# CREDE

## CONSTRUCTION DATA ANALYSIS Q1 2025

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# CREDE'S Market Outlook

As we move into 2025, the construction industry, on the surface, is facing a more complicated landscape. The return of tariffs, particularly on imported steel, aluminum, and critical manufacturing components, is driving material costs higher and creating ripple effects throughout the supply chain. Combined with tighter financial conditions, this is putting real pressure on project budgets at a time when owners and developers are already navigating rising interest rates and stricter underwriting requirements. The current environment is reshaping how we approach planning, bidding, and execution. It demands earlier engagement, sharper cost control, and a more deliberate focus on strategy, risk, and long term value at every stage of development.

That said, we continue to see opportunity. While tariffs and their effects may seem daunting, the true impact averages between 1.5% to 3% of total project cost. Although total construction spending remains healthy at 2.2 trillion dollars, much of this is concentrated in public infrastructure and energy investments. We have seen the backlog for multifamily, industrial, self storage, and hospitality projects burn off, and both design firms and contractors are reaching out to us in search of work. In our opinion, now is the time to lean in if you are focused on these sectors, as we are seeing cost reductions and talent concentrating on early movers.

# CREDE'S Market Outlook (Continued)

At the same time, we are seeing resilience in sectors supported by long term demand drivers. These include data centers tied to artificial intelligence and cloud expansion, healthcare facilities responding to demographic trends, institutional projects aligned with population shifts, and residential developments in supply constrained markets. As demand continues to build, these sectors may also see pricing pressure return in 2026 and beyond, further underscoring the opportunity for early investment and strategic positioning.

Data centers continue to outperform other asset classes. This sector is no longer just about location and fiber. It is about power, scale, and speed to market. Markets like Dallas-Fort Worth, Las Vegas, Columbus, and Reno are gaining momentum as developers pivot toward sites with reliable energy access, available workforces, and entitlements in place. With AI and compute heavy workloads driving demand, success will come to those who plan for energy from the outset. CREDE is actively supporting clients in this space with a focus on entitlement readiness, power coordination, and long range planning.

# CREDE'S Market Outlook (Continued)

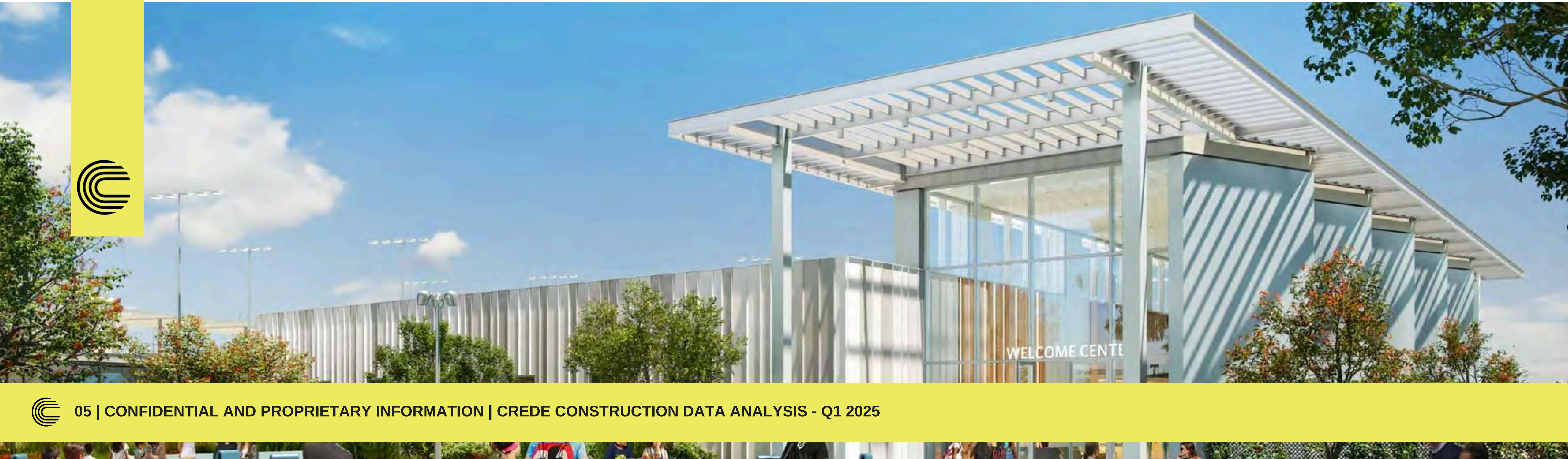
The industrial market is entering a more selective phase for big box development. Demand for logistics space remains intact, but new development is clearly slowing, with speculative activity pulling back and pipelines thinning. Shallow bay light industrial is emerging as the new focus, both for ground-up development and for modernizing existing parks. Well positioned projects in supply constrained areas will lead the next cycle once vacancy levels stabilize.

