators	750-1250 kw	62-65
Cat Generators	1500 kw	65+
Detroit Diesel Generators	30-200 kw	35-37
Detroit Diesel Generators	230-400 kw	61-63
Detroit Diesel Generators	450-600 kw	35-37
Detroit Diesel Generators	1000-1250; 1500-1750; 2000-2500 kw	92-96

Source: Turton Bond

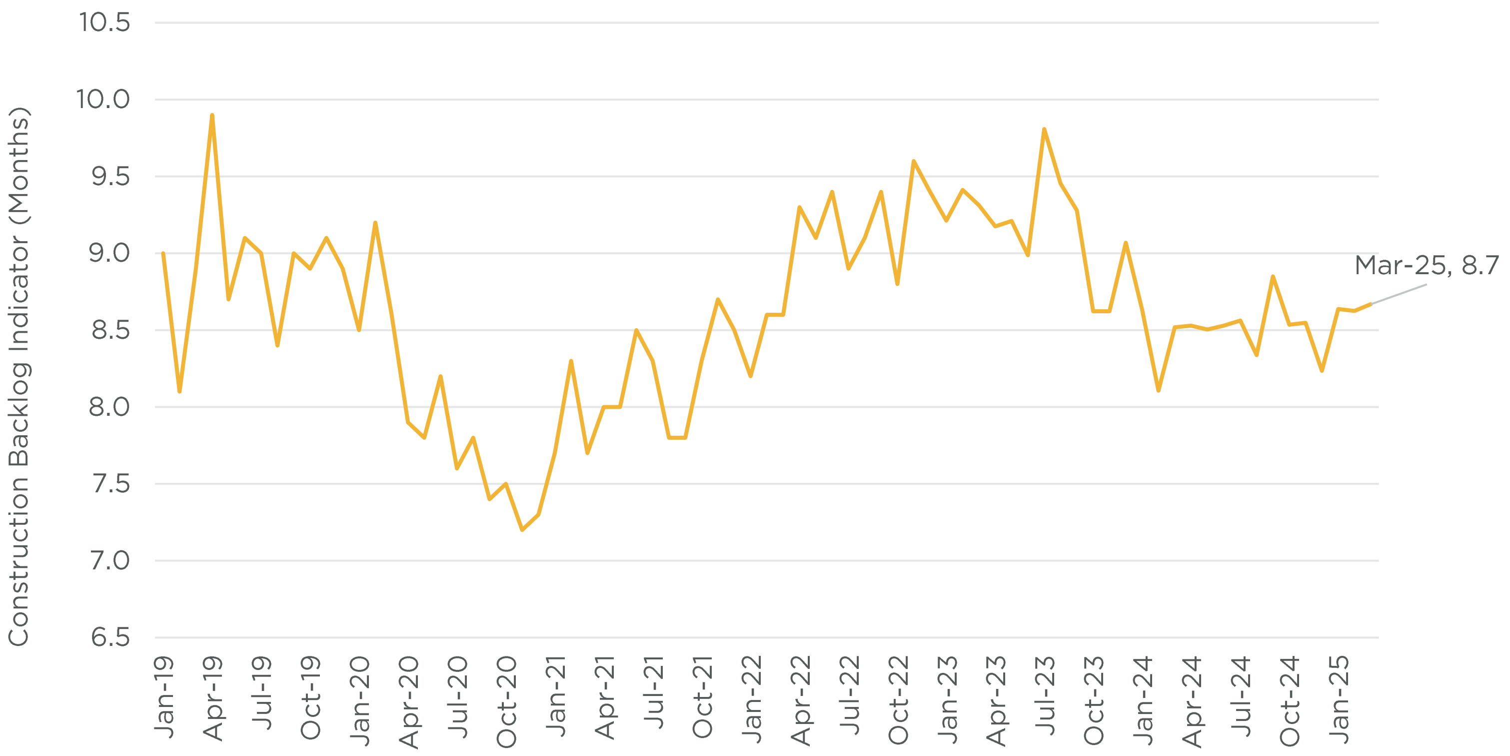
THE CONSTRUCTION BACKLOG TICKED UP IN MARCH

A forward look at commercial and institutional construction work under contract

The Associated Builders and Contractors (ABC) construction backlog for commercial and institutional projects totaled 8.7 months as of March 2025. The backlog saw a slight YOY increase of 0.2 months.

The backlog indicator is currently above its five-year average of 8.6 months. As of March, the South region continued to have the longest backlog at 10.3, an increase of 0.6 months compared to the previous year.

