CREDE

CONSTRUCTION DATA ANALYSIS
Q2 2025

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CREDE'S Market Outlook

This quarter reinforced a simple truth: strength comes not from chasing momentum, but from anticipating change and positioning ahead of it. As we move through mid-2025, the construction market is defined less by shocks and more by steady headwinds. Tariffs on steel, aluminum, and other key imports are now largely priced in, creating pressure without disruption. Financial conditions remain tight, forcing owners and contractors to sharpen discipline around budgets and schedules. The pace has slowed, but it has also become more deliberate — making foresight, earlier engagement, and a focus on long-term value the true differentiators.

Within that backdrop, opportunity is shifting. Total construction spending holds near $2.2 trillion, but the mix has changed. Public infrastructure and energy remain strong, while private backlogs in multifamily, industrial, and hospitality have thinned. Contractors, chasing fewer opportunities, responded with sharper pricing, more aggressive bidding, and better availability of skilled teams than late 2024 and Q1 2025. Q2 underscored a clear truth: disciplined planning and smart positioning give owners and developers an edge, even in a market defined by constraints.

CREDE'S Market Outlook (Continued)

Certain sectors proved resilient in Q2, driven by long term demand rather than short term cycles. Data centers continue to expand on the back of AI and cloud growth, where power and speed to market remain decisive. Healthcare and institutional projects are holding steady as demographics reshape community needs, and residential in supply constrained markets continues to attract capital despite broader housing headwinds. These sectors are positioned to lead the next wave of growth, and we expect renewed pricing pressure as demand accelerates into 2026.

Data centers remain the clear outperformer, with growth defined less by land and fiber and more by power, scale, and speed to market. In Q2, demand tied to AI and high density compute kept pressure on markets like Dallas-Fort Worth, Phoenix, Columbus, and Reno, where power access and entitlement readiness are now the true gatekeepers of development. The sector is only gaining momentum, with absorption running ahead of supply. We expect competition for power and entitled land to rise through 2026 as demand for energy-hungry facilities accelerates.

CREDE'S Market Outlook (Continued)

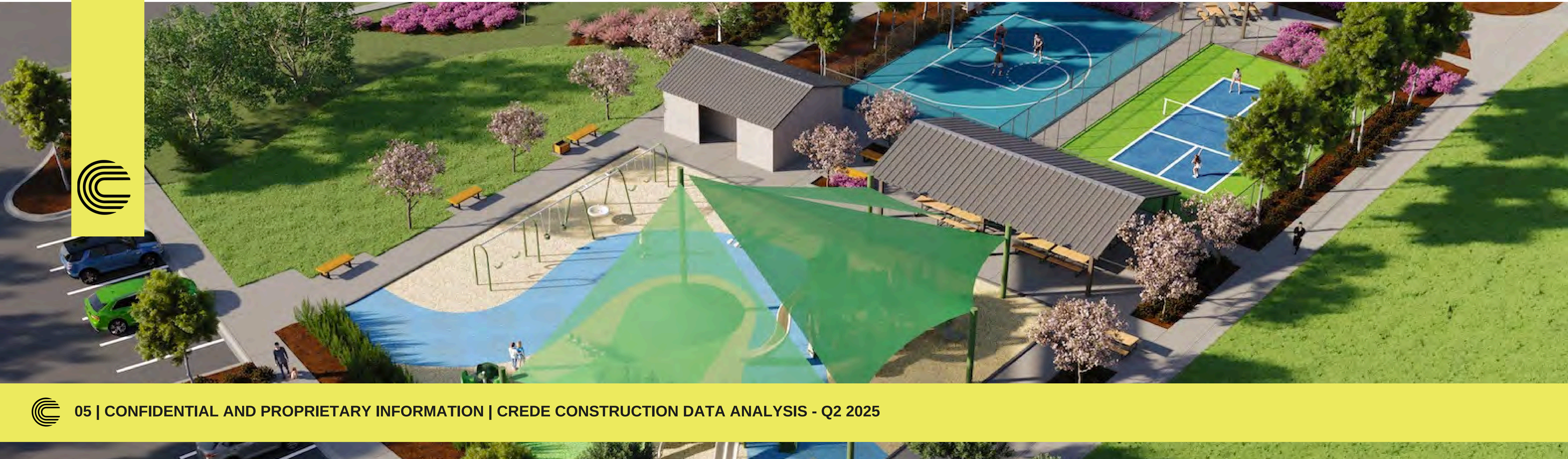
The industrial market continues to cool with new supply falling well below recent peaks and absorption moderating. Speculative big box projects are slowing, but shallow bay light industrial remains active as tenants seek flexible space near population centers. Rents are still edging higher, though at a slower pace, and the pipeline is thinning to levels not seen since 2018. We see the next wave of opportunity forming in well-located infill and supply-constrained markets, where stabilization will set the stage for renewed growth into 2026.

The hospitality sector continues to carry momentum led by strength in the luxury and upper-upscale segments. Development remains selective, with the pipeline weighted toward early planning while under-construction activity is slightly lower year over year. This reflects a market focused less on volume and more on high-value projects and strategic repositionings. Renovation timelines are also being stretched, especially while supply chains for furniture and fixtures remain tight, but operators and brands continue to lean into distinctive upgrades that elevate guest experience and long-term value.

CREDE'S Market Outlook (Continued)

Infrastructure remained one of the most reliable drivers of construction in Q2, with federal and state funding continuing to flow into transportation, water systems, and energy resilience. Civil activity posted some of the strongest gains in the industry, led by bridges, airports, and utilities, as public investment held steady even while private development cooled. These projects are not only addressing deferred maintenance but also shaping the foundation for regional competitiveness and long-term growth. In our view, infrastructure will continue to carry the construction market into 2026, setting the stage for private development to follow.

Each sector is refocusing on fundamentals. Materials are no longer the drag they were a year ago, with steel, lumber, and copper showing relief even as energy and electrical inputs remain volatile. Labor is still tight, but thinner pipelines have opened access to skilled teams that were harder to secure just a few quarters ago. That combination is bringing a degree of predictability back into planning, bidding, and scheduling. From our vantage point, 2026 is setting up as a year of renewed momentum. The early movers who are securing entitlements, locking in talent, and keeping projects active today will not just weather the current cycle—they will be the ones leading the next one.



Architectural Billing Index – National

- The AIA/Deltek Architecture Billings Index (ABI) remained in contraction in June, posting a score of 46.8 compared to 47.2 in May, as a larger share of firms reported declining billings.

- Newly signed design contracts fell for the sixteenth consecutive month in June.

- Inquiries for new projects rose for the second straight month and reached 53.6, the strongest pace since last fall and a sign of renewed client interest.

CREDE Perspective

While billings and contracts remain soft, the rise in inquiries suggests owners and developers are re-engaging. We anticipate a near-term phase of cautious planning, with slower pipelines, followed by a gradual rebound as confidence strengthens.

NATIONAL

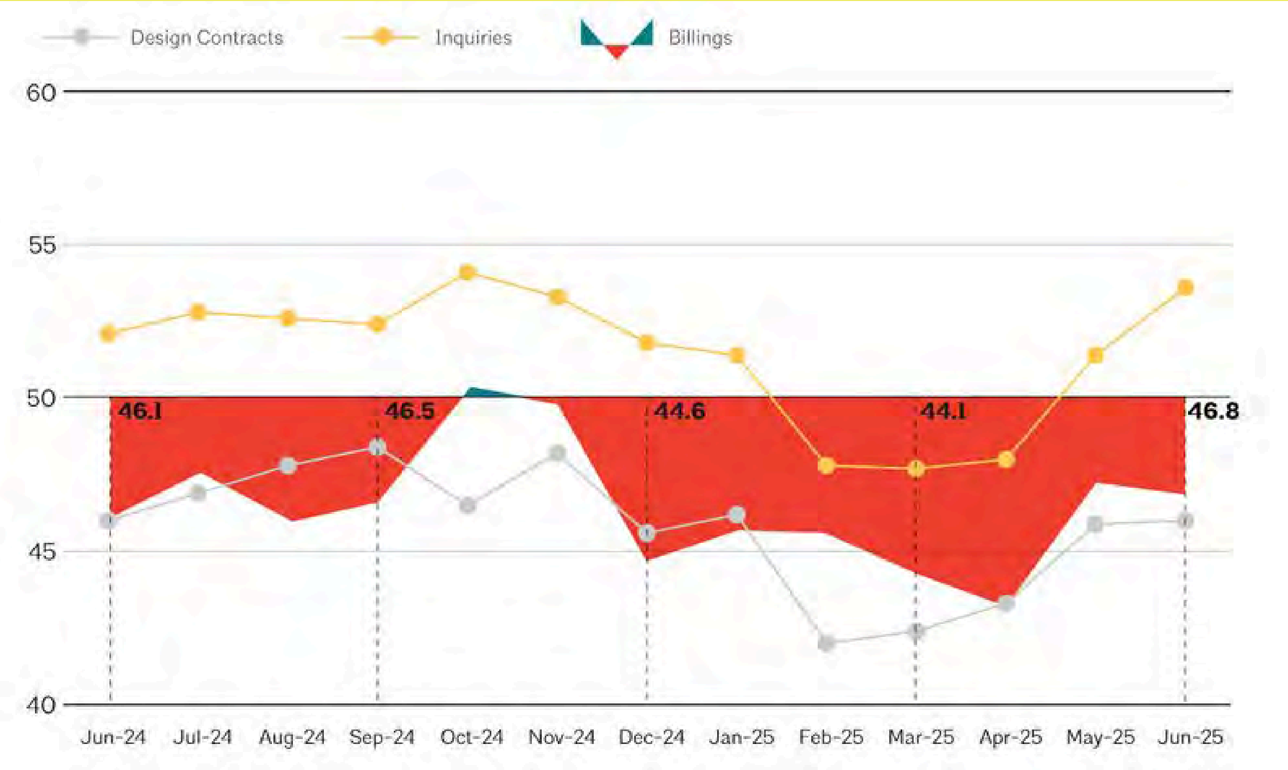
Billings at Architecture Firms Remain in Decline through Q2

Graphs represent data from June 2024–June 2025.

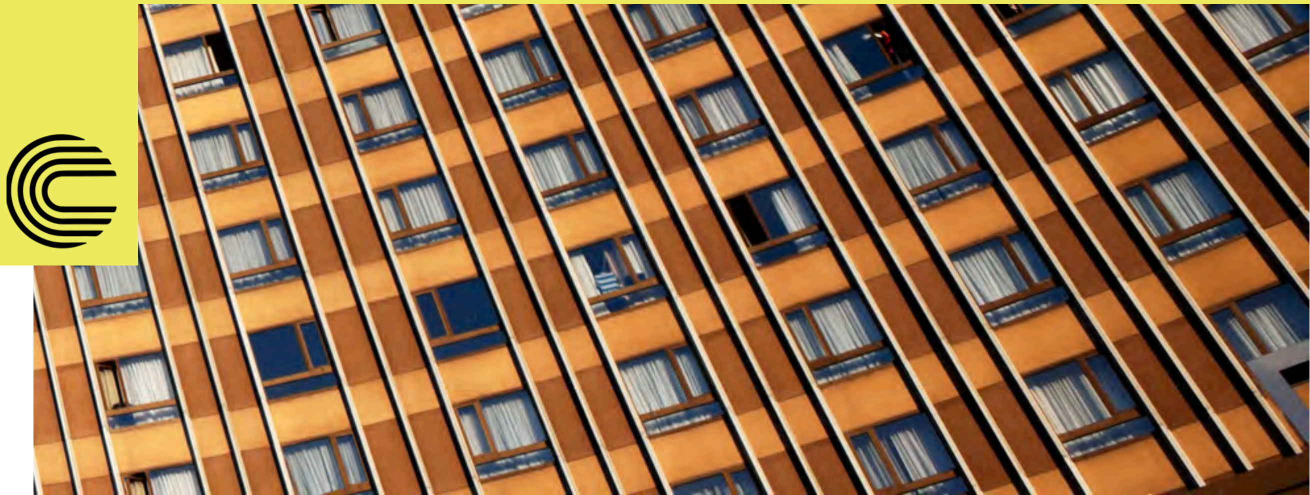
Above 50

Below 50

No change from previous period



Source: The American Institute of Architects



Architectural Billing Index – By Sector

Graphs represent data from June 2024–June 2025 across four regions. 50 is the diffusion center, indicating stability. Scores above 50 show growth, below 50 indicate decline, and 50 reflects no change from the previous month. Data is shown as a 3-month moving average.

- Business conditions remained subdued across the country in June, although the South recorded a modest uptick in billings for the first time since October.
- All sectors continued to experience reduced billings, but the rate of decline eased among commercial, industrial, and institutional practices.
- Multifamily firms continued to experience the most challenging environment, with billings falling further.

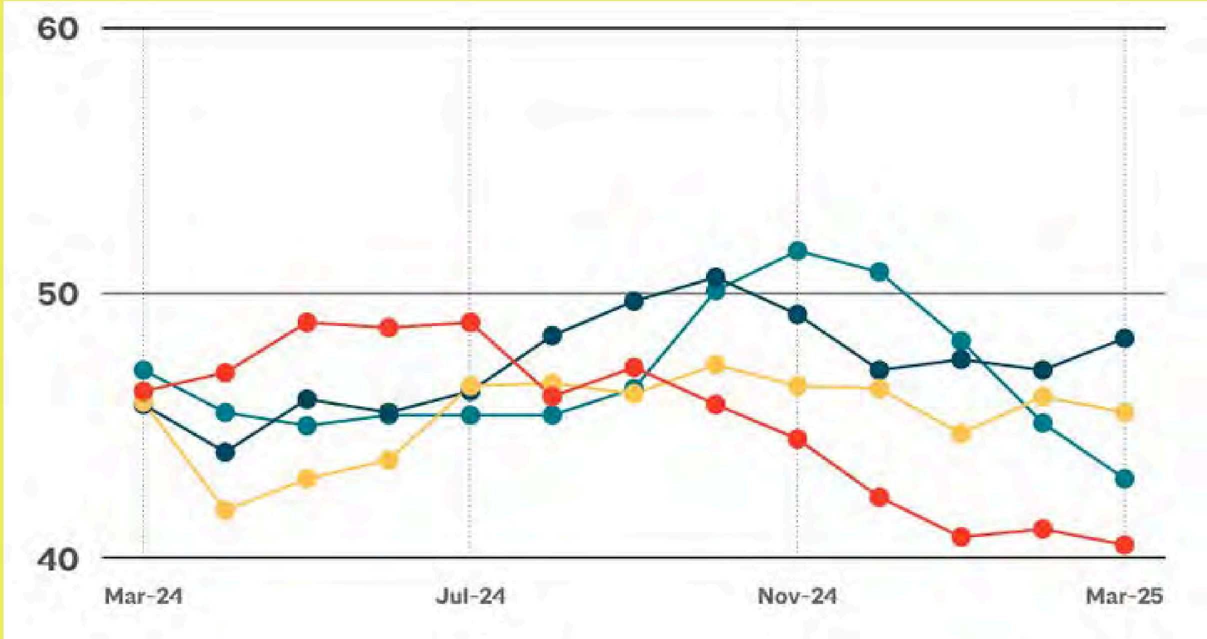
CREDE Perspective

The market appears to be approaching the bottom of the cycle, with early signs of stabilization in regions such as the South. CREDE anticipates owners and developers will begin positioning projects now through entitlements, design readiness, and capital planning to move quickly as market confidence and access to financing improve.