Hospitality remains strong in the luxury sector for ground-up development, with continued interest from both operators and capital sources. We are seeing brands agree to delay required property upgrades until the FF&E market stabilizes, allowing for better pricing and availability of materials. This momentum reflects a broader understanding of value creation for the customer through distinctive renovation strategies and the introduction of new product that enhances brand identity and guest experience.

# CREDE'S Market Outlook (Continued)

Infrastructure remains one of the most reliable drivers of construction activity through the start of 2025. Federal and state funding is flowing into transportation, water systems, and energy resilience, generating real momentum in civil construction. We are seeing strong gains in bridges, airports, and utilities—projects that not only address aging infrastructure but also support long-term growth and regional competitiveness. At CREDE, we are tracking this activity closely and positioning our teams to support both public and private efforts where speed, coordination, and accountability matter most.

Each sector is focused on a return to fundamentals. Cost pressures are real—both on the labor and material side. While some material costs have come down, securing the right workforce and team is critical. Tighter timelines are making predictability essential, along with long term real estate strategies that can endure short term volatility. At CREDE, we are encouraging our clients to take a proactive stance: secure entitlements early, manage costs carefully, and keep projects moving forward. 2025 is not a time to wait and see. It is a time to act with discipline and clarity. The projects that are best prepared will lead the way.

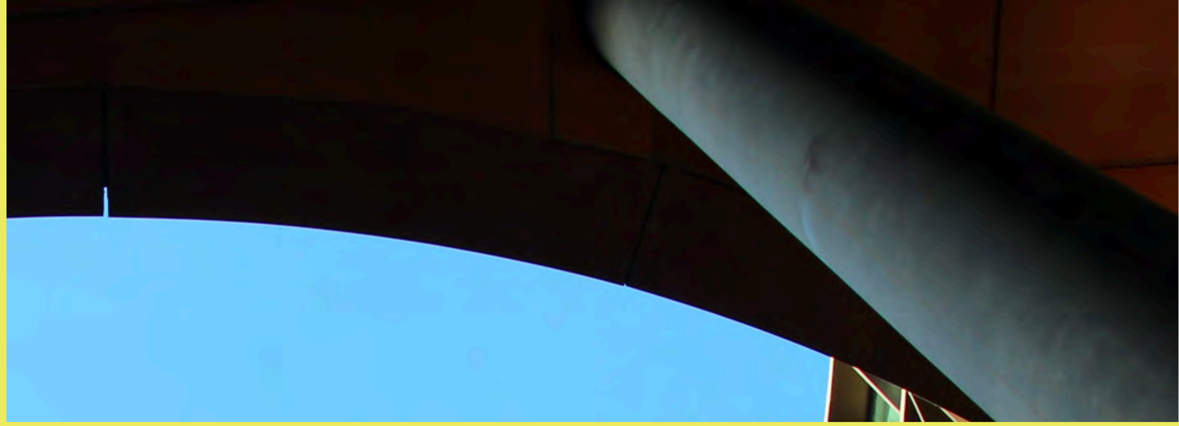


# Architectural Billing Index – National

- The Architecture Billings Index declined to 44.1 in March, with more firms reporting reduced billings from the previous month.
- Since dropping below 50 in October 2022, billings have declined in 27 of the past 30 months, highlighting sustained weakness in design activity and limited momentum across many sectors.
- Forward-looking indicators remain soft, with inquiries down for a second month and design contract values declining for the thirteenth consecutive month.

## CREDE Perspective

Billings remain soft, with the exception of luxury hospitality, data centers, and infrastructure. Our partners in the architecture and engineering space are reaching out for work, so now is a good time to take advantage of the softened pipeline to secure the best costs and talent.

