CREDE

CONSTRUCTION DATA ANALYSIS Q4 2024

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CREDE'S Market Outlook

As Q4 ends, the construction industry is poised for steady growth in 2025, driven by strong fundamentals. Total construction spending reached $1.47 trillion in 2024, reflecting a 10% rise in nominal value and a 12% increase in gross output. The sector continues to navigate economic pressures while leveraging opportunities in technology-driven development, infrastructure, and sustainability. Federal investments in transportation, energy, and manufacturing are shaping activity, while private developers adapt to shifting market demands. The Dodge Momentum Index shows consistent gains, signaling industry confidence. While speculative development has slowed, CREDE expects continued strength in data centers, healthcare, and select residential markets, supporting growth into 2025.

Residential construction remains a dynamic sector with single-family housing showing signs of resilience in response to the persistent housing shortage. CREDE expects modest gains in single family starts in 2025, particularly in high-growth states like Texas, Florida, and South Carolina, as developers respond to ongoing demand. While multifamily construction saw a decline in units under construction, the overall pipeline remains healthy with record net absorption and increasing investment, particularly in the build-to-rent and mixed-use sectors. Rising capital costs will continue to pressure developers, but targeted investments in high-demand regions will sustain activity.

CREDE'S Market Outlook (Continued)

The industrial sector is adjusting after a record construction boom, with new supply down 34% in 2024 and further declines expected in 2025. Despite this slowdown, demand remains strong in key logistics markets, driven by e-commerce and supply chain optimization. An anticipated 8% growth in new projects reflects a shift toward strategic expansion, with developers focusing on high-demand locations. CREDE expects major logistics hubs like Dallas-Fort Worth, Atlanta, and the Inland Empire to remain prime investment areas, while secondary markets may see more measured growth.

The hospitality industry is shifting its focus toward renovations, conversions, and experience-driven development to meet changing guest expectations. While new construction continues in urban and resort markets, many developers are focusing on adaptive reuse to maximize asset value. Rising construction and financing costs are driving reinvestment in existing properties, modernizing amenities, and enhancing efficiency. CREDE expects these trends to continue in 2025, with sustained demand in leisure and business travel fueling targeted investment in high-growth markets.

CREDE'S Market Outlook (Continued)

Infrastructure investment remains a stabilizing force, with federal and state funding driving growth in transportation, energy, and public facilities. Despite labor challenges and rising costs, demand for resilient infrastructure, renewable energy, and modernization of aging assets continues to shape the sector. CREDE expects infrastructure-driven projects to be a key industry driver in 2025, supporting long-term development, job creation, and economic expansion.

CREDE remains confident in the industry's resilience and growth potential in 2025. While cost pressures and financing constraints will shape the market, opportunities in infrastructure, industrial modernization, and mixed-use developments will drive momentum. Strategic investments, innovation, and long-term value creation will be key to navigating the evolving landscape. As market demands shift and technology advances, 2025 is poised to be a year of transformation, opportunity, and sustained growth across key sectors.

Architectural Billing Index – National

- Architecture firms experienced a decline in billings in December, as the AIA/Deltek Architecture Billings Index fell to 44.1, indicating continued market softness. A score below 50 signals contraction.

- After stability in October and November, billings declined at year-end. While new project inquiries grew steadily, the value of signed design contracts fell further in December.

- Western firms expanded for a third straight month, while the Northeast saw softer conditions. Institutional firms remain optimistic, driven by ongoing growth opportunities.

CREDE Perspective

CREDE anticipates steady construction activity in 2025 as queued projects advance. While the Architectural Billings Index suggests a slowdown, insights from our architectural partners indicate a different outlook with 2025 staffing plans reflecting a 15% to 20% increase, signaling stronger demand than current metrics suggest.

NATIONAL

Architecture firm billings weakened significantly in December

Graphs represent data from December 2023–December 2024.

Above 50 | Below 50 | No change from previous period

Source: The American Institute of Architects

Architectural Billing Index – By Sector

Graphs represent data from December 2023–December 2024 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.

- Architectural business conditions weakened in December across most regions, with the West remaining relatively stable.
- Billings across all architectural firm specializations continue to decline, reflecting ongoing challenges in securing new projects and maintaining steady revenue streams.
- Nearly 30% of firms cite inadequate construction budgets as the main cause of project delays, cancellations, or stagnation.

CREDE Perspective

CREDE sees the ABI as a market signal, not a predictor of slowdowns, reflecting design activity shifts rather than immediate construction trends. While recent declines suggest softer demand for new designs, they do not indicate a broader slowdown. Construction in 2025 will remain strong, supported by project backlogs, infrastructure investment, and high-demand sectors.

REGIONAL

Business conditions decline in all regions except the West

WEST	SOUTH	MIDWEST	NORTHEAST
52.2	47.2	46.4	41.7

SECTOR

Billings continue to decline across all firm specializations through the end of December

Commercial/ Industrial:	Institutional:	Residential:
44.1	49.8	46.5

Source: The American Institute of Architects

Architectural Billing Index – 2025 Forecast

- The AIA Consensus Construction Forecast projects minimal growth in construction spending, with increases just over 2% in 2025 and under 3% in 2026.