REGIONAL

Firms located in the South reported the highest billings nationally at 50.6

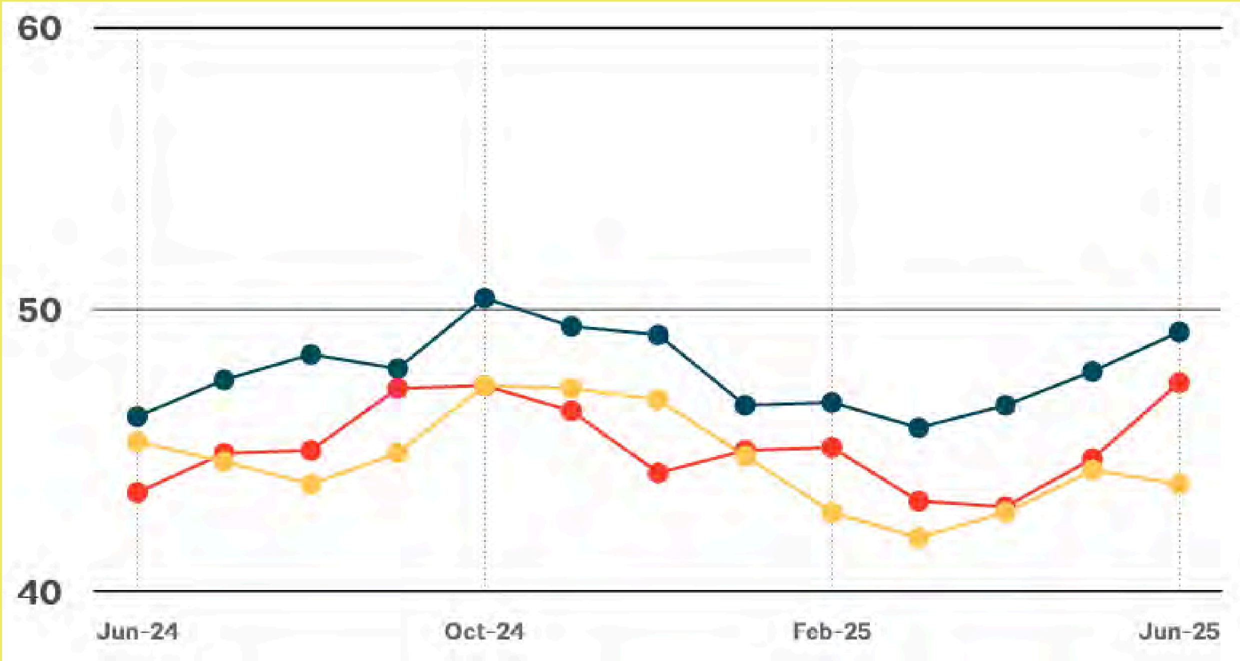
WEST 45.8 | SOUTH 50.6 | MIDWEST 45.7 | NORTHEAST 46.5



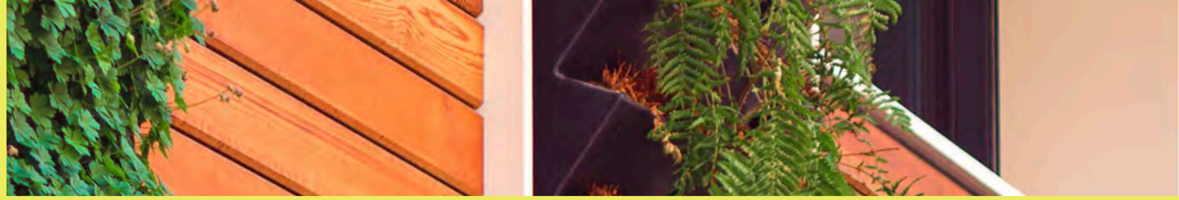
SECTOR

Business conditions also remained weak at firms of all specializations

Commercial/ Industrial: 47.4
Institutional: 49.2
Residential: 43.8



Source: The American Institute of Architects



Architectural Billing Index – 2025 Forecast

- Overall nonresidential construction spending shows little momentum, with consensus forecasts calling for only a 1.7% increase in 2025 and 2.0% in 2026, indicating no clear turnaround on the horizon.
- Former growth drivers are weakening. Manufacturing spending will decline 2.0% this year and 2.6% in 2026. Warehouse spending will drop 5.8% this year after a 20% decline in 2024, then rebound 1.4% next year.
- Institutional sectors are expected to lead growth with spending projected to rise 6.1% this year and 3.8% in 2026, driven by areas such as health care and education.

CREDE Perspective

Institutional spending is forecast to grow 18.5% in 2025 and 4.0% in 2026, with hotels up 18.8% and 12.4%. Data centers lead commercial growth at 68.4% next year and nearly 40% in 2026. As manufacturing and warehouse spending contract, CREDE is focusing on institutional, hospitality, and technology-driven opportunities.

	Actual $	Forecast % Change	
	2024	2025	2026
Nonresidential Total	815.0	6.8	3.6
Commercial Total	251.2	13.5	10.6
Office	101.2	33.5	15.8
Data Centers	28.4	68.4	39.9
Retail & Other Commercial	126.6	-3.5	4.4
Hotel	23.4	18.8	12.4
Warehouse	60.9	-7.6	5.9
Manufacturing	233.1	-17.1	-7.4
Institutional Total	330.8	18.5	4.0
Health	68.8	28.5	10.4
Education	130.5	7.4	5.5
Amusement & Recreation	40.2	25.2	1.3

Source: Dodge Construction Network, Market Intelligence Construction Forecast

Construction Backlog Indicator

- ABC’s Construction Backlog Indicator rose to 8.7 months in June, The reading is up 0.3 months since June 2024.
- Backlogs for the largest contractors are nearly two months longer than a year ago, while smaller firms show only modest year-over-year increases.
- A major driver of this sustained backlog is the continued surge in data center construction.

CREDE Perspective

The Construction Backlog Indicator shows larger contractors carrying more work than a year ago, creating a base that should sustain activity into 2026. Despite mixed signals elsewhere, this foundation suggests a steady pace of construction next year as firms deliver existing work and pursue new opportunities selectively.

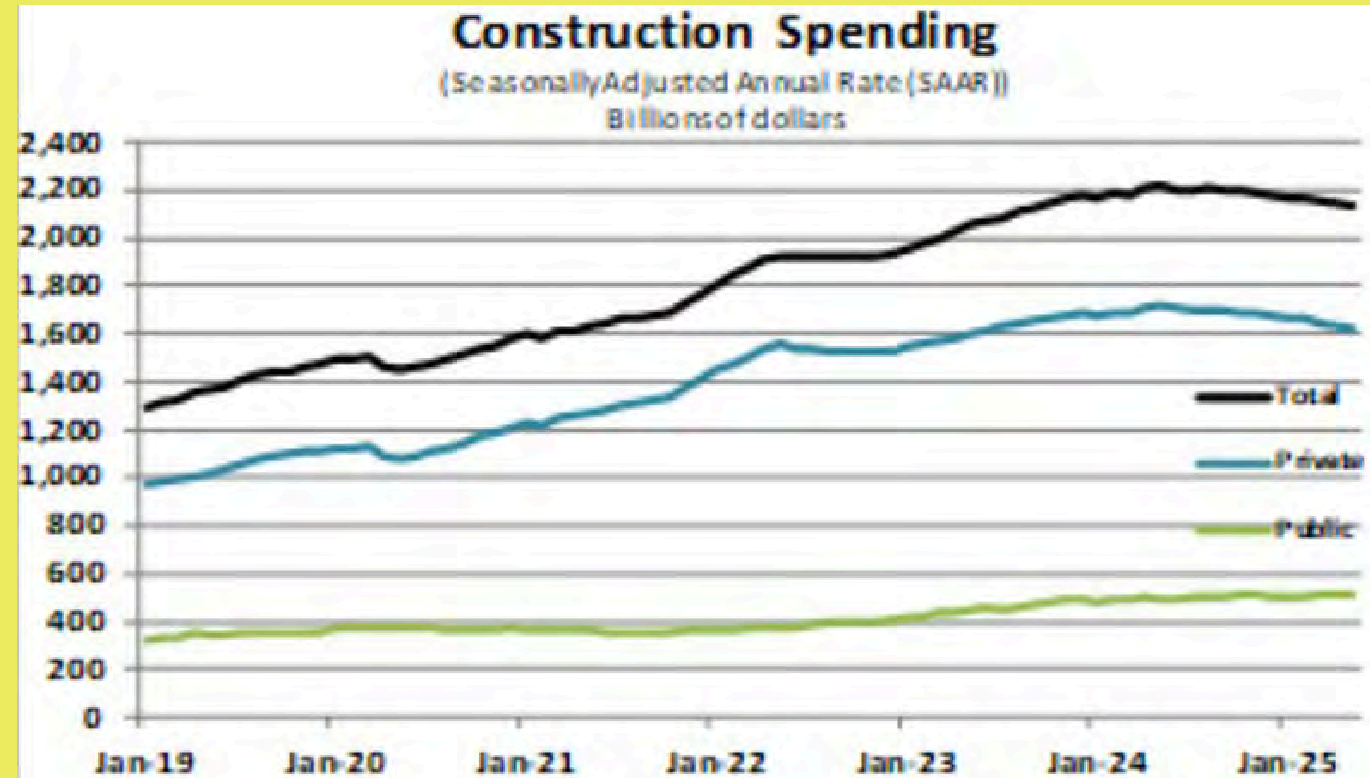
Construction Backlog Indicator

	June 2025	May 2025	June 2024	1-Month Net Change	12-Month Net Change
Total	**8.7**	**8.4**	**8.4**	**0.3**	**0.3**
Industry					
Commercial and institutional	8.9	8.8	8.5	0.1	0.4
Heavy industrial	6.8	7.2	9.6	-0.4	-2.8
Infrastructure	9.3	6.8	8.2	2.5	1.1
Region					
Middle States	7.3	7.5	7.4	-0.2	-0.1
Northeast	9.2	8.7	8.0	0.5	1.2
South	9.4	9.4	9.5	0.0	-0.1
West	8.0	7.5	8.4	0.5	-0.4
Company Size					
<$30 Million	8.0	7.6	7.7	0.4	0.3
$30-$50 Million	8.8	9.9	10.0	-1.1	-1.2
$50-$100 Million	9.2	9.4	9.5	-0.2	-0.3
>$100 Million	11.9	10.9	10.0	1.0	1.9

Source: Associated Builders and Contractors

Construction Spending - Through June 2025

- Construction spending in June 2025 was at a seasonally adjusted annual rate of $2.14 trillion, down 0.4% from May and 2.9% below June 2024.
- Year-to-date spending through the first six months reached $1.04 trillion, 2.2% lower than the same period in 2024, continuing the softer trajectory seen earlier in the year.
- June 2025 construction spending was $2.14T (-0.4% MoM; -2.9% YoY), with private residential at $883.1B (-0.7%), nonresidential at $738.8B (-0.3%), and public at $514.3B (+0.1%).



Source: United States Census Bureau

CREDE Perspective

Construction spending reached $2.14 trillion in June, down 2.9% year over year, marking a reset after years of elevated activity. Public infrastructure and energy remain stable drivers, while private projects adjust to tighter financing and higher costs. CREDE expects steady conditions through late 2025, with growth potential returning in 2026.

Forecasted New Construction Projects: Residential, Commercial, & Industrial

- Residential construction slowed further, with single-family starts down 15.7% YoY and multifamily starts down 44.2% YoY.
- Commercial construction posted a 21.4% YoY decline, led by Hotels/Motels (-68.8%), Transportation Terminals (-62.1%), and Private Offices (-46.9%). Only Government Offices (+18.7%) and Sports/Convention Facilities (+159.4%) recorded gains.
- Industrial construction continued to benefit from large projects, including two major groundbreakings valued at a combined $5.9 billion.

U.S. Forecasted Starts: Type-of-Structure ($ Billions USD)

	Actuals		Forecasts		
	2023	**2024**	**2025**	**2026**	**2027**
Single Family	201.56	202.94	189.01	204.24	225.73
Multi-Family	118.08	95.71	96.67	97.24	104.36
TOTAL RESIDENTIAL	319.64	298.65	285.68	301.49	330.11
(Yt/yr % change)	-14.5%	-6.6%	-7.7%	5.5%	9.5%
Hotels/Motels	14.65	12.92	10.81	11.13	12.23
Shopping/Retail	14.77	13.31	14.5	14.6	15.81
Parking Garages	2.11	2.92	2.34	2.44	2.52
Amusement	9.23	13.47	10.91	10.87	11.75
Private Offices	33.59	37.76	47.44	50.01	52.43
Governmental Offices	16.19	17.87	15.12	12.24	11.88
Laboratories (Schools & Industrial)	4.98	5.89	3.39	3.82	4.04
Warehouses	22.97	20.66	19.63	19.66	21.47
Sports Stadium/Convention Center	9.95	13.86	17.48	14.57	14.59
Transportation Terminals	6.87	7.53	19.08	11.22	11.03
TOTAL COMMERCIAL	142.55	154.22	168.38	158.67	166.18
(Yt/Yr % change)	8.9%	7.9%	4.4%	-5.8%	4.7%
TOTAL INDUSTRIAL (manufacturing)	104.64	54.63	79.45	46.65	48.14
(Yt/Yr % change)	-9.3%	-47.8%	38.1%	-41.3%	3.2%

Source: Construct Connect

CREDE Perspective

CREDE expects multi-family groundbreakings to stay soft through year-end, with single-family activity showing signs of stability. Forward planning from public and private builders points to a stronger 2026 pipeline, while light industrial and select retail continue to offer opportunity within a subdued commercial sector.

Forecasted New Construction Projects: Institutional, Non-Res, & Civil Engineering

- Health care and municipal construction is forecast to decline 6.9% in 2025, with growth limited to Nursing Homes (+38.5%) and Police/Fire (+9.0%). Declines in Hospitals (-21.1%), Prisons (-40.7%), and Military (-30.3%) drive the downturn.

- Total Nonresidential construction is projected to grow 4.1% year over year in 2025, marking a modest improvement supported by strength in Commercial and Industrial activity, even as some Institutional subsectors weaken.

- The Civil construction sector continues to post strong results, led by Dam/Canal/Marine (+134.7%), with additional growth in Bridges (+13.1%), Water & Sewage Treatment (+30%), and Airports (+14.7%).

CREDE Perspective

CREDE anticipates institutional construction will remain uneven through the remainder of 2025, with hospitals under pressure but steady demand in senior living and public safety. Modest growth in nonresidential activity will continue into 2026, led by civil construction as infrastructure funding drives projects in airports, bridges, and utilities.

U.S. Forecasted Starts: Type-of-Structure ($ Billions USD)

	Actuals		Forecasts		
	2023	2024	2025	2026	2027
Religious	1.12	1.26	1.37	1.31	1.37
Hospitals/Clinics	22.71	24.49	26.64	28.27	30.46
Nursing Homes/Assisted Living	2.88	2.41	3.46	3.45	3.54
Libraries/Museums	5.06	4.95	5.31	5.42	5.51
Courthouse	2.37	2.31	2.16	2.21	2.47
Police/Fire	6.04	5.79	6.72	6.58	6.72
Prisons	6.99	7.52	4.39	5.18	5.31
Military	16.18	9.58	8.87	10.71	11.52
Education Facilities	92.15	101.91	103.78	93.62	94.82
MED misc	9.46	9.56	7.88	8.41	8.97
TOTAL INSTITUTIONAL	163.98	169.79	170.62	165.19	170.72
(Yt/Yr % change)	15.6%	3.5%	-6.9%	-3.2%	3.3%
Miscellaneous Non-Res Building	7.21	7.45	8.11	8.16	8.41
TOTAL NON-RES BLD	411.2	368.2	418.5	370.5	385.1
(Yt/Yr % change)	5.9%	-10.5%	4.1%	-11.5%	3.9%
Airport	10.26	14.32	18.98	15.36	15.83
Roads	95.27	99.98	109.11	113.68	118.68
Bridges	24.35	29.87	34.74	36.42	38.46
Dams/Canal/Marine	12.66	11.94	13.46	11.12	11.71
Water & Sewage Treatment	48.21	57.81	57.69	58.57	61.27
Misc Civil (Power, etc.)	40.42	59.70	58.01	57.24	61.57
TOTAL ENGINEERING	231.21	273.62	292.01	292.42	3007.55
(Yt/Yr % change)	14.5%	18.3%	6.2%	0.1%	5.2%

Source: Construct Connect

Construction Input Pricing – Producer Price Index

- Construction input prices rose 0.2% in June and are 2.1% higher year over year, with nonresidential inputs up 0.3% for the month and 2.5% annually, reflecting a 6.0% annualized increase through the first half of 2025.

- Energy inputs were mixed, with natural gas (+5.9%) and unprocessed energy materials (+1.4%) climbing, while crude petroleum (-0.1%) declined.

- Despite overall escalation, tariff-sensitive materials such as iron and steel (-3.8%), steel mill products (-5.5%), and softwood lumber (-1.9%) fell in June, underscoring ongoing volatility in key inputs.

CREDE Perspective

Input costs remain elevated, with lumber and steel easing on softer demand while energy and switchgear stay inflated by volatility and supply constraints. CREDE expects this uneven trend to continue into early 2026 as policy pressures and supply bottlenecks keep certain categories elevated despite relief elsewhere.