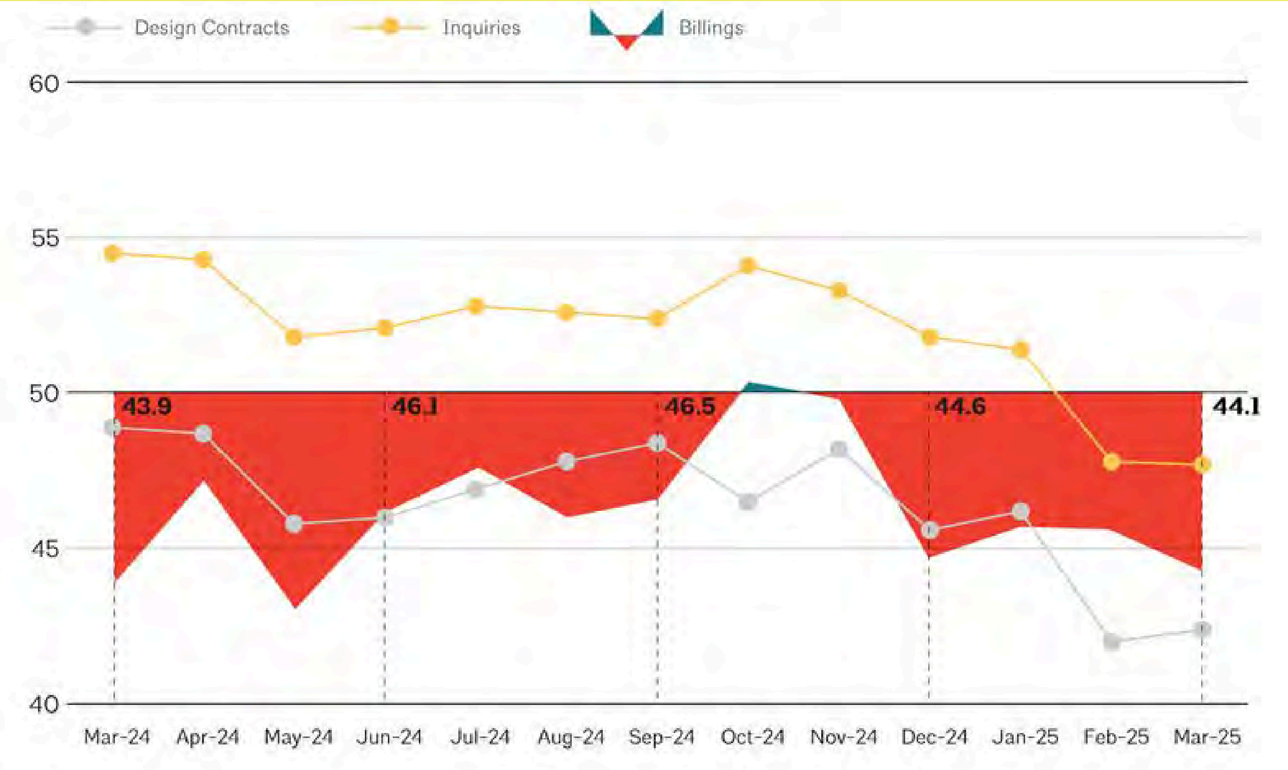


## NATIONAL

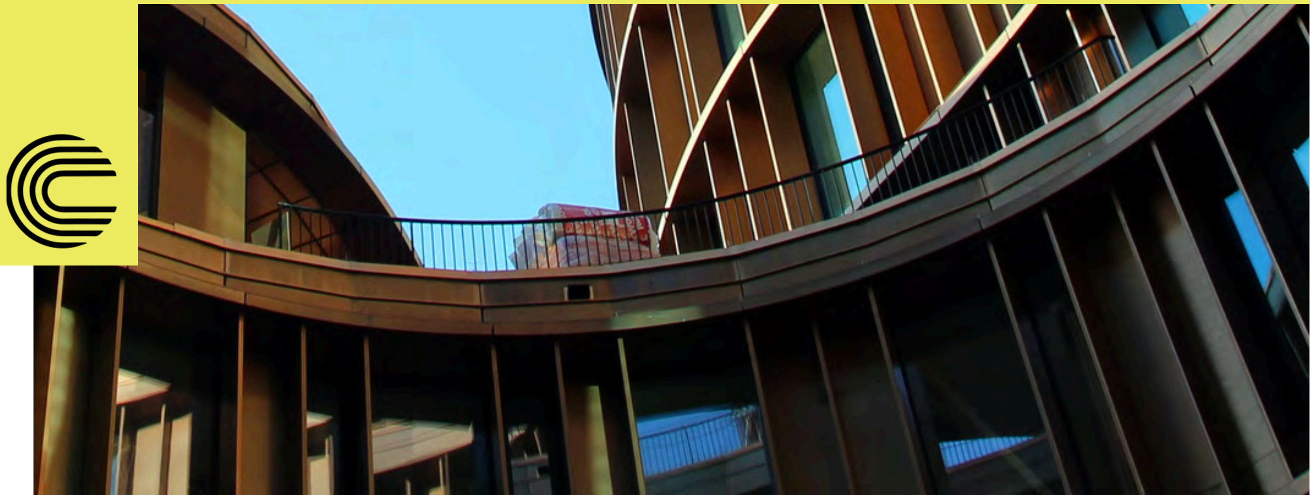
**Architecture firm billings weakened significantly in December**