- Office construction is expected to see modest gains, while retail and other commercial sectors remain flat before slight growth in 2026. The hospitality sector is set for steady mid-single-digit growth in 2025, with stronger gains the following year.

- Institutional sectors, including healthcare and education, are projected to expand moderately, maintaining their role as steady drivers of construction activity.

CREDE Perspective

While overall growth remains modest, strategic firms can capitalize on resilient sectors. Hospitality and institutional development continue to thrive, driven by steady demand and long-term investment potential. Stabilization in office and retail signals a market moving toward equilibrium, laying the groundwork for future expansion.

	Actual $	Forecast % Change	
	2024	2025	2026
Nonresidential Total	741.3	0.3	0.2
Commercial Total	250.6	1.8	4.6
Office	100.5	2.5	4.0
Data Centers	27.7	24.2	21.0
Retail & Other Commercial	126.6	0.8	4.0
Hotel	23.4	4.0	10.1
Warehouse	60.9	-0.3	4.4
Manufacturing	231.5	-2.6	-5.4
Institutional Total	355.1	2.0	1.0
Health	68.0	-0.6	0.5
Education	128.6	1.0	1.4
Amusement & Recreation	39.9	5.2	-2.2

Source: The American Institute of Architects Consensus Forecast

Construction Backlog Indicator

- ABC's Construction Backlog Indicator held at 8.4 months in January, with the Western region seeing the strongest growth, while the South maintained the longest backlog despite a year-over-year decline.
- Despite a year-over-year decline, the South continues to hold the longest backlog of any region.
- Sales and profit margin confidence improved, signaling market optimism, while staffing levels dipped slightly. With all key indicators above 50, industry growth is expected in the next six months.

CREDE Perspective

The steady Construction Backlog Indicator signals market stability as contractors prepare for increased activity. Rising post-election sales confidence points to growth, with staffing expected to improve in early 2025. CREDE anticipates expansion, creating opportunities in infrastructure, healthcare, data centers, and adaptive reuse.

Construction Backlog Indicator

	January 2025	December 2024	January 2024	1-Month Net Change	12-Month Net Change
Total	**8.4**	**8.3**	**8.4**	**0.1**	**0.0**
Industry					
Commercial and institutional	8.6	8.2	8.6	0.4	0.0
Heavy industrial	6.7	8.5	10.9	-1.8	-4.2
Infrastructure	8.0	10.0	7.3	-2.0	0.7
Region					
Middle States	8.0	8.0	7.2	0.0	0.8
Northeast	7.5	7.5	8.7	0.0	-1.2
South	9.5	9.7	11.4	-0.2	-1.9
West	8.2	7.8	5.3	0.4	2.9
Company Size					
<$30 Million	7.5	7.6	7.2	-0.1	0.3
$30-$50 Million	9.1	8.6	9.2	0.5	-0.1
$50-$100 Million	10.2	9.2	10.9	1.0	-0.7
>$100 Million	11.5	11.2	13.0	0.3	-1.5

Source: Associated Builders and Contractors

Construction Spending - Through December 2024

- As of December 2024, construction spending rose 6.5% year-over-year, with all sectors growing between 6% and 7%.
- Growth is projected at 5.5%, reflecting continued expansion at a slightly slower pace as market conditions stabilize.
- Residential and infrastructure are expected to grow 7%, driven by housing demand and investment, while nonresidential buildings will see a modest 2% increase.

Source: Associated Builders and Contractors, Ed Zarenski.com

CREDE Perspective

Overall, we believe pricing has bottomed out, though general economic conditions and rising tariffs could influence future costs. We forecast developers working closely with contractors and suppliers to maximize supply chain efficiency and adapt to the evolving market landscape.

Forecasted New Construction Projects: Residential, Commercial, & Industrial

- Residential construction is projected to grow 12% in 2025, rebounding after two years of decline, driven by increased single-family and multifamily development and lower interest rates.
- After stagnating in 2024, commercial construction is projected to rise 7% in 2025, supported by improved financing and easing oversupply concerns.
- Despite a supply decline in 2024, industrial construction is poised for growth, driven by increased planned projects and sector investment.

CREDE Perspective

The 2025 construction outlook anticipates growth in residential, commercial, and potentially industrial sectors. Lower interest rates should drive single-family and multifamily demand, while commercial projects stabilize with better financing. Industrial construction remains uncertain, but forecasts suggest a possible rebound with increased planned projects compared to 2024.