Producer Price Index, June 2025

	1-Month % Change	12-Month % Change	Change Since Feb 2020
Inputs To Industries			
Inputs to construction	0.2%	2.1%	42.1%
Inputs to multifamily construction	0.0%	2.4%	42.7%
Inputs to nonresidential construction	0.3%	2.5%	43.0%
Inputs to commercial construction	0.5%	3.1%	44.6%
Inputs to healthcare construction	0.4%	2.9%	44.2%
Inputs to industrial construction	0.5%	2.9%	40.5%
Inputs to other nonresidential construction	0.2%	2.4%	42.7%
Inputs to maintenance and repair construction	0.1%	1.7%	39.9%
Commodities			
Adhesives and sealants	0.8%	4.6%	40.2%
Brick and structural clay tile	0.0%	1.3%	32.6%
Concrete products	0.1%	3.0%	42.4%
Construction machinery and equipment	0.7%	2.7%	33.4%
Construction sand, gravel, and crushed stone	0.4%	7.5%	46.4%
Copper wire and cable	1.3%	0.9%	54.9%
Crude petroleum	-0.1%	-19.4%	28.4%
Fabricated structural metal products	0.7%	5.8%	59.2%
Gypsum products	0.0%	1.7%	49.9%
Hot rolled steel bars, plates, and structural shapes	1.4%	-2.7%	39.1%
Insulation materials	-0.9%	1.0%	47.1%
Iron and steel	-3.8%	3.1%	52.1%
Lumber and wood products	-0.3%	1.5%	26.3%
Natural gas	5.9%	18.1%	45.1%
Plumbing fixtures and fittings	0.4%	5.2%	24.9%
Prepared asphalt, tar roofing and siding products	0.0%	2.4%	45.8%
Softwood lumber	-1.9%	7.7%	15.9%
Steel mill products	-5.5%	5.1%	64.5%
Switchgear, switchboard, industrial controls equipment	0.9%	9.3%	61.1%
Unprocessed energy materials	1.4%	-11.4%	47.2%

Source: U.S. Bureau of Labor Statistics, Associated Builders and Contractors

Construction Costs – Historical Cost Index

- Material costs were briefly stable early in 2025 but edged higher in Q2; the HCI shows materials down 1.4% YoY but up 0.8% QoQ, reflecting tariff pressure and selective volatility.
- Labor costs remain elevated, with installation values up 2.5% YoY and shortages in skilled trades continuing to slow schedules; some subcontractors are cutting fees or self-performing to stay competitive.
- Overall project costs are flat year over year (+0.1%), but the HCI's quarterly gain (+0.65%) shows labor and logistics are keeping costs elevated despite easing in some materials.

CREDE Perspective

The HCI shows costs are essentially flat year over year, but they remain elevated compared to pre-2020 norms. CREDE views this as a plateau at a high baseline, with labor, logistics, and tariff exposure keeping total project costs from moving lower even as some commodities ease.

Source: Gordian

National Average Cost of Construction Per Square Foot

Offices
- Prime: Low $328 / High $556
- Secondary: Low $234 / High $340

Retail
- Shopping Center: Low $235 / High $430
- Strip Mall: Low $220 / High $326

Hotels
- 5-Star: Low $476 / High $702
- 3-Star: Low $403 / High $565

Hospital
- General: Low $560 / High $865

Industrial
- Warehouse: Low $130 / High $216

Parking
- Ground: Low $178 / High $277
- Basement: Low $185 / High $250

Residential
- Multi-Family: Low $245 / High $390
- Single-Family: Low $315 / High $510

Education
- Elementary: Low $397 / High $527
- High School: Low $459 / High $635
- University: Low $601 / High $766

	OFFICES				RETAIL SHOPPING				HOTELS				HOSPITAL		INDUSTRIAL		PARKING				RESIDENTIAL				EDUCATION					
	PRIME		SECONDARY		CENTER		STRIP		5 STAR		3 STAR		GENERAL		WAREHOUSE		GROUND		BASEMENT		MULTI-FAMILY		SINGLE-FAMILY		ELEMENTARY		HIGH SCHOOL		UNIVERSITY	
LOCATION	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH
USA																														
Austin	245	415	160	220	195	325	185	250	420	570	295	435	465	660	75	145	115	185	160	255	175	265	185	505	270	385	305	465	415	635
Boston	425	685	260	375	225	325	170	270	465	675	320	455	525	1050	130	220	100	160	135	185	275	375	295	410	525	650	550	750	550	800
Chicago	340	570	210	340	210	460	170	280	510	790	375	505	440	910	145	235	100	150	160	280	210	480	285	570	320	480	365	505	450	910
Dallas	250	425	160	225	200	335	185	255	430	585	300	445	475	675	75	150	115	185	165	260	180	270	190	515	275	395	310	475	425	650
Denver	350	575	250	350	200	350	200	275	460	625	320	475	700	1000	125	195	125	200	175	280	200	355	230	465	325	475	400	610	650	900
Honolulu	375	625	235	365	295	600	275	450	715	860	410	650	550	930	140	280	170	225	195	305	290	495	325	610	550	910	570	770	705	1035
Las Vegas	275	480	195	260	170	655	155	350	430	790	255	435	540	650	80	165	80	105	100	195	205	485	240	480	445	550	525	720	685	905
Los Angeles	265	400	205	295	185	390	155	225	425	660	305	405	680	1030	140	215	115	145	160	220	260	425	230	405	405	525	345	610	505	690
Miami	250	425	160	230	205	335	175	270	445	605	310	410	480	680	80	145	120	190	165	275	180	275	190	515	280	400	310	480	425	655
Nashville	350	580	255	350	205	350	190	280	460	630	320	425	690	955	125	200	125	205	180	285	205	355	235	465	325	475	400	615	630	705
New York	405	940	235	585	350	700	370	740	505	760	370	505	630	955	140	235	115	205	165	245	245	480	350	700	540	680	585	750	575	825
Phoenix	260	445	170	235	210	350	120	205	415	645	220	330	500	705	80	155	55	110	85	165	190	285	200	540	290	415	325	500	445	680
Portland	325	425	305	400	325	425	300	375	525	700	400	520	1000	1300	240	325	240	300	280	360	325	415	305	450	550	700	650	900	650	900
San Francisco	440	750	340	540	320	530	250	420	560	920	410	660	750	1300	150	255	130	205	250	350	400	625	330	550	550	950	600	1000	630	1100
Seattle	360	645	240	335	270	435	205	330	475	720	335	475	635	900	180	250	135	200	210	305	280	475	260	400	440	660	375	660	580	790

Source: Cushman & Wakefield, Rider Levett Bucknall

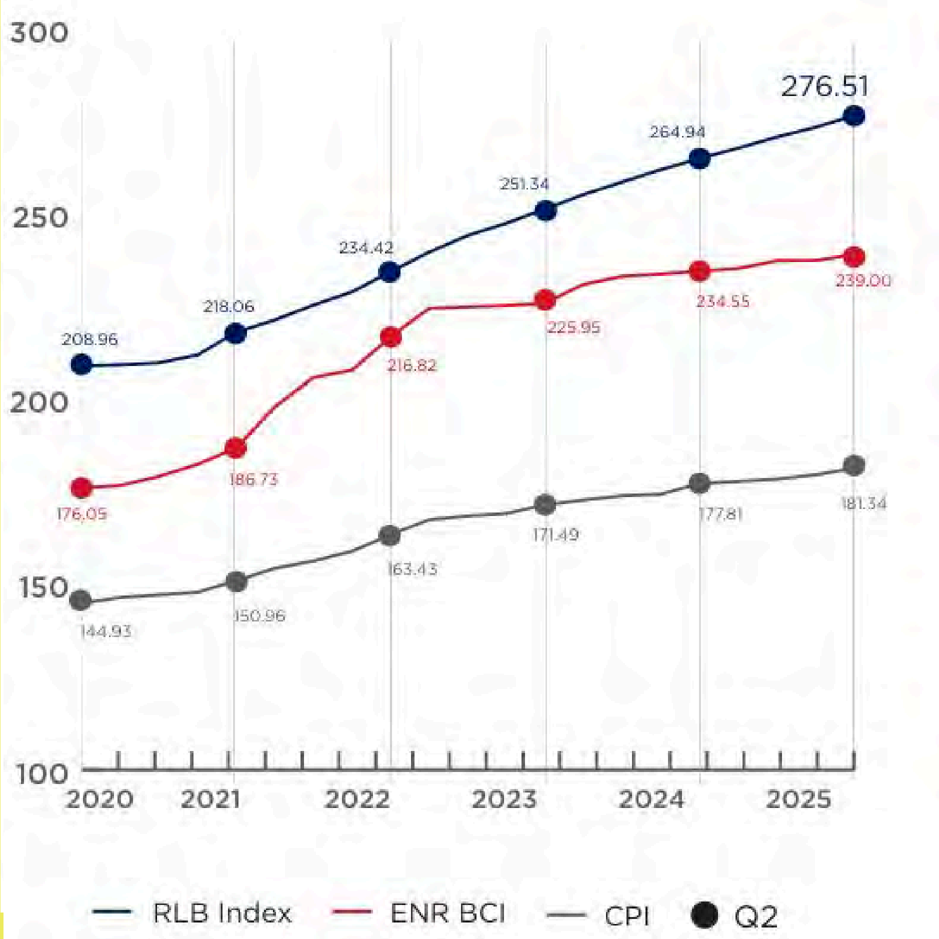
National Average Cost of Construction Per Square Foot (Continued)

- The national average for construction costs rose just 0.15% in Q2 2025, bringing year-over-year growth to 4.4%. While the headline figure shows limited movement, it masks underlying volatility across key materials.
- Gypsum, cement, and lumber steadied in Q2 2025, easing the inflation pressures seen earlier in the year but remaining vulnerable to shifts in demand.
- Ready-mix concrete and diesel fuel remain volatile, while uncertainty over steel and aluminum tariffs continues to push material costs higher across sectors.

CREDE Perspective

Construction costs slowed this quarter, but the pause is unlikely to last. CREDE expects renewed upward pressure into 2026 as tariff uncertainty, energy price swings, and volatility in core materials outweigh recent signs of stabilization, keeping budgets and schedules under pressure.

NATIONAL CONSTRUCTION COST INDEX

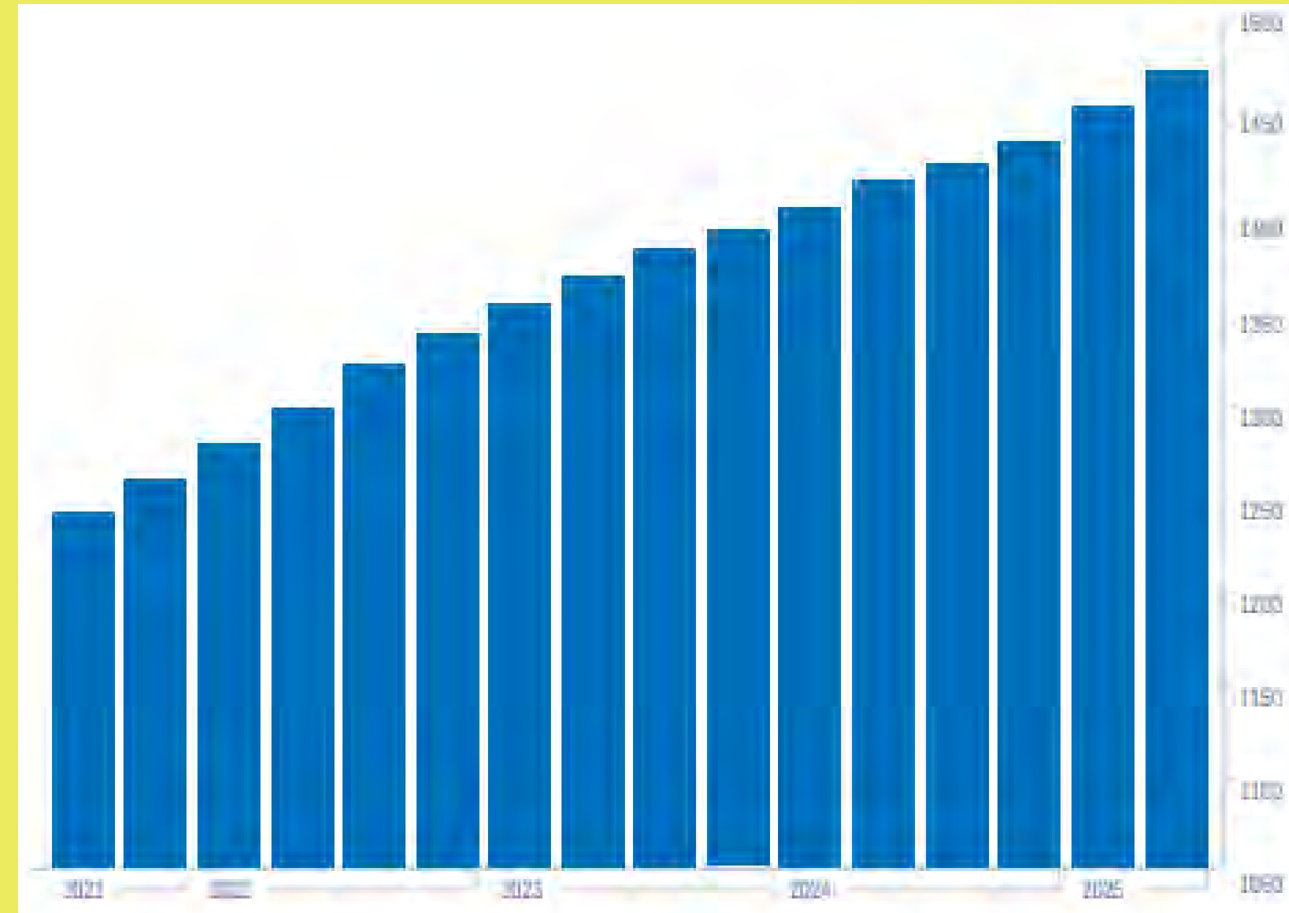


Date	NCCI
Q2 2022	234.42
Q3 2022	239.68
Q4 2022	244.19
Q1 2023	247.49
Q2 2023	251.34
Q3 2023	255.24
Q4 2023	258.62
Q1 2024	262.00
Q2 2024	264.94
Q3 2024	267.77
Q4 2024	270.75
Q1 2025	273.41
Q2 2025	**276.51**

Source: Rider Levett Bucknall, Statista.com

National Construction Building Cost Index

- The U.S. Construction Building Cost Index for nonresidential construction increased from 1,459 in Q1 2025 to 1,476 in Q2 2025.
- This represents a 1.17% quarterly increase from the First Quarter 2025 and a 3.9% yearly increase from the Second Quarter 2024.
- The index continues its steady climb above pre-pandemic levels, reflecting persistent structural cost pressures from labor, materials, and competitive market conditions.



Source: Turner Construction Company

CREDE Perspective

The Q2 2025 index shows cost escalation holding steady at just over 1% quarter to quarter, confirming that elevated pricing is now the baseline rather than a temporary spike. CREDE expects this persistent structural pressure to carry through the rest of 2025, requiring owners and contractors to plan around higher costs as the new normal.

FED Projections – Q2 2025

- The U.S. economy is projected to grow at an annualized rate of 1.5% in Q2 2025, down from 2.1% last quarter; annual GDP growth for 2025 is forecast at 1.4%, a full point lower than prior estimates.

- The unemployment rate is expected to average 4.3% in 2025 and rise to 4.5% in early 2026.

- Job growth projections have softened, with payroll gains averaging 141,400 per month in Q2 and 140,900 per month for 2025 overall, both below earlier forecasts.

	REAL GDP (%)		UNEMPLOYMENT RATE (%)		PAYROLLS (000S/MONTH)	
	PREVIOUS	NEW	PREVIOUS	NEW	PREVIOUS	NEW
Quarterly data:						
2025:Q2	2.1	1.5	4.2	4.2	144.4	141.4
2025:Q3	2.0	0.9	4.2	4.3	109.8	79.5
2025:Q4	2.1	1.4	4.3	4.5	119.7	90.5
2026:Q1	2.2	1.7	4.3	4.5	129.2	120.5
2026:Q2	N.A.	1.9	N.A.	4.5	N.A.	129.1

Source: Federal Reserve Bank of Philadelphia

CREDE Perspective

The Fed's Q2 projections show weaker growth, payrolls, and employment, signaling the drag from tariffs and higher-for-longer rates. CREDE expects tighter financial conditions to weigh on construction planning into 2026, even with potential rate cuts ahead.

Lumber Pricing Insights

- In Q2 2025, lumber prices reached a peak of $642.00 per 1,000 board feet in early June, compared to the Q1 2025 peak of $686.00 and the Q2 2024 peak of $588.00.
- The average price for Q2 2025 was $589.00 per 1,000 board feet, down 2% from Q1's $601.00, but still 7% higher year-over-year.
- Prices declined in April before increasing into June, driven by seasonal construction demand, post-wildfire rebuilding in Southern California, and looming tariffs on Canadian and European imports.