The sector's confidence improved slightly in March, with the ABC Construction Confidence Index averaging 59.8, up from 59.2 a year ago. Despite this optimistic outlook, most companies are already feeling the impact of tariffs, with some delaying or canceling capital improvement projects due to rising costs and uncertainty.



Source: Associated Builders and Contractors

Backlog is defined as "the amount of work, measured in dollars, that construction companies are contracted to do in the future."

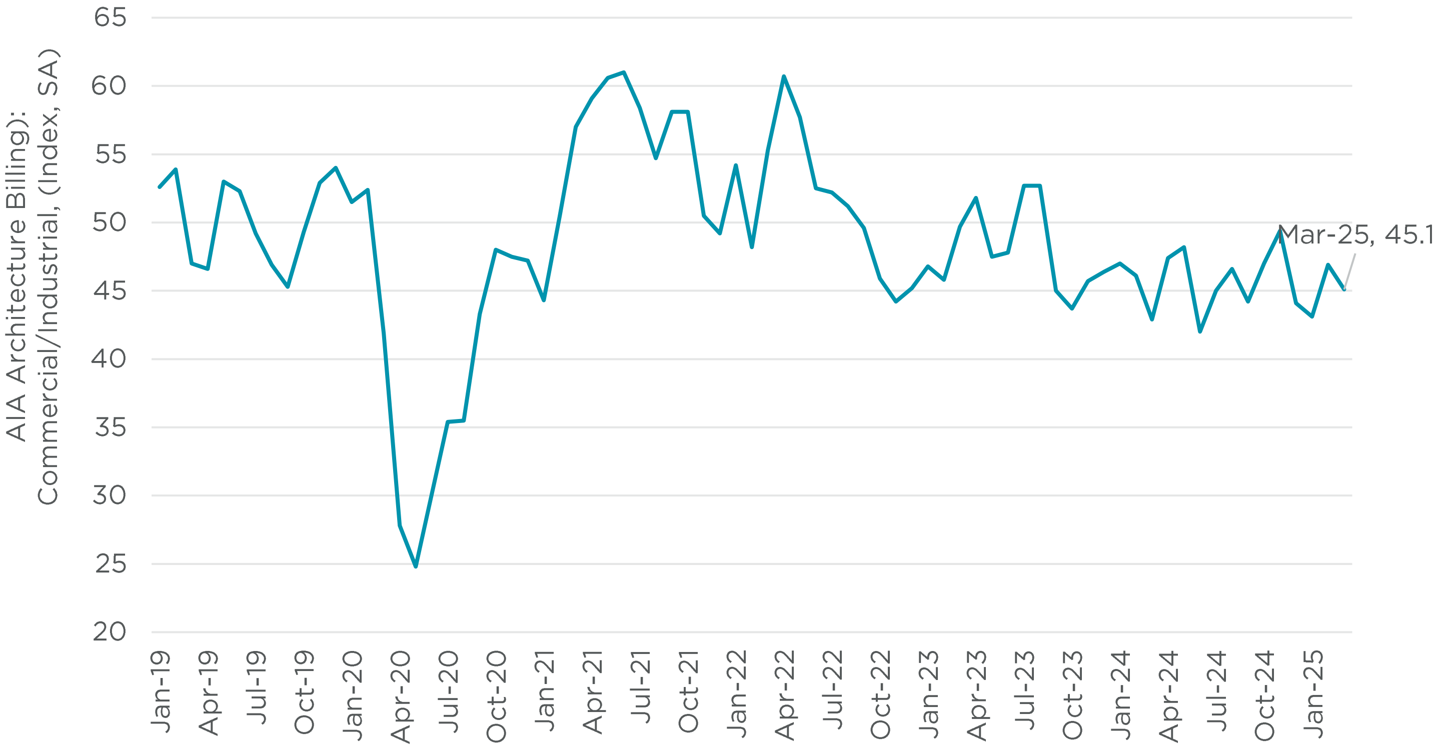
ARCHITECTURAL BILLINGS REMAIN SLOW

Commercial and industrial billings have trended lower since 2022

Commercial and industrial architectural billings were 3.8% lower MOM in March 2025; however, they were 5.1% stronger than a year ago. Billings remained below 50, indicating softness in the market. Since billings are forward-looking, this points to continued challenges in the construction sector over the next nine to 12 months.

Regionally, the South posted the strongest overall billings at 48.3, and the Northeast posted the lowest at 40.5.

According to the American Institute of Architects (AIA), interest rates remain a top concern for companies. Increased uncertainty around tariff policies is impacting their ability to start new projects. However, the architecture firm backlog of 6.5 months indicates significant activity in the near term.



Source: The American Institute of Architects (AIA)

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