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

	Actuals		Forecasts		
	2023	2024	2025	2026	2027
Single Family	201.56	206.42	233.55	262.58	290.38
Multi-Family	118.08	90.35	98.97	115.76	133.84
TOTAL RESIDENTIAL	319.64	296.78	332.52	378.35	424.23
(Yt/yr % change)	-14.5%	-7.2%	12.0%	13.8%	12.1%
Hotels/Motels	14.65	11.97	15.42	18.64	20.25
Shopping/Retail	14.77	13.11	16.46	19.3	21.39
Parking Garages	2.11	2.08	2.34	2.56	2.72
Amusement	9.23	12.45	11.34	11.85	12.51
Private Offices	33.59	34.98	35.68	36.98	38.91
Governmental Offices	16.19	16.39	16.74	17.12	17.66
Laboratories (Schools & Industrial)	4.98	5.22	4.65	4.75	4.86
Warehouses	22.97	20.58	24.26	25.76	27.14
Sports Stadium/Convention Center	9.95	11.86	10.11	10.84	10.65
Transportation Terminals	6.87	7.48	8.39	8.75	9.35
TOTAL COMMERCIAL	142.55	143.54	153.65	165.39	174.77
(Yt/Yr % change)	8.9%	0.7%	7.0%	7.6%	5.7%
TOTAL INDUSTRIAL (manufacturing)	104.64	54.82	65.24	63.51	63.22
(Yt/Yr % change)	-9.3%	-47.6%	19.0%	-2.7%	-0.4%

Source: Construct Connect

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

- Institutional construction is set to rise 5.3% in 2025, led by military and nursing home projects, which are expected to surge 56.4% and 36.5%, respectively, driven by increasing infrastructure demand.
- Total nonresidential building activity is projected to grow 8%, rebounding from 2024 declines, though at a more moderate pace as the market stabilizes post-pandemic.
- Civil engineering is expected to grow 5.3%, slowing from previous years, with power, oil and gas, and tunnel projects decelerating to 4.4% growth.

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

	Actuals		Forecasts		
	2023	2024	2025	2026	2027
Religious	1.12	1.26	1.25	1.29	1.35
Hospitals/Clinics	22.71	24.49	26.06	27.62	29.21
Nursing Homes/Assisted Living	2.88	2.41	3.28	3.51	3.64
Libraries/Museums	5.06	4.95	5.28	5.53	5.75
Courthouse	2.37	2.31	2.43	2.57	2.69
Police/Fire	6.04	5.79	6.03	6.29	6.53
Prisons	6.99	7.52	6.21	6.13	6.11
Military	16.18	9.58	14.99	16.12	16.83
Education Facilities	92.15	101.91	102.43	105.06	108.81
MED misc	9.46	9.56	10.86	11.35	11.88
TOTAL INSTITUTIONAL	163.98	169.79	178.85	185.53	192.83
(Yt/Yr % change)	15.6%	3.5%	5.3%	3.7%	3.9%
Miscellaneous Non-Res Building	7.21	7.45	8.22	8.77	9.29
TOTAL NON-RES BLD	411.2	368.2	397.7	414.4	430.8
(Yt/Yr % change)	5.9%	-10.5%	8.0%	4.2%	4.0%
Airport	10.26	14.32	10.35	10.93	11.56
Roads	95.27	99.98	110.65	116.71	122.49
Bridges	24.35	29.87	33.24	35.28	36.88
Dams/Canal/Marine	12.66	11.94	13.24	14.04	14.85
Water & Sewage Treatment	48.21	57.81	58.21	60.35	63.08
Misc Civil (Power, etc.)	40.42	59.70	62.32	67.96	71.17
TOTAL ENGINEERING	231.21	273.62	288.01	305.29	320.04
(Yt/Yr % change)	14.5%	18.3%	5.3%	6.0%	4.8%

Source: Construct Connect

CREDE Perspective

CREDE anticipates growth in institutional, nonresidential, and civil engineering sectors through Q2 2025. Institutional construction is rising with increased funding, nonresidential is stabilizing with improved financing, and civil engineering is advancing through infrastructure modernization, supporting long-term development.

Construction Input Pricing – Producer Price Index

- Construction input costs rose 1.4% in January 2025, with nonresidential inputs up 0.9%.
- Input costs remain elevated, up 1.3% year-over-year, driven by energy spikes. Crude petroleum rose by 14.8% in Q4 2024, with natural gas increasing by 13.7% and unprocessed energy materials up 13.0%.
- Rising energy costs, seasonal pricing adjustments, and preemptive purchasing ahead of potential tariffs fueled increased demand and higher costs.