*Graphs represent data from March 2024–March 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 March 2024–March 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.*

- Billings declined across all regions in March, with the Northeast weakest for the sixth straight month; the South saw the smallest drop.
- Firms across all specializations reported weak business conditions, with those focused on multifamily residential continuing to face the greatest softness.
- Billings at institutional firms have slowed recently, but projects driven by population growth, including education and healthcare, continue to show relative strength.

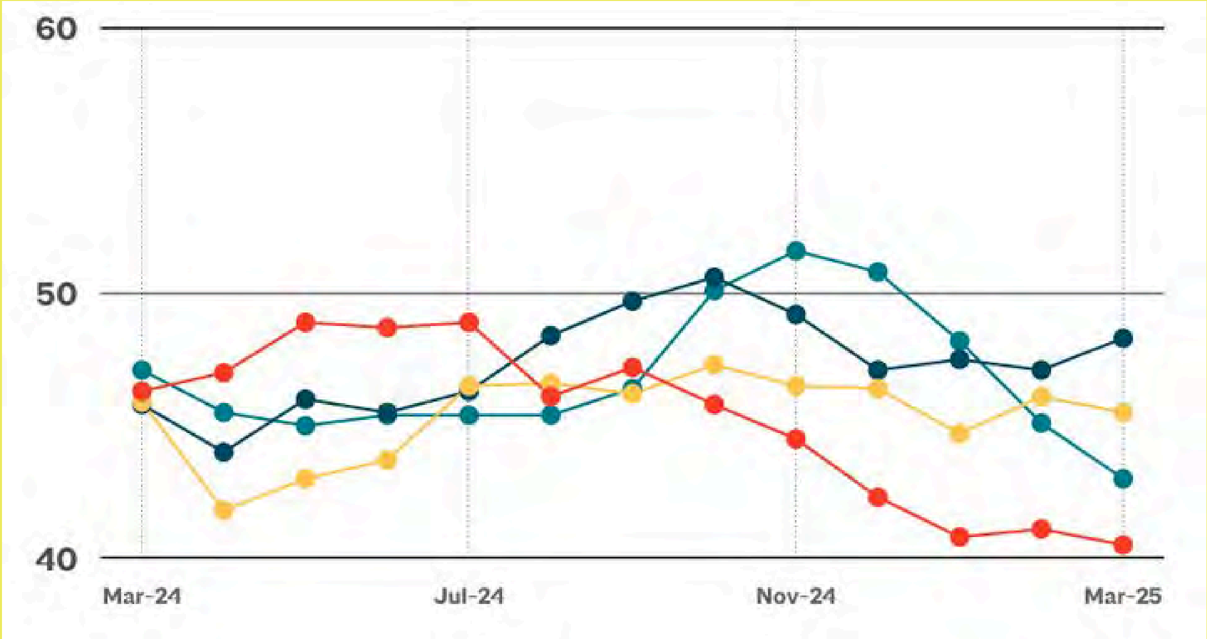
## CREDE Perspective

With billings declining across all regions, we see an opportunity for developers to focus on entitlement, feasibility, and early-phase infrastructure planning. The softness in multifamily highlights the need for strategic timing and disciplined preparation, with market momentum expected to begin shifting in late 2025 or early 2026.