Source: Macrotrends, Timber Industry News

CREDE Perspective

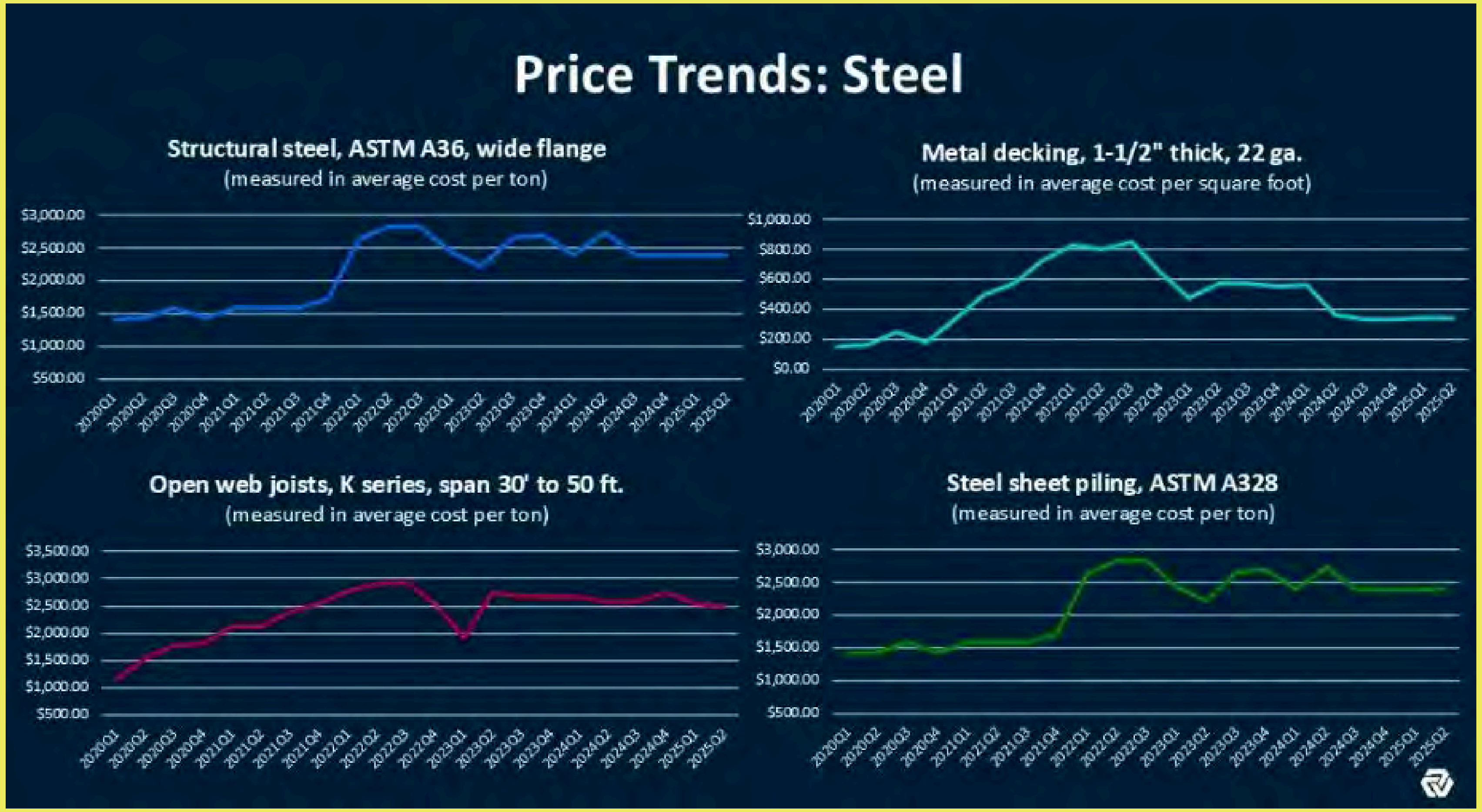
While Q2 averages came down slightly from Q1 highs, regional differences remain significant. Surpluses in the Southeast and Pacific Northwest continue to create localized buying advantages, while tariffs are expected to push national averages higher into late 2025.

Steel Pricing Insights

- U.S. hot-rolled coil prices averaged $780 per metric ton in Q2 2025, down slightly from $802 in Q1 as demand eased from early-year highs.

- The Producer Price Index (PPI) for cold-rolled steel sheet and strip eased from 355.298 in March to about 348 by June 2025, a 2% quarterly decline.

- Structural steel prices held near $260 per ton in Q2, down from $270 in Q1, extending the softening trend that began in late 2024.



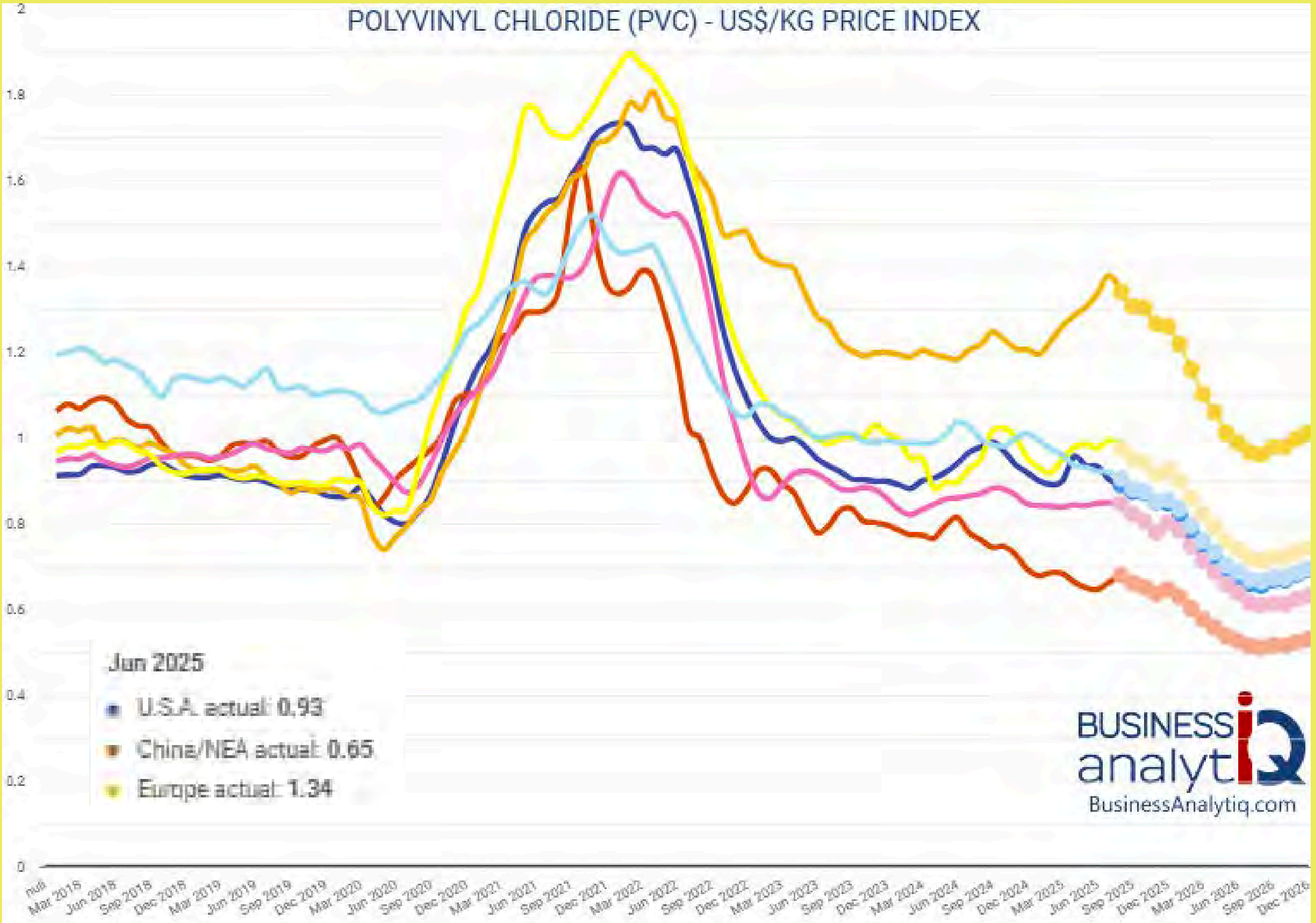
Source: Steel Market Update, Gordian, Reuters

CREDE Perspective

Steel prices eased in Q2, with hot-rolled coil and cold-rolled sheet declining and structural steel remaining soft. CREDE sees this reprieve as temporary, as tariffs and rising infrastructure demand are expected to drive renewed price increases by late 2025, with flat-rolled products facing the sharpest upward pressure due to heavier tariff exposure and broader end-use demand.

PVC Pricing Insights

- The PVC Price Index in North America declined gradually through Q2 2025, pressured by muted global demand and elevated inventory levels.
- Prices fell from about $657/MT in March to $643/MT in June, extending the downward trend that began in late 2024.
- Compared to Q2 2024, PVC prices are down roughly 15% year-over-year, underscoring the persistent weakness in demand and oversupply conditions.



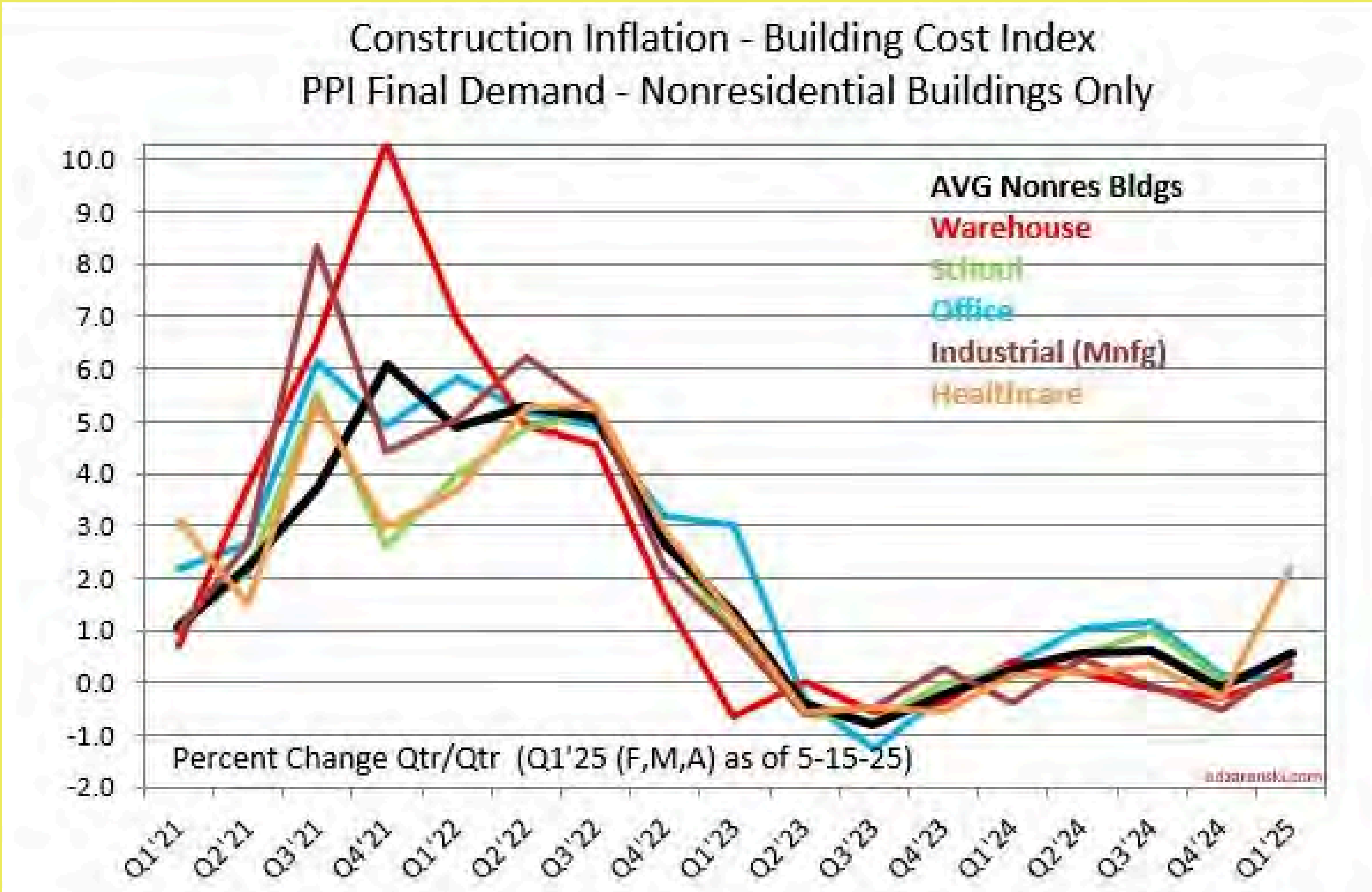
Source: Business Analytiq, Chem Analyst, Procurement Resource

CREDE Perspective

PVC prices trended lower in Q2, and CREDE expects contained pricing to persist into late 2025 as high inventories and soft demand limit gains. Any 2026 increases are likely to be gradual, with prices stabilizing rather than surging, leaving PVC comparatively cost-friendly against other materials.

Construction Inflation

- Inflation in Q2 2025 averaged +0.4% for nonresidential buildings, easing from +0.6% in Q1 after flat-to-negative readings in late 2024.
- Healthcare led sector gains at +1.8%, while Schools (0.0%) and Offices (+0.1%) stayed flat. Industrial (-0.2%) and Warehouse (-0.1%) sectors posted slight declines.
- Year-to-date inflation for Nonresidential Buildings is +1.0%, with Healthcare up nearly +4.0% YTD, highlighting its role as the primary driver of cost escalation through the middle of 2025.



Source: CoreLogic, Ed Zarenski

CREDE Perspective

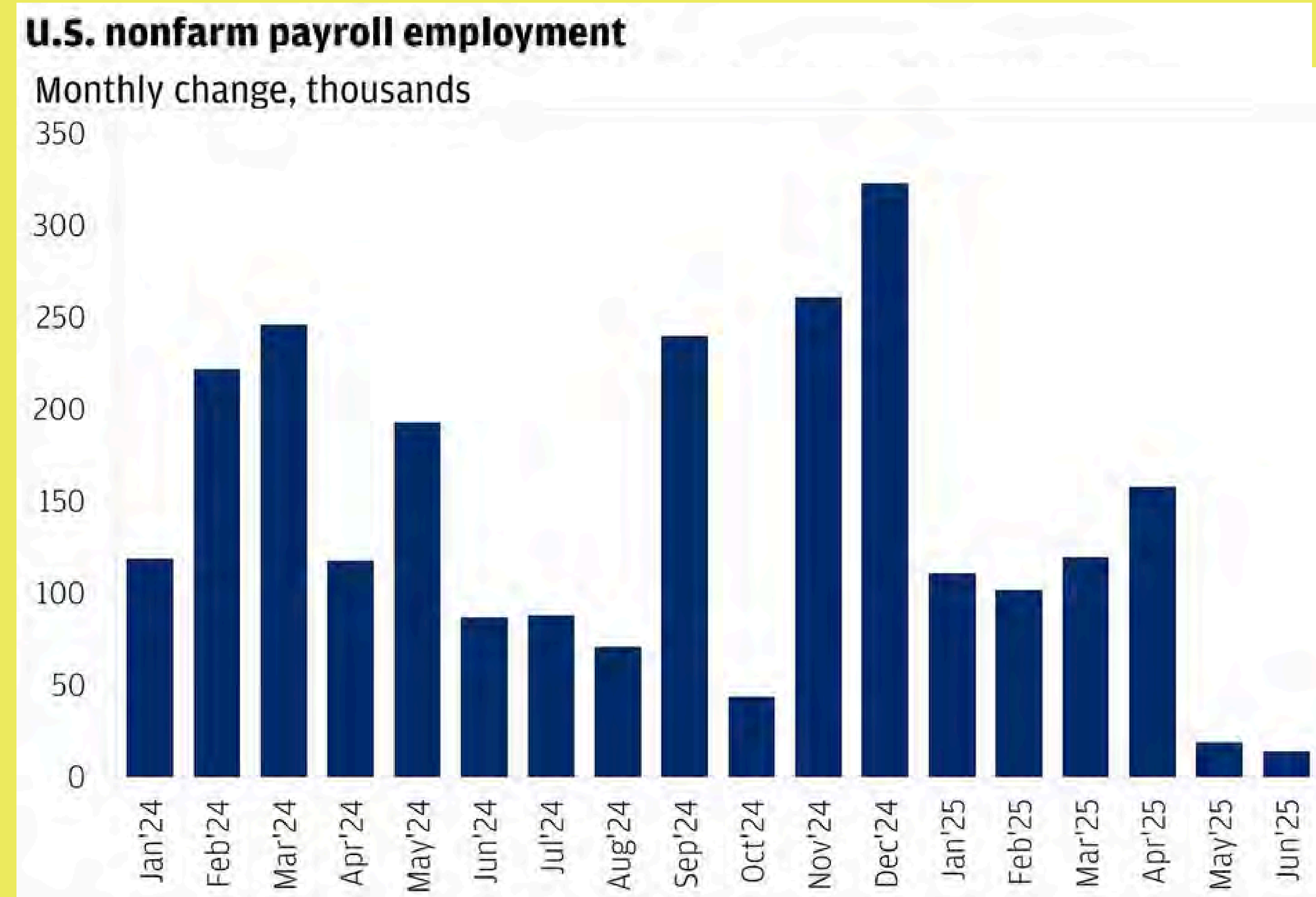
Construction inflation stayed muted in Q2, with most sectors flat or declining outside of healthcare. CREDE expects inflation to remain modest through 2025, but sector specific pressures in healthcare and tariff impacts in 2026 could reintroduce volatility for import sensitive scopes.