Producer Price Index, January 2025

	1-Month % Change	12-Month % Change	Change Since Feb 2020
Inputs To Industries			
Inputs to construction	1.4%	1.3%	40.5%
Inputs to multifamily construction	0.8%	1.6%	40.3%
Inputs to nonresidential construction	0.9%	0.7%	40.5%
Inputs to commercial construction	0.5%	0.8%	40.9%
Inputs to healthcare construction	0.7%	1.0%	40.9%
Inputs to industrial construction	0.7%	1.3%	37.1%
Inputs to other nonresidential construction	1.1%	0.7%	40.4%
Inputs to maintenance and repair construction	1.8%	1.8%	39.1%
Commodities			
Adhesives and sealants	-0.3%	1.3%	35.4%
Brick and structural clay tile	0.7%	4.6%	32.0%
Concrete products	0.5%	3.6%	41.4%
Construction machinery and equipment	0.3%	0.8%	30.5%
Construction sand, gravel, and crushed stone	-0.2%	6.3%	42.3%
Copper wire and cable	0.7%	7.9%	41.4%
Crude petroleum	14.8%	8.4%	60.7%
Fabricated structural metal products	0.3%	-1.2%	53.8%
Gypsum products	-0.1%	5.5%	48.2%
Hot rolled steel bars, plates, and structural shapes	10.4%	2.8%	56.3%
Insulation materials	0.4%	5.6%	47.4%
Iron and steel	1.2%	-13.6%	39.9%
Lumber and wood products	0.0%	1.3%	25.8%
Natural gas	13.7%	21.3%	116.9%
Plumbing fixtures and fittings	1.0%	2.0%	20.5%
Prepared asphalt, tar roofing and siding products	-0.2%	1.7%	43.2%
Softwood lumber	-1.8%	9.5%	16.4%
Steel mill products	0.2%	-16.6%	43.1%
Switchgear, switchboard, industrial controls equipment	0.0%	5.3%	49.3%
Unprocessed energy materials	13.0%	10.5%	87.0%

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

CREDE Perspective

Input prices may rise through mid-2025 due to material demand and supply chain disruptions. However, stabilization in Q3 and Q4, driven by supply chain recovery and production adjustments, should improve cost predictability for development and construction projects.

Construction Costs – Historical Cost Index

- Q4 2024 saw fluctuating material prices stabilize from recent peaks but remain influenced by supply and demand shifts.
- Severe storms disrupted transportation and production of key materials like steel and concrete, highlighting supply chain vulnerabilities.
- Geopolitical tensions in the Middle East and Eastern Europe are straining steel and copper supplies, affecting global construction.

Source: Gordian

CREDE Perspective

CREDE expects cost volatility to persist, with labor as the main driver. Future tariff impacts remain uncertain, but material prices will fluctuate. Elevated costs are anticipated through Q2, as wage pressures continue to offset potential interest rate relief. Public sector investment will sustain activity, emphasizing the need for strategic procurement and efficiency.

National Average Cost of Construction Per Square Foot

Offices
- Prime: Low $255 / High $925
- Secondary: Low $165 / High $400

Retail
- Shopping Center: Low $165 / High $690
- Strip Mall: Low $115 / High $725

Hotels
- 5-Star: Low $405 / High $920
- 3-Star: Low $215 / High $660

Hospital
- General: Low $430 / High $1,200

Industrial
- Warehouse: Low $130 / High $305

Parking
- Ground: Low $55 / High $226
- Garage: Low $85 / High $315

Residential
- Multi-Family: Low $185 / High $625
- Single-Family: Low $195 / High $690

Education
- Elementary: Low $285 / High $895
- High School: Low $315 / High $750
- University: Low $435 / High $1,100

	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																														
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	335	560	205	335	205	450	165	275	500	780	370	500	430	895	140	230	95	145	155	275	205	470	280	560	315	470	360	500	445	895
Denver	350	575	250	350	200	350	185	275	460	625	320	425	685	950	125	195	125	200	175	280	200	355	230	465	325	475	400	610	625	700
Honolulu	365	605	225	355	285	585	265	440	695	840	400	635	535	905	130	270	160	215	185	295	280	480	315	590	535	885	550	750	685	1010
Las Vegas	270	470	190	255	165	640	150	345	420	775	250	425	530	635	80	160	80	105	100	190	200	475	235	470	435	540	515	705	670	885
Los Angeles	260	395	200	290	180	385	155	220	420	650	300	400	670	1015	140	210	115	145	160	215	255	420	225	400	400	520	340	600	500	680
New York	400	925	230	575	345	690	365	725	495	745	365	495	620	940	140	230	115	200	160	240	240	470	345	690	530	670	575	735	565	810
Phoenix	255	435	165	230	205	340	115	200	405	630	215	320	490	690	80	150	55	105	85	160	185	280	195	525	285	405	315	490	435	665
Portland	305	400	285	375	300	400	250	325	485	630	380	500	900	1200	220	305	220	260	240	315	275	385	295	440	490	600	530	700	600	800
San Francisco	440	750	340	540	320	530	250	420	560	920	410	660	720	1200	150	255	130	205	250	350	400	625	330	550	450	800	485	1000	630	1100
Seattle	350	630	235	330	265	425	200	325	465	705	330	465	620	880	175	245	130	195	205	300	275	465	255	390	430	645	365	645	565	775
Washington	335	555	230	365	180	325	150	245	430	665	280	440	510	1000	130	215	75	100	90	155	210	355	265	390	385	585	400	600	450	725

Source: Cushman & Wakefield, Rider Levett Bucknall

National Average Cost of Construction Per Square Foot (Continued)

- The national average for material costs in the U.S. decreased by -0.4% in Q4 2024 and increased by 0.6% over the past 12 months.
- With structural block, gypsum, cement, lumber, and ready-mix concrete rising at a slower pace, analysts expect less upward pressure on construction costs per square foot in 2025.
- Declining steel prices may help offset rising costs for high-rise and industrial projects, easing per-square-foot expenses in these sectors.

CREDE Perspective

While some anticipate stabilization, CREDE projects a 4%–6% cost increase in 2025 following a brief 2024 slowdown. Costs will remain lowest in the South and Midwest, especially in industrial and warehouse sectors where labor and materials are more favorable.

Date	NCCI
Q1 2021	211.90
Q2 2021	218.06
Q3 2021	221.36
Q4 2021	225.38
Q1 2022	228.93
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

Source: Rider Levett Bucknall, Statista.com

National Construction Building Cost Index

- In Q4 2024, the U.S. Construction Building Cost Index for nonresidential construction rose to 1442, driven by material prices, labor availability, and supply chain dynamics.
- The index grew 0.70% from Q3 2024, reflecting sustained cost pressures despite efforts to control expenses.
- Up 3.33% from Q4 2023, the increase highlights inflation, workforce shortages, and rising input costs in nonresidential construction.

Source: Turner Construction Company

CREDE Perspective

With construction spending projected to rise 2% in 2025, material price fluctuations and labor costs will be the primary budget challenges. Inflation, shifting demand, and interest rates will further drive cost escalation, making strategic cost management essential for project viability.

FED Projections – Q4 2024

- The economy grew at an annualized 2.2% in Q4 2024, with Q1 2025 projections revised up to 1.9% from 1.7%.
- Real GDP rose 2.7% in 2024, with a moderated but steady 2.2% growth expected in 2025.
- The unemployment rate rose to 4.0% in 2024 and is projected to reach 4.3% in 2025 before declining to 4.1% by 2027, indicating a temporary labor market adjustment before stabilization.

	REAL GDP (%)		UNEMPLOYMENT RATE (%)		PAYROLLS (000S/MONTH)	
	PREVIOUS	NEW	PREVIOUS	NEW	PREVIOUS	NEW
Quarterly data:						
2024:Q4	1.7	2.2	4.3	4.2	125.4	138.8
2025:Q1	1.7	1.9	4.3	4.2	128.7	123.7
2025:Q2	1.8	1.8	4.3	4.3	116.2	117.2
2025:Q3	2.2	2.2	4.3	4.2	145.8	114.2
2025:Q4	N.A.	2.0	N.A.	4.3	N.A.	128.2
Annual data (projections are based on annual-average levels):						
2024	2.6	2.7	4.1	4.0	210.1	208.4
2025	1.9	2.2	4.3	4.3	130.0	134.1
2026	2.3	2.1	4.2	4.2	N.A.	N.A.
2027	2.0	2.1	4.2	4.1	N.A.	N.A.

Source: Federal Reserve Bank of Philadelphia

CREDE Perspective

CREDE sees the FED's 2.2% GDP growth and 4.3% unemployment forecast as signs of a steady but shifting market. With rising financing costs, developers should prioritize durable assets like build-to-rent, mixed-use, and data centers for long-term returns.

Lumber Pricing Insights

- Lumber closed Q4 2024 at $550 per thousand board feet, rising 10.99% ($60.47) in early 2025, signaling increased cost pressures.
- North American lumber output fell by 3.1 billion board feet in 2024, with Canadian sawmills hit hardest by rising U.S. tariffs, which may more than double from 14.5%.
- Higher U.S. tariffs on Canadian and Mexican lumber and gypsum are expected to drive up material costs, further pressuring construction pricing.

Lumber (USD/1000 board feet)

Source: Trading Economics, CoreLogic, S&P Global

CREDE Perspective

CREDE anticipates rising and volatile lumber prices in 2025 due to tight supply, tariffs, and strong demand. Developers should prepare for cost fluctuations, consider alternatives, and optimize procurement amid ongoing pricing uncertainty.

Steel Pricing Insights

- Hot-rolled coil (HRC) prices averaged $697 per metric ton in Q4 2024, stabilizing after a decline to $684 in the previous quarter.
- The cold-rolled steel sheet and strip index fell from 324.700 in October to 322.156 in December 2024.
- Structural steel prices remained flat in Q4 2024 compared to Q3, but experienced a 14.07% year-over-year decrease.

CREDE Perspective

Steel prices in 2025 are expected to fluctuate, with some forecasts citing excess supply for potential declines. However, CREDE projects rising prices for long steel products like rebar and wire rod, driven by strong construction and infrastructure demand, peaking in Q2.