National Labor Outlook

- The U.S. added 147,000 jobs in June, matching the 12-month average of 146,000, showing that employment gains remain consistent even as headline figures moderate.

- The unemployment rate held steady at 4.1% in June, but forecasts point to a rise toward 4.5% by year-end as slower hiring and reduced immigration tighten labor supply.

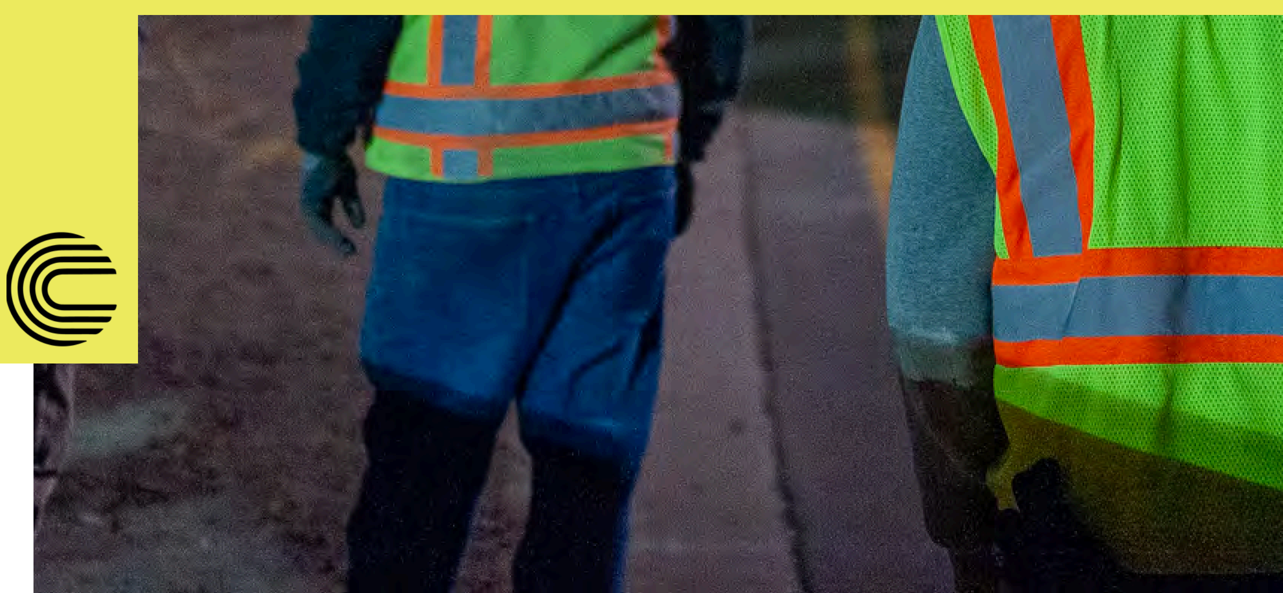
- Average hourly earnings growth remained at 3.9% year-over-year in June, consistent with May, underscoring that wage growth is moderating but still resilient in a tight labor market.



Source: US Bureau of Labor Statistics, JP Morgan

CREDE Perspective

National job growth moderated in Q2, with June gains aligning with the 12-month average, signaling a labor market that is steady but cooling. CREDE expects unemployment to drift higher into late 2025, while construction will continue to face trade shortages that sustain cost and schedule pressures.



Construction Industry Labor Outlook

- The construction industry reported 274,000 job openings in June, down 23% year-over-year, though slightly higher than May with a net gain of 6,000

- Hires rose to 325,000 in June, up 13,000 from May but still 5.5% below last year's levels, reflecting steady but subdued hiring activity

- Total separations fell to 318,000 in June, with layoffs at 142,000 and quits steady at 170,000, signaling stable turnover despite softer demand.

Construction Industry Job Openings and Labor Turnover Data: June 2025

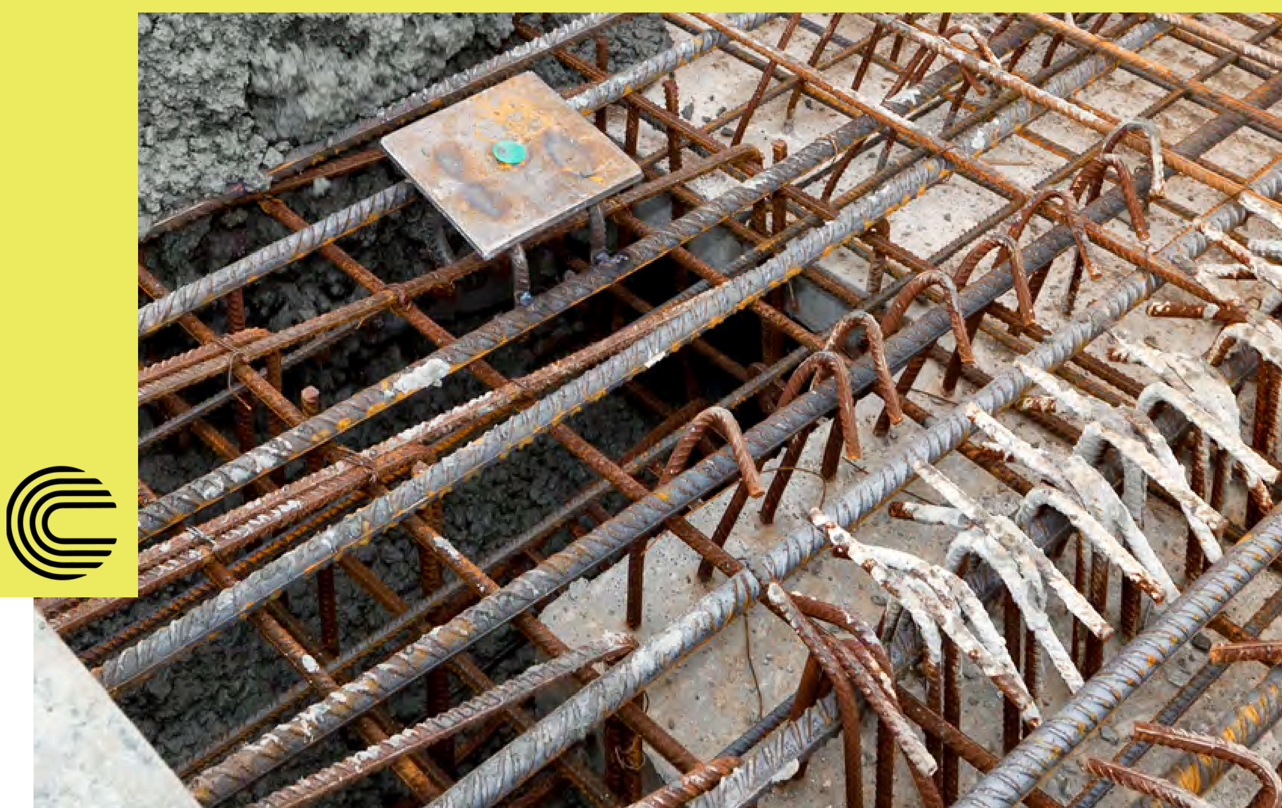
	June 2025	May 2025	June 2024	1-Month Net Change	12-Month Net Change	12-Month % Change
Total						
Job openings	274,000	268,000	357,000	6,000	-83,000	-23.2%
Hires	325,000	312,000	344,000	13,000	-19,000	-5.5%
Total separations	318,000	325,000	356,000	-7,000	-38,000	-10.7%
Layoffs & discharges	142,000	150,000	168,000	-8,000	-26,000	-15.5%
Quits	170,000	170,000	168,000	0	2,000	1.2%
Other separations	6,000	5,000	20,000	1,000	-14,000	-70.0%

	June 2025	May 2025	June 2024	1-Month Net Change	12-Month Net Change	12-Month % Change
Rate						
Job openings	3.2%	3.1%	4.0%			
Hires	3.7%	3.6%	4.0%			
Total separations	3.7%	3.8%	4.1%			
Layoffs & discharges	1.6%	1.7%	2.0%			
Quits	2.0%	2.0%	1.8%			
Other separations	0.1%	0.1%	0.2%			

Source: US Bureau of Labor Statistics, Construction Dive

CREDE Perspective

Construction labor demand eased in June, with openings and hires down from last year, but skilled trade shortages continue to limit capacity. CREDE expects this imbalance to persist through late 2025, keeping pressure on wages and timelines, with broader relief unlikely before 2026.



Container Shipping Outlook

- Far East–U.S. rates rose sharply from Q1 to Q2, up 28% to USD 4,755 per FEU on the West Coast and 32% to USD 7,003 on the East Coast.
- Big shippers pushed back on June surcharges, forcing the lowest Transpacific rates down 33% since early June, though average costs stayed above USD 5,000 per FEU.
- Conflict in the Middle East pushed up costs, with Shanghai–Jebel Ali rates jumping 55% in June to USD 2,761 per FEU.

Source: Xeneta, Freightos Terminal - FBX

CREDE Perspective

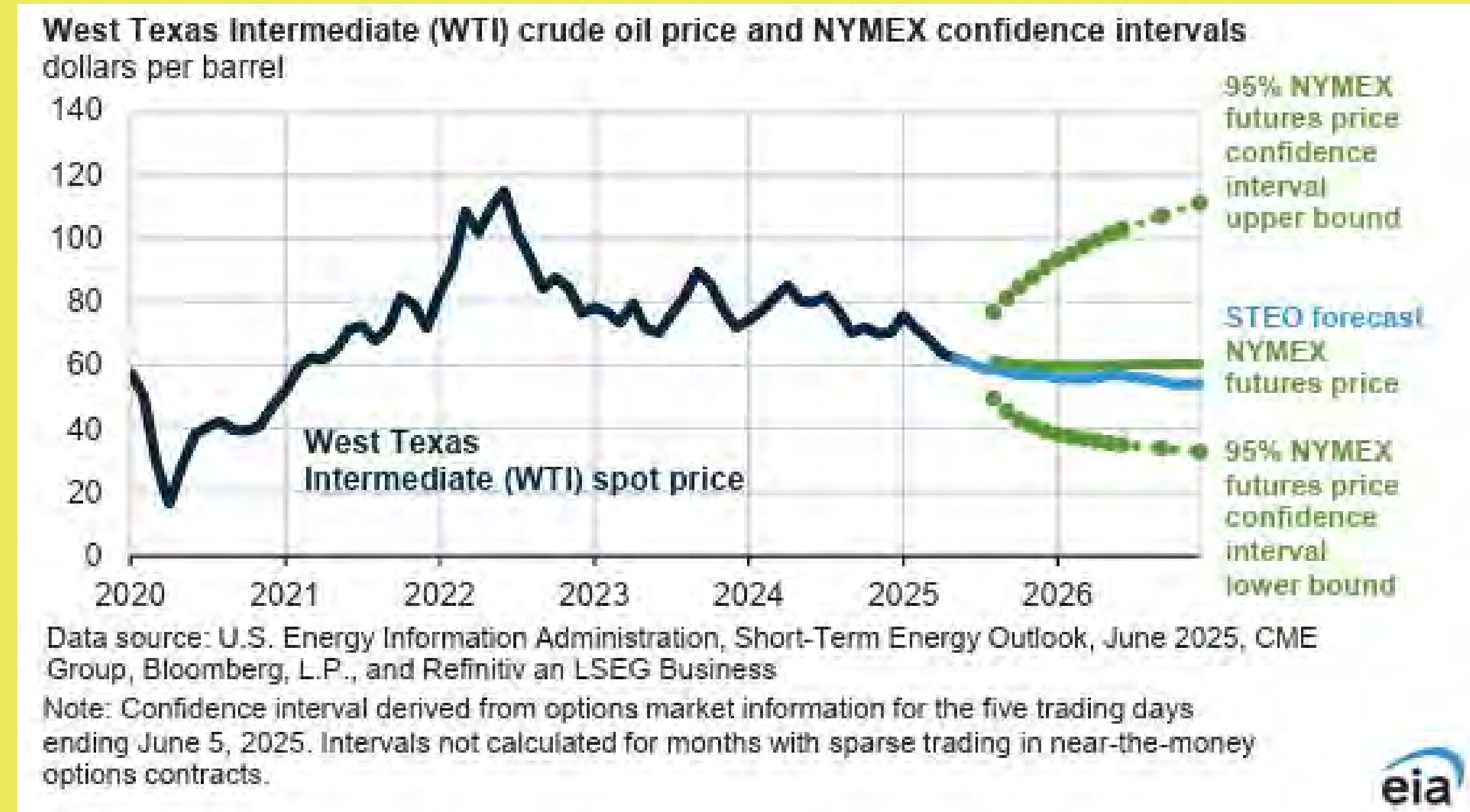
Spot rates jumped in Q2 as shippers frontloaded cargo ahead of tariff deadlines, but pushback from larger importers suggests the surge may be short-lived. CREDE expects averages to stay elevated through summer, with easing likely in late 2025 as inventories build and demand cools.

Energy Outlook

- Brent crude averaged $69 per barrel in June, reflecting a $3 upward revision from last month on rising geopolitical risk premiums. Prices are expected to ease into 2026 as inventories build.

- U.S. crude oil output held steady at 13.4 million b/d in June, keeping production at record levels, though drilling activity suggests slight declines by late 2026.

- Henry Hub natural gas averaged just over $3.00/MMBtu in June, with forecasts rising to $3.40 in Q3 and $3.70 for 2025 overall, before climbing to $4.40 in 2026.