Source: Steel Market Update, Gordian, Reuters

PVC Pricing Insights

- The North American PVC market trended downward in Q4 2024 due to weak demand and oversupply, driving price reductions.
- By December 2024, the price of PVC Pipe Grade FOB Texas declined to $736/MT, reflecting the cumulative impact of excess inventory, lower manufacturing activity, and subdued purchasing trends in the market.
- Prices dropped 9.5% from $813/MT in Q3 to $736/MT in December, reflecting a significant market downturn.

Source: Business Analytiq, Chem Analyst, Procurement Resource

CREDE Perspective

CREDE anticipates a PVC price decline in early 2025 due to oversupply and weak demand, with a rebound expected as inventories stabilize and construction activity increases in the second half of the year.

Construction Inflation

- The average nonresidential building inflation rate fell to between 0.0% and -0.5% in Q4 2024, down from 0.5% in Q3, signaling stagnation or slight cost reductions.
- Warehouse, School, and Industrial sectors stabilized, while Office and Healthcare saw slight declines, with all sectors remaining between 0.0% and -0.5%.
- No sector experienced inflation growth in Q4 2024, reflecting a continued slowdown from the 2021-2022 inflation spikes.

Source: CoreLogic, Ed Zarenski

CREDE Perspective

CREDE anticipates inflation stabilization, but material cost fluctuations and rising labor expenses will persist. Higher labor, equipment, and overhead costs will continue driving construction expenses upward into 2025, reflected in the projected 3.33% year-over-year increase in the National Construction Building Cost Index.

National Labor Outlook

- December's employment report closed 2024 strong, with 256,000 jobs added, bringing the annual average to 186,000 per month, in line with pre-pandemic trends (2016–2019).
- The unemployment rate fell to 4.1% in December from a mid-year peak of 4.3%, while jobless claims, layoffs, and involuntary part-time work remained steady.
- Average hourly earnings rose 3.9% year over year, with service sector wage pressures easing, supporting the Fed's stance that wage growth is no longer a key inflation driver.

Source: US Bureau of Labor Statistics, The Conference Board

CREDE Perspective

CREDE anticipates a stable labor market in 2025, sustaining construction demand despite skilled labor shortages driving higher wages. Declining unemployment and steady job indicators reflect a resilient economy, supporting commercial and industrial investment, though worker shortages may keep costs elevated.

Construction Industry Labor Outlook

- Construction employment increased across all sectors in 2024, with residential jobs up 61,000 (+1.9%), nonresidential building jobs rising 134,000 (+3.7%), and non-building infrastructure adding 29,000 (+2.6%).

- Construction activity grew steadily, with residential up 2.7%, nonresidential buildings rising 3.3%, and non-building infrastructure increasing 3.5%, reflecting sustained demand.

- From 2021 to 2024, construction employment grew 13%, outpacing the 6% rise in work volume, particularly in non-building infrastructure, where job growth slightly exceeded output gains.

Source: National Center for Construction Education and Research, Ed Zarenski

CREDE Perspective

CREDE anticipates construction job growth in 2025, but skilled labor shortages will remain the primary cost driver. Strength in nonresidential and infrastructure sectors may lead to higher wages and productivity challenges, further increasing construction costs.

Container Shipping Outlook

- Spot rates from the Far East to the U.S. East Coast have jumped 26% since mid-December to $6,800 per FEU, with carriers planning surcharges up to $3,000 per FEU.
- Averting strikes at U.S. East and Gulf Coast ports has prevented major supply chain disruptions.
- With a tentative six-year contract in place, port closures from Maine to Texas were avoided, ensuring operations and stabilizing or lowering ocean freight rates.

Source: Xeneta, Freightos Terminal - FBX

CREDE Perspective

CREDE expects ocean freight rates to remain stable through Q2 2025, though surcharges and supply chain shifts may drive volatility. Averted port strikes ensure material flow, but elevated costs and geopolitical risks could still disrupt supply chains. If rates stay high, material costs may increase, though stable ports support long-term reliability.

Energy Outlook

- Brent crude is expected to average $74 per barrel in 2025 as global production increases by 1.6 million barrels per day.
- U.S. crude output will grow, while reduced refining lowers net crude imports by over 20% to 1.9 million b/d.
- Henry Hub natural gas prices are projected to rise from $2.00/MMBtu in November to an annual average of $3.00/MMBtu in 2025.

Source: U.S. Energy Information Administration

CREDE Perspective

CREDE expects Brent crude prices to remain stable in Q1 2025 as rising production meets demand. Moderate natural gas increases may raise costs for energy-intensive materials, while steady oil prices help manage fuel and transport expenses. However, higher gas prices could strain manufacturing and supply chains.

Insurance Marketplace Realities

- Rising claim costs and evolving risks are prompting insurers to tighten policy terms, exclusions, and contractual risk transfers, particularly for modular construction, mass timber, and design-build projects.
- Contractors face rising insurance costs and capacity limits, especially for high-risk projects. While rates have stabilized for lower-risk profiles, large auto fleets, New York construction, and wood-frame projects still see higher premiums and stricter underwriting.
- High-severity risk contractors are turning to captive insurance and alternative risk transfer methods as market appetite for large liability exposures remains limited.