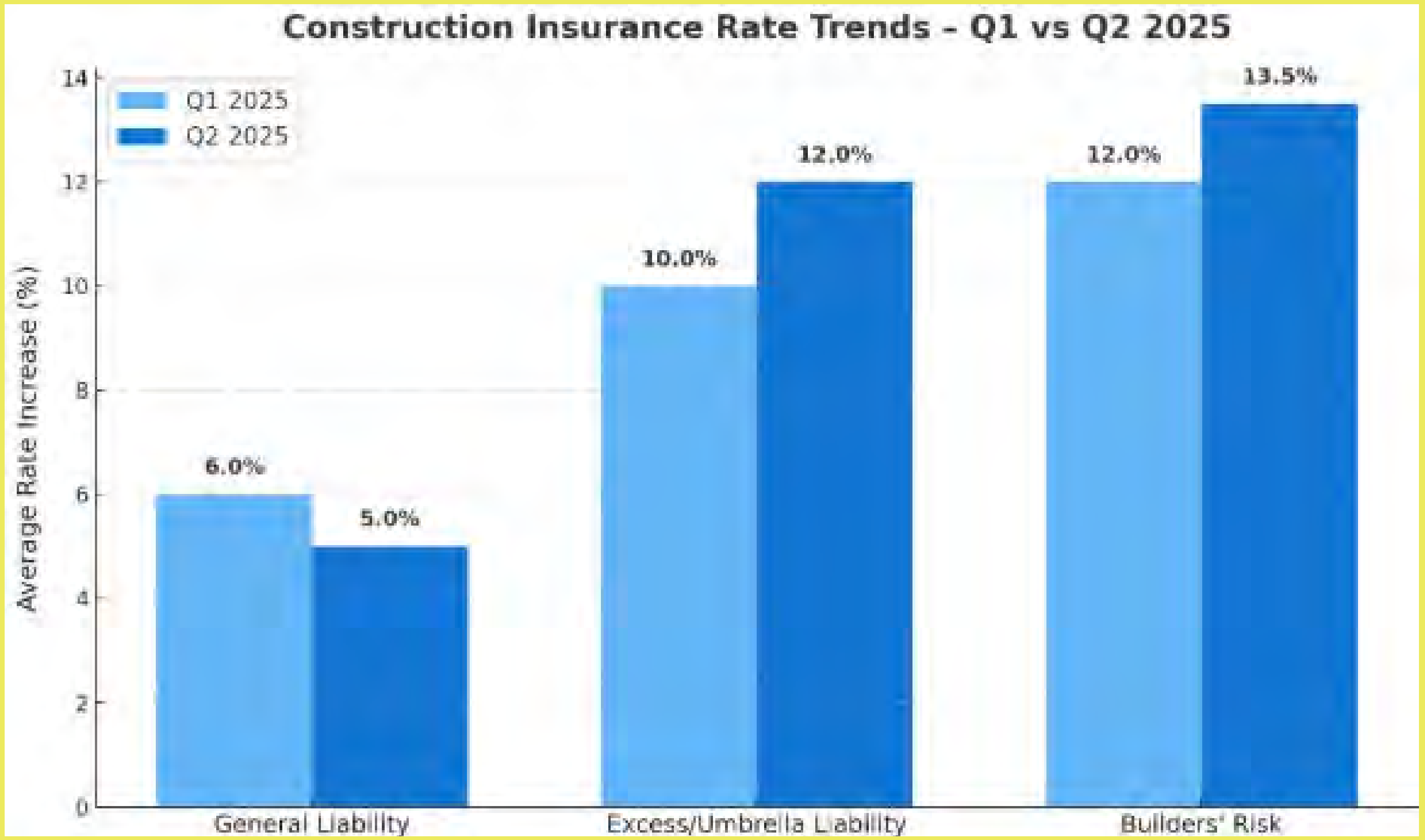
Source: U.S. Energy Information Administration

CREDE Perspective

CREDE anticipates natural gas will remain the primary source of energy cost volatility, with prices likely to climb further into early 2026. We expect this to feed into higher material and manufacturing costs, while steady crude output should temper the risk of broader energy shocks.

Insurance Marketplace Realities

- General liability up 5%–10% for contractors, with sharper hikes in Texas, Illinois, and Gulf Coast markets due to litigation risk, social inflation, and catastrophe exposure.
- Excess liability and fleet programs face 7%–15%+ increases, along with tighter limits and stricter scrutiny on driver safety and claims history.
- Builders' risk stabilizing but still up ~13.5%, with underwriters requiring detailed submissions and escalation protections in catastrophe-prone areas.



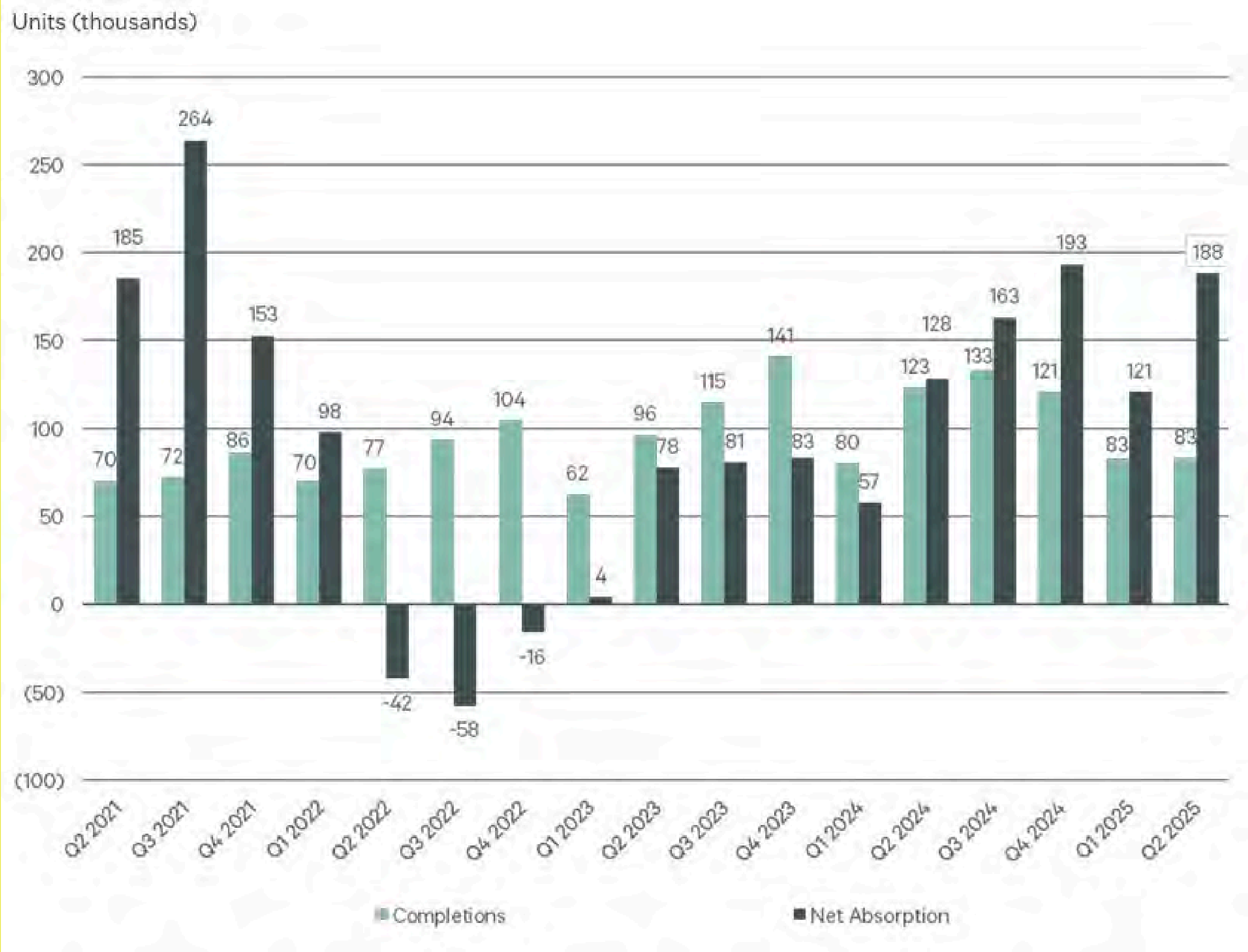
Source: Woodruff Sawyer, SIA Group, Amwins

CREDE Perspective

Builders' risk is stabilizing, while excess liability and fleet exposures remain challenging. Property insurance is projected to see an 8–12% premium decrease in 2026. Insurers will likely uphold strict underwriting, but well-managed contractors may benefit as capacity improves.

Multi-Family Forecast

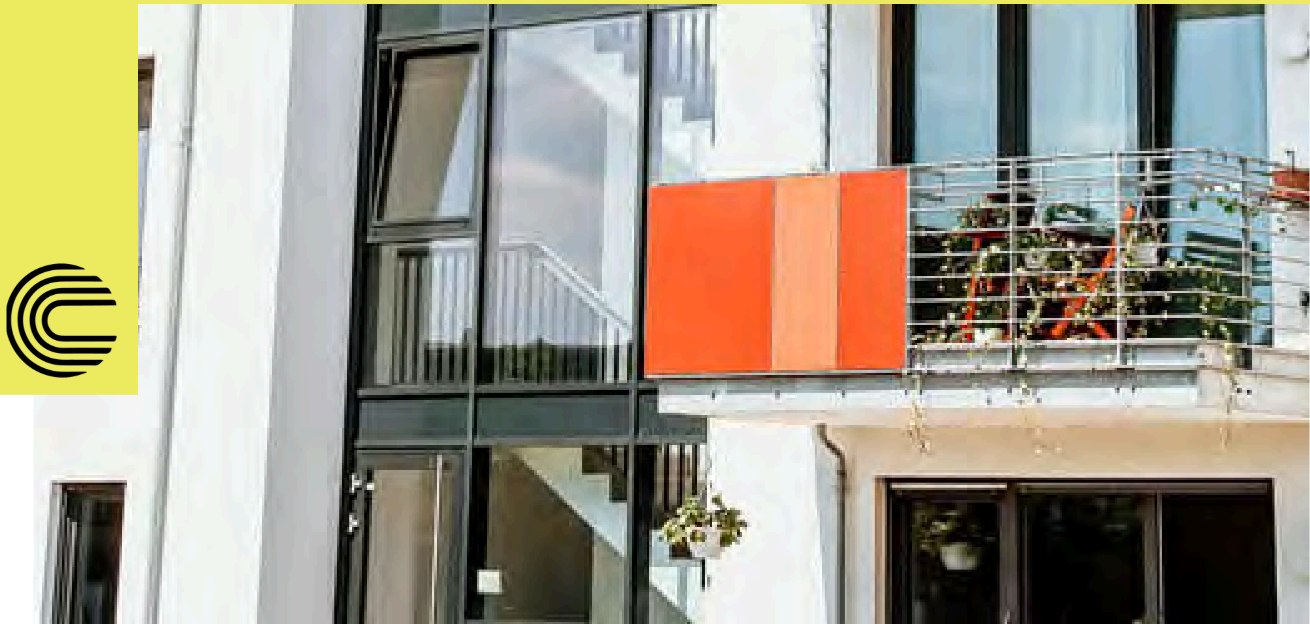
- Net absorption rose 44% year-over-year to 188,200 units in Q2, the highest second-quarter total on record and well above pre-pandemic norms.
- Completions held steady at 83,000 units, with demand outpacing deliveries for the fifth straight quarter.
- The national vacancy rate dropped 70 basis points to 4.1%, the second-largest Q2 decline on record, with 68 of 69 markets recording quarter-over-quarter decreases.
- Effective rent growth accelerated to +1.2% year-over-year and +1.3% quarter-over-quarter, the first time rents have climbed above 1% annually in two years.



Source: FreddieMac, CBRE Inc.

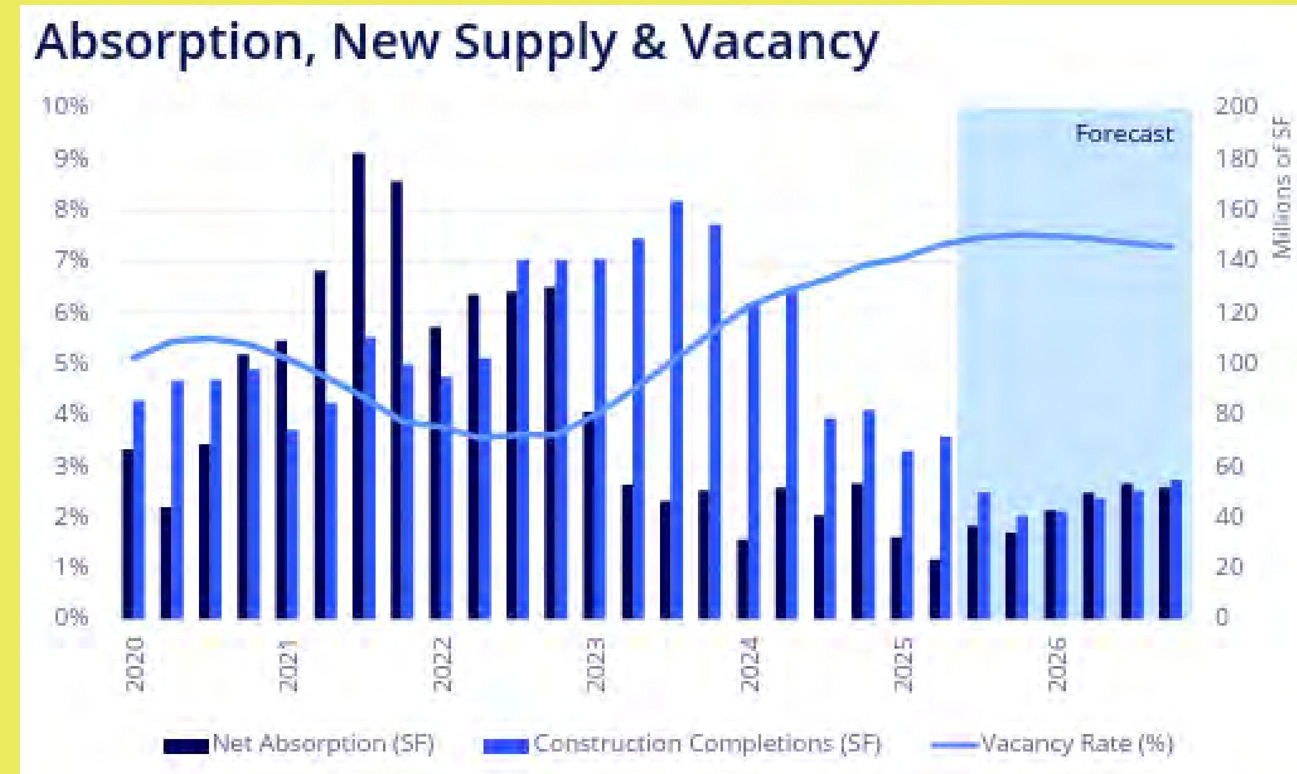
CREDE Perspective

Multifamily fundamentals strengthened in Q2, with record absorption and falling vacancies highlighting resilient renter demand. CREDE expects this momentum to support rent gains through late 2025, with redevelopment leading near term activity and a broader wave of new starts likely in 2026 as financing conditions improve.



Industrial Forecast

- New supply rose to 71M SF in Q2, up from 66M in Q1 but well below the 129M delivered a year earlier. The pipeline fell to 281M SF, the lowest since 2018.
- Net absorption slowed to 23M SF in Q2, down from 32M in Q1 and 51M a year ago, though occupancy growth extended its 15-year streak.
- Construction volume edged up to 71M SF in Q2 from 66M in Q1 but remains far below last year's 129M, with the pipeline down nearly 20% from mid 2024.
- Rents averaged $11.32 per SF nationally, up 2% year over year, led by warehouse/distribution at $10.54 (up 4%). Growth has cooled but is projected at 3%–7% annually through 2027.



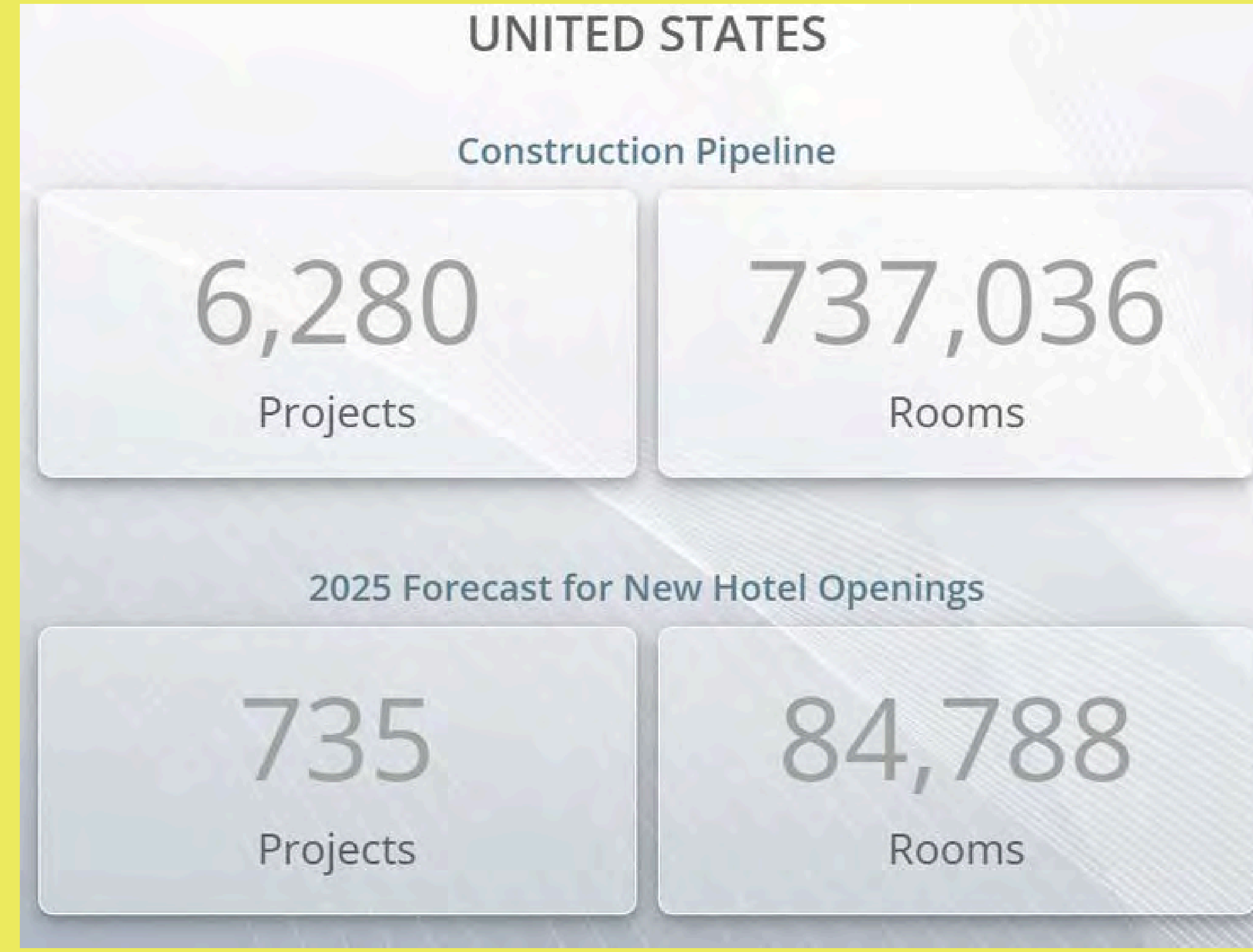
Source: Colliers U.S. Industrial Market Statistics

CREDE Perspective

Q2 results confirm that the industrial market is moving into a slower, more balanced phase. Vacancy will edge higher into 2026, but with construction at historic lows, the next wave of supply is already capped. CREDE sees this setting the stage for a stronger rebound cycle, with shallow bay and last-mile assets in key logistics hubs poised to lead once demand accelerates.

Hospitality Forecast

- At the end of Q2 2025, the U.S. hotel construction pipeline stood at 6,280 projects/737,036 rooms, up 3% year-over-year.
- Hotels under construction totaled 1,120 projects (138,776 rooms), with 2,263 projects (260,052 rooms) set to begin in the next 12 months, both down slightly year over year. Early planning rose to 2,897 projects (338,208 rooms), up 13% and 14% year over year.
- Extended-stay brands accounted for 39% of the total pipeline, with mid-tier extended-stay leading at 1,625 projects/152,557 rooms (+6% YOY).
- In Q1 2025, 329 hotels (39,628 rooms) opened, with another 406 projects (45,160 rooms) expected by year-end, bringing 2025 totals to 735 hotels/84,788 rooms (+25% vs. 2024).



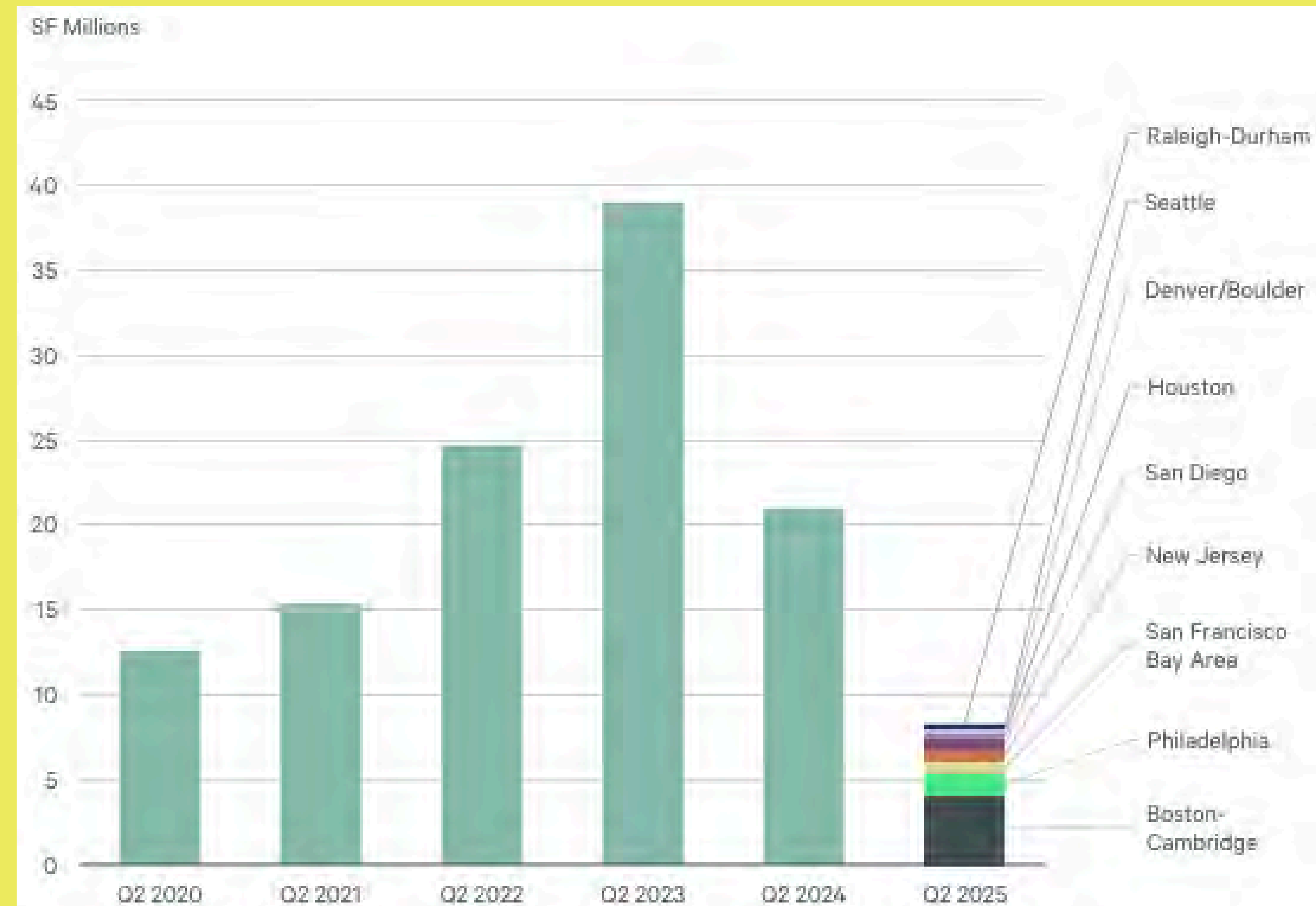
Source: Lodging Econometrics, Hotel Investment Today

CREDE Perspective

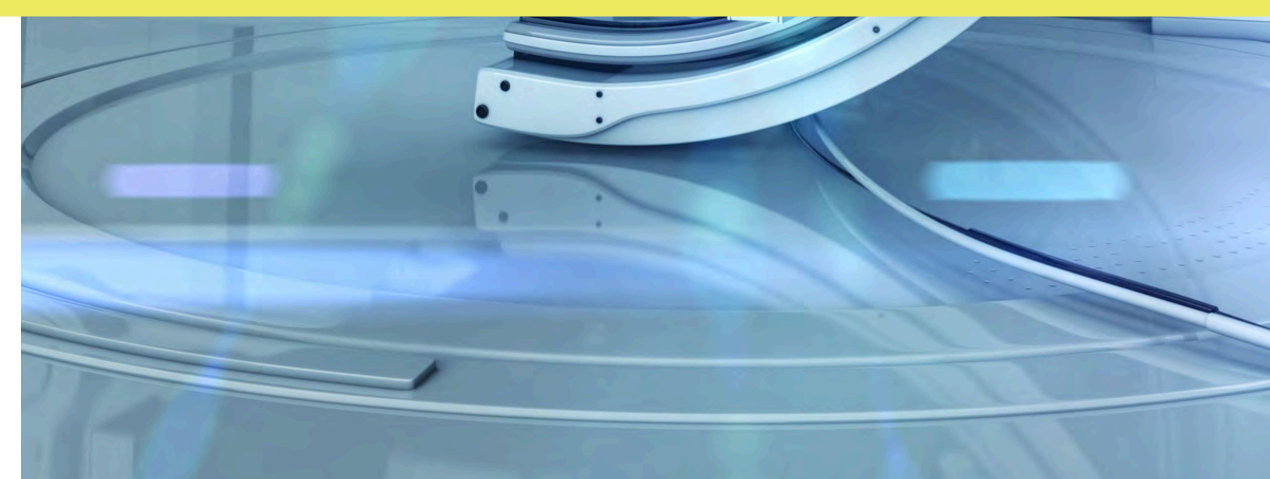
Early planning and extended-stay demand continue to drive the hotel pipeline in Q2, even as under-construction activity eased slightly year over year. CREDE expects this mix to sustain steady growth through 2025, with conversions and renovations adding flexibility where ground-up projects remain constrained by high borrowing costs and protracted timelines.

Life Science Forecast

- Space under construction rose slightly from 8.0M SF in Q1 to 8.3M SF in Q2, with preleasing improving from 42% to 50%; deliveries slowed from 3.1M SF in Q1 to 1.1M SF in Q2.
- The vacancy rate increased from 21.4% in Q1 to 22.7% in Q2, as negative absorption deepened from -0.8M SF in Q1 to -1.3M SF in Q2.
- Leasing volume rebounded to 2.7M SF in Q2, up from 2.2M SF in Q1, with tenant demand expanding nearly 8% to 12M SF.
- Asking rents slipped again, from $73.34 NNN per SF in Q1 to $71.69 in Q2, with concessions continuing to pressure effective pricing.
- Venture capital funding dropped to $3.6B in Q2, down from $5.3B in Q1, extending year-over-year declines.



Source: CBRE Research, Globest



CREDE Perspective

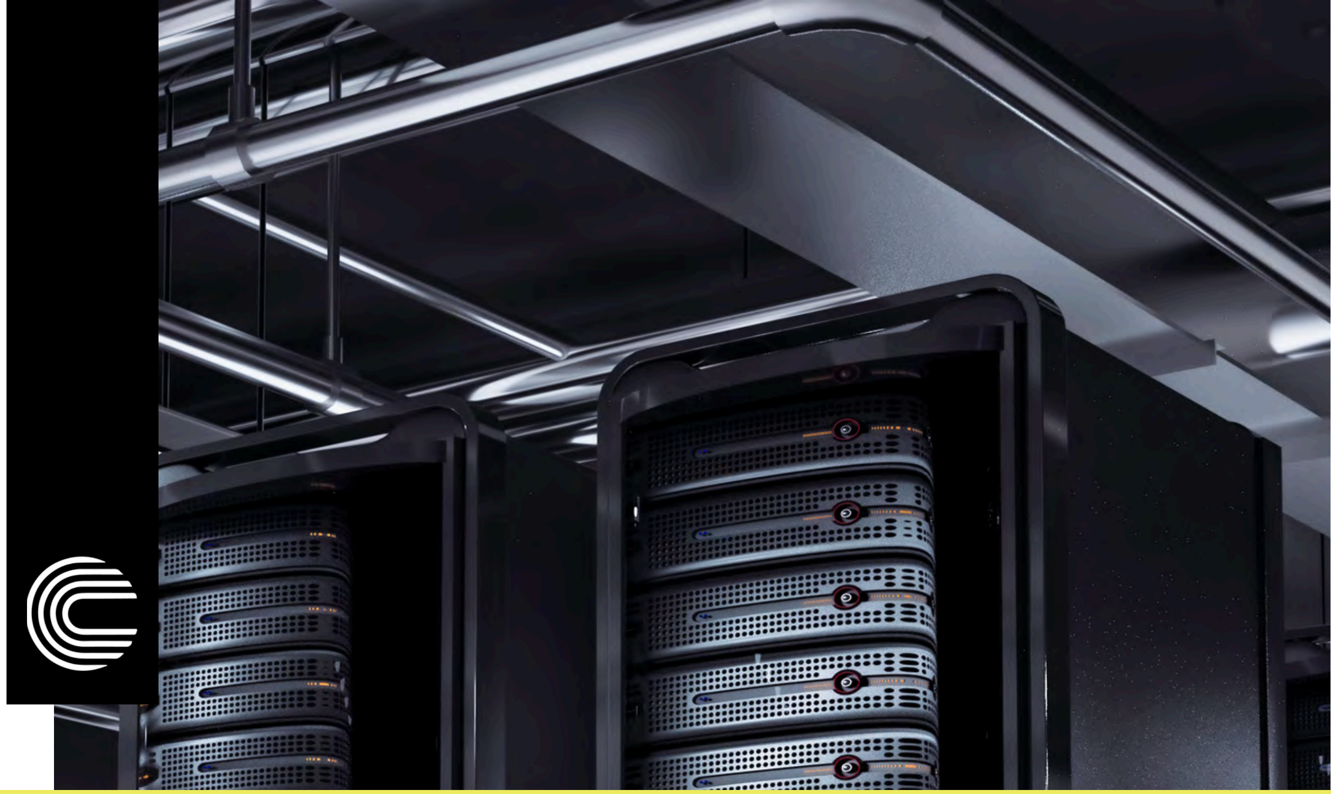
Life sciences softened further in Q2 as vacancy climbed and rents slipped, though leasing showed early signs of recovery. CREDE expects developers to stay selective through 2025, concentrating on preleased and biomanufacturing projects, with broader development poised to return in 2026 as demand stabilizes and capital conditions improve.

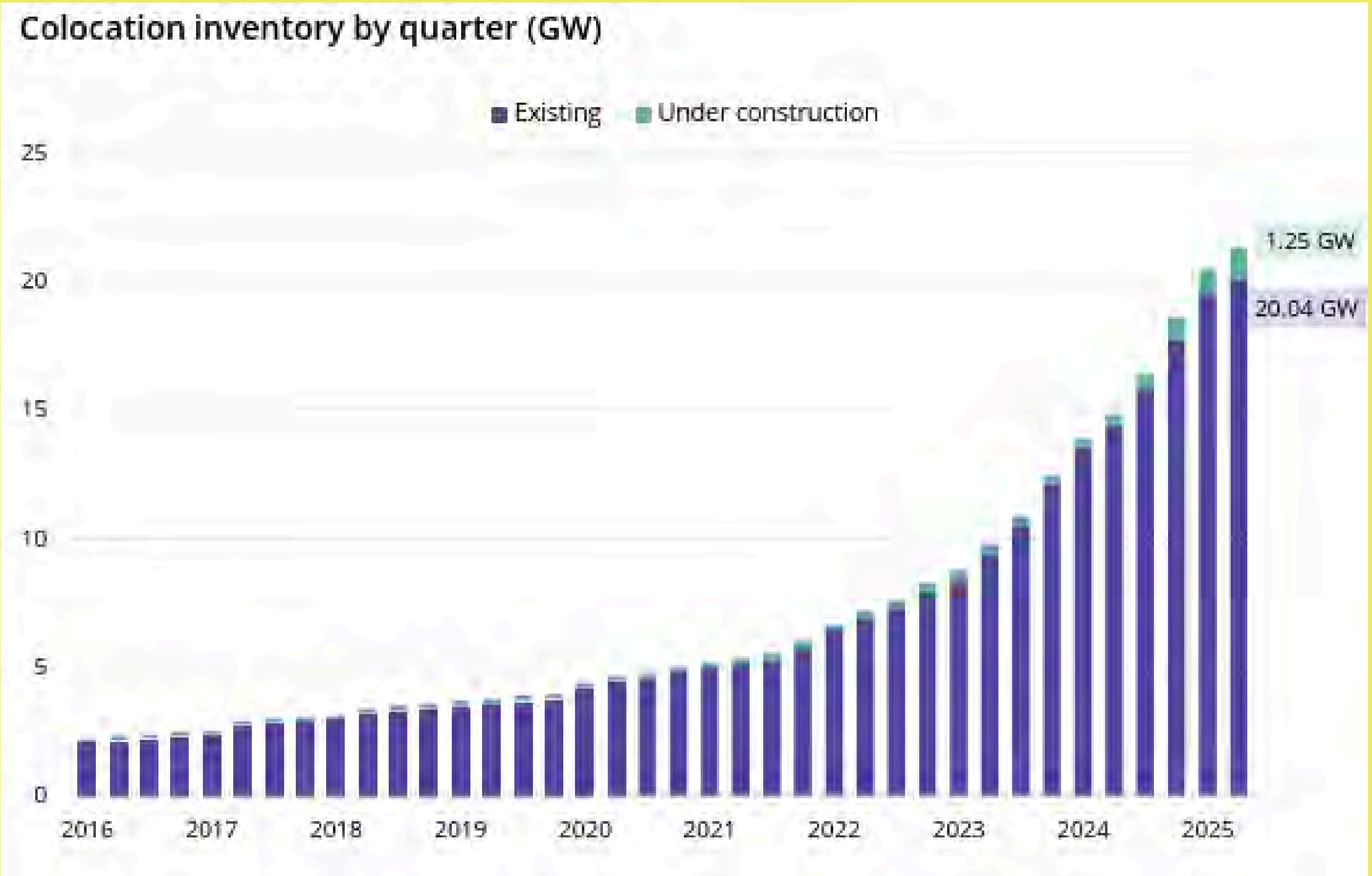
Data Center Forecast

- Deliveries slowed in Q2 amid tariff disruptions and high capital costs, though pipelines keep expanding with mostly pre-leased AI-driven projects.
- Richmond led absorption, with Chicago and Atlanta also strong; nearly half of large leases occurred in non-traditional markets.
- Vacancy stayed near record lows, with Northern Virginia and Dallas/Fort Worth below 1%, and Chicago dropping from 3.9% to 3.0%.
- Rents held steady for turnkey colocation but climbed for large AI-driven deals as capacity tightened.
- Developers advanced on-site power, using gas, microgrids, and fuel cells to offset grid delays and meet surging AI demand.