CREDE Perspective

CREDE expects contractors to prioritize strategic risk management amid rising insurance costs and capacity limits. Stricter underwriting will require stronger safety and risk controls, with more firms turning to captives and CIPs to manage premiums.

	Trend	Range
General liability	↗	+5% to +15%
Auto liability and physical damage	↗	+10% to +15%
Workers compensation	↑↑	Flat to +5%
Umbrella (lead)	↗	+5 to +15%
Excess	↗	+10% to +15%
Non-High Hazards Nat Cat Project Specific Builders Risk	↗	+5% to +10%
High Hazard Nat Cat Project Specific Builders Risk	↗	+10 to +20%
Master Builders Risk/ Contractors Block	↗	+5% to +10%
Professional liability	↑↑	Flat to +5%
Project Specific/ Controlled Insurance Programs for Excess	↗	Flat to +10% / +5% to +30%
Subcontractors Default Insurance (SDI)	↑↑	Flat to +5%

Source: Willis Towers Watson plc.

Multi-Family Forecast

- Net absorption surged 13% quarter-over-quarter and 118% year-over-year to 183,600 units, the highest Q4 on record, exceeding the pre-pandemic average by 12%.
- Q4 completions reached 114,000 units, bringing the 2024 total to a record 450,400 units, up 8% from 2023.
- Multifamily investment rose 19% year-over-year to $142.6 billion, with Q4 volume jumping 59% to $43.4 billion.
- Strong renter demand outpaced supply, lowering the multifamily vacancy rate to 4.9%, below the long-term 5.0% average.
- Effective rent growth edged up 0.5% year-over-year in Q4 and is expected to accelerate as occupancy strengthens.

Source: FreddieMac, CBRE Inc.

CREDE Perspective

CREDE expects multifamily deliveries to surpass 2024's 450,400 units, driven by a strong pipeline and ongoing projects. Increased supply will raise vacancies in high-delivery markets and temper rent growth. Despite rising costs and labor shortages, development will remain strong, sustaining elevated supply into 2026.

Industrial Forecast

- New supply fell to 400 million SF in 2024, down 34% from 2023's record 607 million SF, accelerating market stabilization. Deliveries are expected to drop further to 200 million SF in 2025.

- Net absorption hit 168 million SF in 2024, the lowest since 2015, but gained momentum in Q4. Demand is projected to exceed 200 million SF in 2025, returning to pre-pandemic levels.

- Year-end construction volume fell to 295 million SF, down 34% from 2023 and 59% below the 2022 peak. Development is expected to stabilize near 270 million SF by late 2025.

- After nine quarters of double-digit growth, warehouse rents rose 5% to $10.12/SF in 2024. As the market normalizes, rent increases are expected to slow to 2%-5% in 2025, aligning with historical trends.

CREDE Perspective

CREDE anticipates a continued decline in industrial supply, down 34% in 2024 with further reductions in 2025. However, an 8% rise in new construction suggests delayed projects are resuming. Investors should target key logistics hubs—Inland Empire, Dallas-Fort Worth, Atlanta, and Northern New Jersey—where demand remains high and supply is constrained.

Source: Colliers U.S. Industrial Market Statistics

Hospitality Forecast

- The hotel construction pipeline has grown to 6,378 projects and 746,986 rooms, increasing 7% and 8% year-over-year (YOY), respectively.
- As of Q4 2024, 1,149 projects (142,238 rooms) are under construction, with 2,259 projects (259,108 rooms) set to break ground in 2025.
- Planning activity hit record levels with 2,970 projects and 345,640 rooms, reflecting a 15% increase in projects and 19% growth in rooms YOY.
- Despite a Q4 dip, renovation remains strong with 661 projects (127,080 rooms), while total renovation and conversion projects reached 1,997 projects (255,816 rooms).

UNITED STATES HOTEL SUPPLY GROWTH 2021-2026

	Prior Hotel Oppenings				Construction Pipeline		Forecast For New Openings	
	2021	2022	2023	2024	2024 Total Pipeline		2025	2026
Chain Scale	Growth Rate %				Projects	Rooms	Growth Rate %	
LUXURY	4.0	2.4	1.2	2.3	90	20,878	2.1	1.1
UPPER UPSCALE	2.7	1.1	1	1	338	66,356	1.2	1.2
UPSCALE	4.1	1.9	1.5	1.8	1,471	182,474	2.2	2.6
UPPER MIDSCALE	2.7	1.6	1.7	1.8	2,354	227,845	2.2	2.5
MIDSCALE	1.6	0.9	1	1.4	957	80,436	1.8	2.7
ECONOMY	0.3	0.4	0.5	0.7	361	34,099	0.8	0.9
UNBRANDED	0.4	0.2	0.3	0.4	754	117,274	0.5	0.7
CASINOS	1.4	0.4	2.7	0.8	53	17,624	1.4	0.8
U.S. TOTAL	2.0	1.0	1.1	1.2	6,378	746,986	1.5	1.7

Source: Lodging Econometrics, Hotel Investment Today

CREDE Perspective

CREDE anticipates continued hospitality growth, driven by renovations, conversions, and adaptive reuse to meet evolving traveler demands. While new construction remains steady, developers will target high-demand markets like Miami, Los Angeles, Austin, Nashville, and Phoenix. Higher capital costs will drive redevelopment for greater value and efficiency.