CREDE Perspective

Data centers remain one of the strongest-performing sectors, with absorption spreading beyond core hubs and power planning now at the center of development strategy. CREDE expects momentum to accelerate into 2026 as AI and high-performance computing drive sustained demand. Markets with scalable power and supportive infrastructure—such as Dallas/Fort Worth, Chicago, Atlanta, and the Southeast—are positioned to lead the next wave of growth.





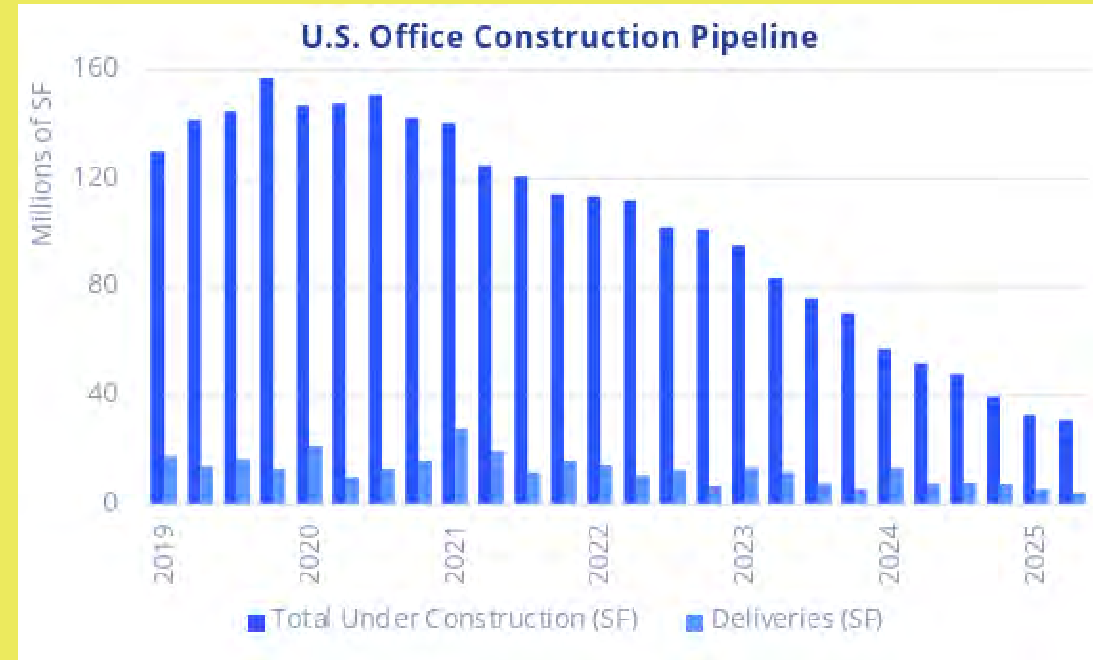
Source: Avison Young, Jones Lang LaSalle IP, Inc., Data Center Frontier

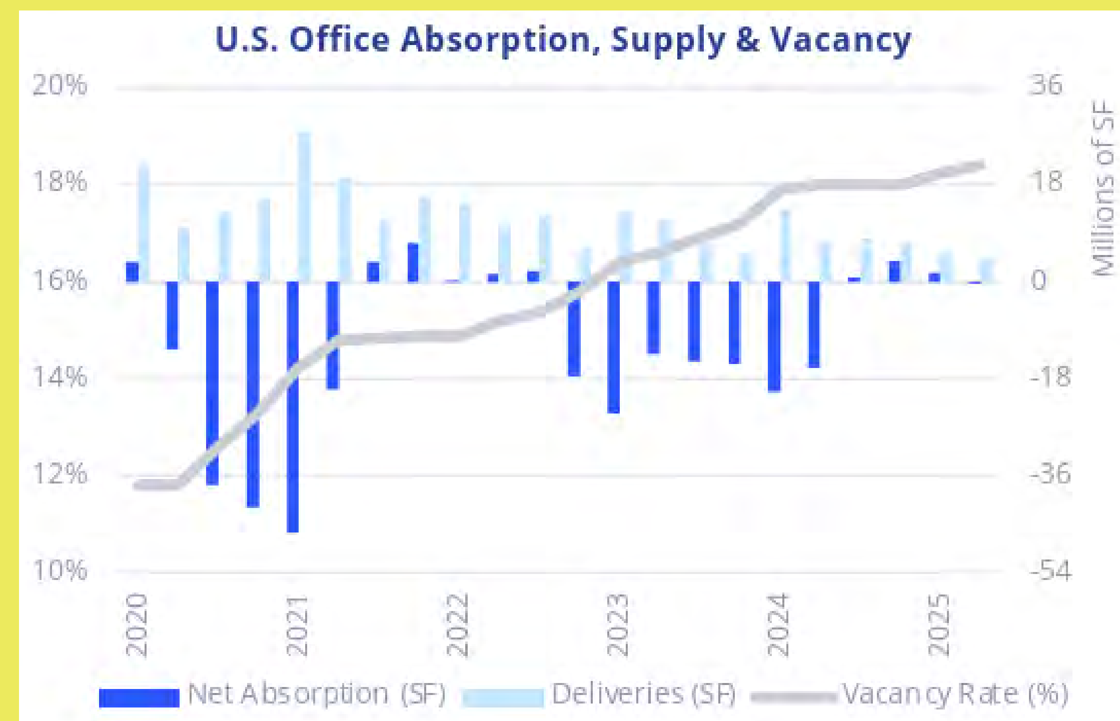
Office Forecast

- Deliveries slowed further, with 4.2M SF completed in Q2, down from 5.6M SF in Q1, marking the lowest quarterly volume in over 10 years.
- Construction in progress fell again, down to 31.0M SF from 33.5M SF in Q1, continuing a long decline from its 2019 peak.
- Vacancy rose to 18.4%, up slightly from 18.2% in Q1 and now 40 basis points higher year-over-year.
- Net absorption turned negative at –0.1M SF in Q2 after three quarters of growth, down from +1.7M SF in Q1, though year-to-date absorption remains positive at +1.5M SF.
- Asking rents held steady at $37.18/SF, unchanged from Q1 but 1.1% higher than a year ago.

CREDE Perspective

The office market softened in Q2 as vacancy rose and absorption turned negative. With construction at historic lows, new supply will stay limited. CREDE expects challenges through 2025, with activity focused on pre-leased projects and adaptive reuse. A broader recovery is unlikely before 2026, when financing and demand begin to stabilize.





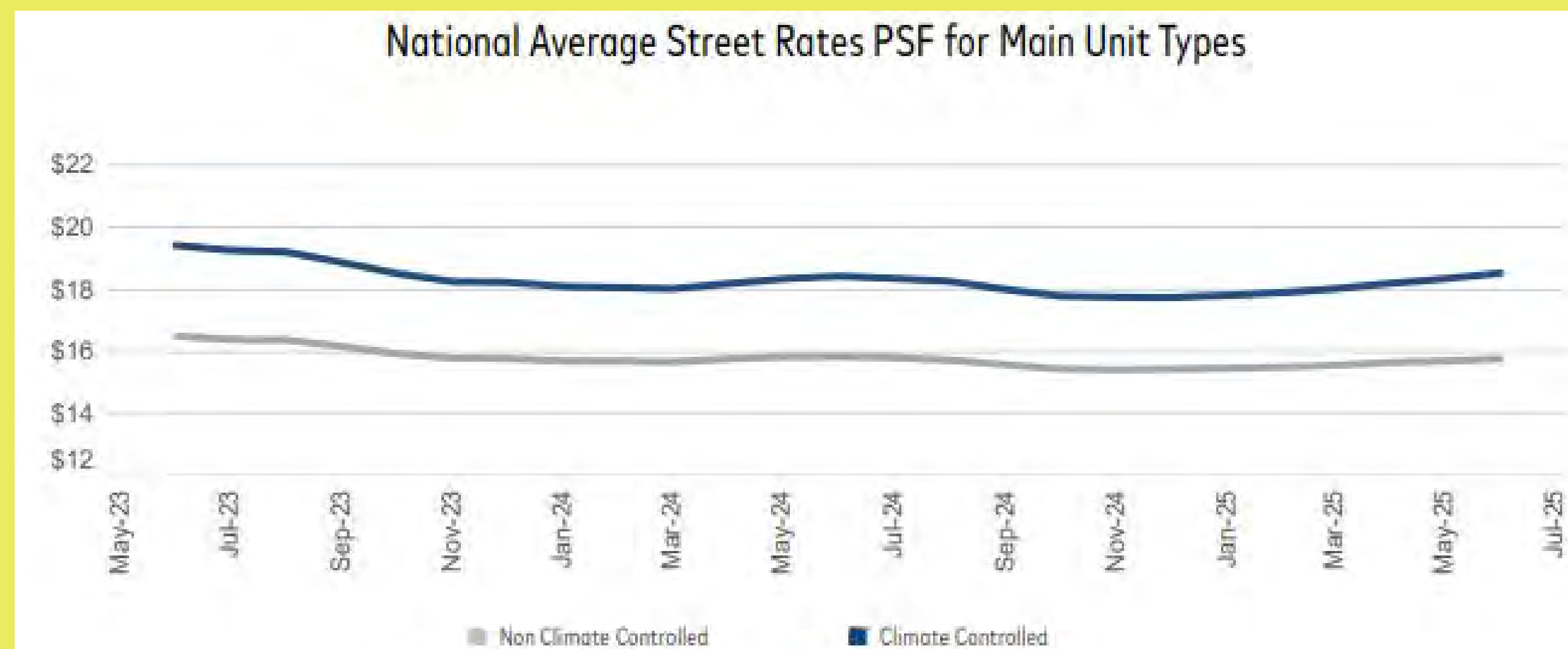
Source: Colliers, Procore Technologies

Self-Storage Forecast

- As of June 2025, 3,083 properties were in development, with 710 under construction (2.7% of inventory), down from 3,191 and 734 (2.9%) in March, showing a continued pipeline slowdown.
- National rents averaged $16.90 per SF in June, nearly flat YOY (-0.1%) but up from $16.51 in March (-0.2% YOY), signaling improving stability.
- From May to June, rents rose 0.7%, stronger than typical seasonal patterns and an improvement from Q1's month-to-month softness.
- Regional demand is driving growth: Chicago rents rose 2.9% YOY in June vs. 1.0% in March, while Minneapolis gained 1.3% vs. flat in Q1, underscoring Midwest momentum.

CREDE Perspective

Self-storage conditions in Q2 reflected modest growth, with regional rent gains in the Midwest contrasting with softer trends elsewhere. Development pipelines remain constrained, suggesting the sector will move cautiously through 2025, with broader momentum unlikely until demand strengthens more uniformly in 2026.



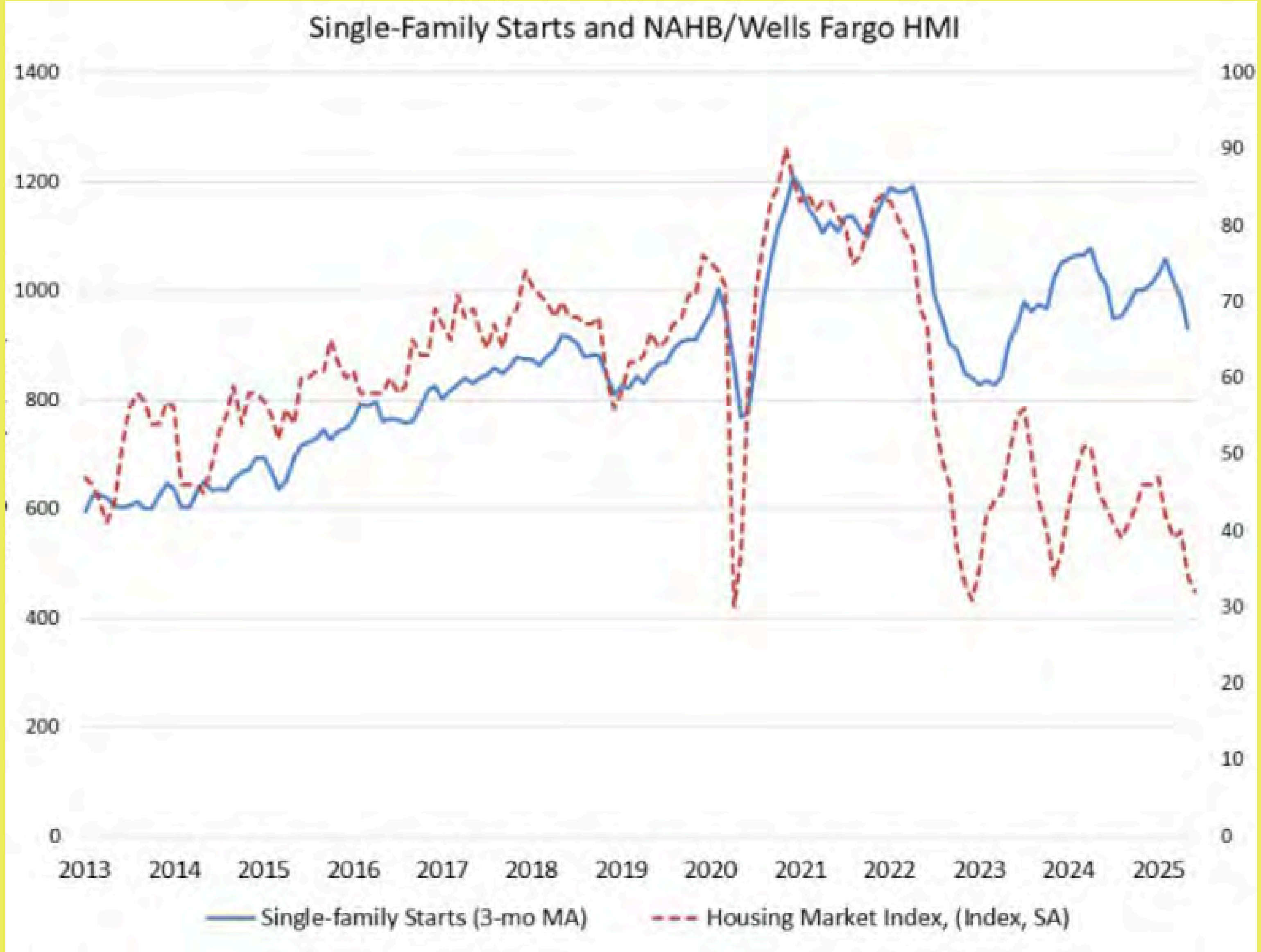
Source: Yardi Matrix, Karr-Cunningham Storage

Housing Demand

- Single-family starts rose 0.4% in Q2 to a seasonally adjusted annual rate of 924,000, but remain below Q1's 940,000 pace and down 7.3% year-over-year.
- Year-to-date, single-family starts are down 7.1%, a steeper drop than the 5.6% decline through Q1, reflecting a weaker spring market.
- Single-family homes under construction totaled 623,000 in Q2, down 7.6% year-over-year and slightly below Q1's 632,000 level.
- Single-family permits fell to an annualized rate of 898,000 in Q2, down 2.7% from Q1 and 6.4% year-over-year, signaling continued weakness ahead.

CREDE Perspective

Single-family starts stayed under pressure in Q2, with rates, tariffs, and affordability weighing on new groundbreakings. CREDE expects muted activity through late 2025 as most developers hold back until financing and costs improve, but land and entitlement work in key growth markets is positioning the sector for a stronger rebound in 2026.



Source: United Census Bureau, National Association of Realtors, Eye on Housing,

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