Life Science Forecast

- Net absorption exceeded 920,000 square feet in Q4, but the lab and research and development vacancy rate rose 1.2 points to 19.7% due to 3.4 million square feet of unoccupied new space, the smallest increase since Q3 2022.
- Lab and research and development construction fell to 12.1 million square feet, the lowest since early 2020. In the fourth quarter, 5 million square feet was completed, with 32 percent preleased.
- Leasing activity increased 10% quarter over quarter to 3.4 million square feet, with new leases and expansions up nearly 22 percent. Annual leasing volume rose 23 percent to 11.7 million square feet.

CREDE Perspective

CREDE expects a life science construction slowdown through mid-2025 as lab and research development retracts due to tightened startup funding. However, large-scale manufacturing remains strong, and with funding stabilizing, demand will rise, easing oversupply. Developers are prioritizing preleased and build-to-suit projects, while strong leasing in key markets drives investment.

Source: CBRE Research, Globest

Data Center Forecast

- U.S. colocation capacity surged 47.5 percent year-over-year in Q4 2024, driven by demand for high-performance computing, cloud services, and digital transformation.
- AI expansion continues to fuel data center growth, pushing vacancy rates to a record low of 2.8 percent and prelease rates to 90 percent, underscoring the need for further development.
- In-progress construction is set to reach a record 4,750 megawatts, while net absorption hit 1.8 gigawatts in Q4 2024.
- Despite record deliveries, vacancy rates remain historically low, reflecting strong demand and limited supply.

CREDE Perspective

CREDE forecasts strong data center growth in 2025, fueled by AI, cloud demand, and digital transformation. However, power infrastructure constraints, including energy shortages and transmission delays, may impact timelines. Northern Virginia, Dallas-Fort Worth, Chicago, and Phoenix remain prime investment markets, with power access critical to site selection and feasibility.

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

Office Forecast

- The U.S. vacancy rate fell 10 basis points in Q4 to 17.6 percent, maintaining stability in 2024 amid limited development. Class A vacancy declined to 20.9 percent but remains 100 basis points above last year.
- Q4 saw 2.6 million square feet of positive net absorption, the first increase in over two years, reducing the year-to-date total to negative 22.8 million square feet, just one-third of 2023's space return.
- The development pipeline has dropped well below its 150.7 million square foot peak in Q3 2020, signaling slower new supply.
- Average asking rents reached $37.12 per square foot in Q4, down 0.1 percent from Q3 but up 0.5 percent year over year, reflecting moderate pricing resilience.

Source: Colliers

CREDE Perspective

CREDE anticipates 2025 office construction will focus on build-to-suit projects, renovations, and adaptive reuse over speculative development. High vacancy rates will curb traditional projects, but demand will remain in high-growth submarkets and for modernizing outdated spaces. Mixed-use and residential conversions will also reshape the office market.

Self-Storage Forecast

- As of December 2024, 3,305 self-storage properties were in development nationwide, including 790 under construction, 2,053 planned, and 462 prospective. The under-construction pipeline accounted for 3.1 percent of total inventory, down 10 basis points from November.
- Advertised rental rates fell 1.2% year-over-year in January 2025, with an average of $16.32 per square foot. This marks an improvement from declines of 2.2 percent in December and 2.4 percent in November 2024.
- The U.S. self-storage market is set to add 56.2 million square feet in 2025, a 2.2 percent decline from 2024.

CREDE Perspective

CREDE anticipates a slowdown in self-storage construction through the first half of 2025, tightening supply and driving rental growth. Tucson, San Antonio, Fort Worth, Austin, and Miami remain prime markets for new development, supported by population growth and strong demand. While adaptive reuse and mixed-use projects persist, these cities present key opportunities for ground-up construction.

Source: Yardi Matrix, Karr-Cunningham Storage

Housing Demand

- Housing starts jumped 15.8% to a seasonally adjusted annual rate of 1.50 million units, the highest since February 2024.
- Total housing starts in 2024 reached 1.36 million, down 3.9% from 2023, while single-family starts rose 6.5 percent to 1.01 million units.
- Single-family completions increased 2.2% in 2024, while multifamily completions surged 35 percent.

Source: National Association of Realtors, Eye on Housing

CREDE Perspective

Despite an annual decline, December's housing starts showed strong growth, indicating potential momentum. CREDE expects continued increases in early 2025, with modest single-family expansion driven by housing shortages and economic stability. Strong employment and wage growth should sustain demand, particularly in Texas, South Carolina, Florida, and Arkansas.

CREDE

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