## REGIONAL

Firms located in the South reported the smallest decline in billings

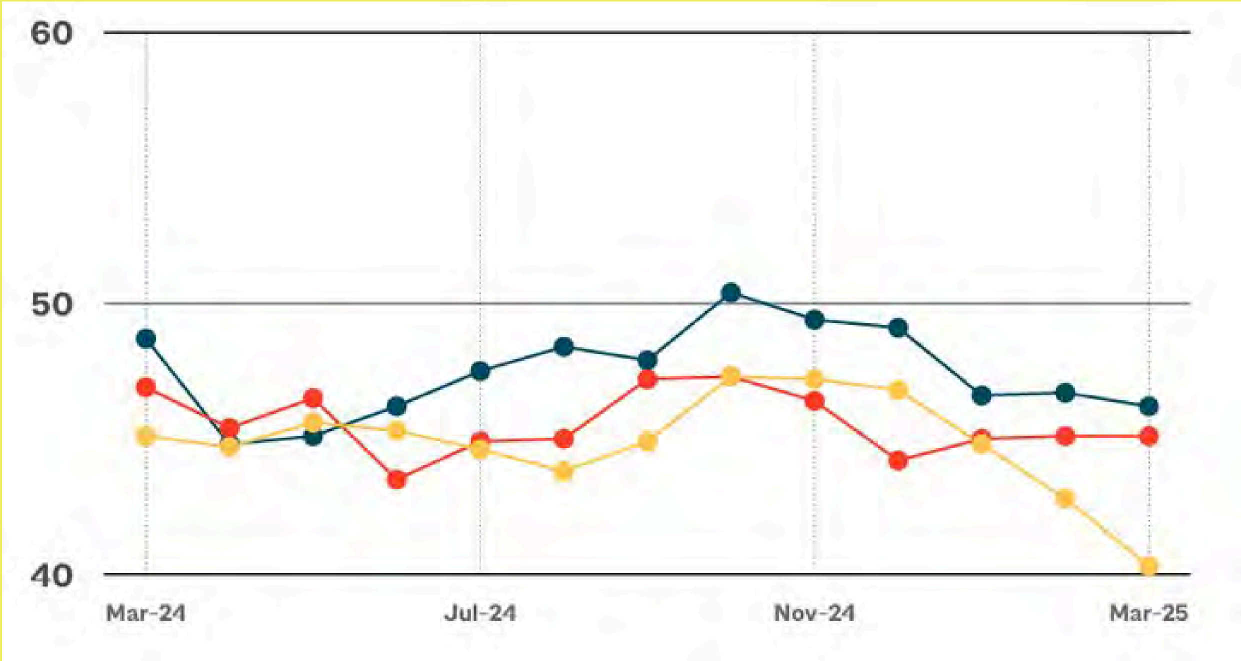
| WEST | SOUTH | MIDWEST | NORTHEAST |
|---|---|---|---|
| 43.0 | 48.3 | 45.5 | 40.5 |




## SECTOR

Business conditions also remained weak at firms of all specializations

Commercial/ Industrial: 45.1
Institutional: 46.2
Residential: 40.3




*Source: The American Institute of Architects*

# Architectural Billing Index – 2025 Forecast

- Total nonresidential construction spending, after seeing solid growth in 2023 (~20%) and 2024 (~6%), is forecast to decline by -2.4% in 2025 and -2.9% in 2026.

- Commercial sector projections are mixed, with offices stabilizing (+0.3% in 2025, +1.8% in 2026), retail continuing to contract (-6.4%, -2.8%), and hotels showing strong growth (+12.5%, +16.4%).

- The outlook is shaped by potential tariffs and stricter immigration policies, with tariffs likely causing modest 2%-3% cost increases. The larger, ongoing risk of cost escalations is the shortage of skilled labor.

| | Actual $ | Forecast % Change | |
|---|---|---|---|
| | 2024 | 2025 | 2026 |
| Nonresidential Total | 765.8 | -2.4 | -2.9 |
| Commercial Total | 215.3 | -1.8 | 1.4 |
| Office | 84.2 | 0.3 | 1.8 |
| Data Centers | N/A | N/A | N/A |
| Retail & Other Commercial | 108.3 | -6.4 | -2.8 |
| Hotel | 22.8 | 12.5 | 16.4 |
| Warehouse | 60.8 | -8.6 | -4.2 |
| Manufacturing | 229.9 | -11.2 | -15.0 |
| Institutional Total | 292.9 | 3.6 | 1.3 |
| Health | 67.8 | 1.0 | 4.1 |
| Education | 128.6 | 5.4 | 3.0 |
| Amusement & Recreation | 40.2 | 3.6 | -2.5 |

*Source: S&P Global, Market Intelligence Construction Forecast*

## CREDE Perspective

Institutional and hospitality sectors present the strongest opportunities through 2026. Industrial is contracting, with further pullback expected before stabilizing. Office and retail remain fragile, requiring a highly selective approach. CREDE is focusing on resilient sectors with clear demand, such as university-backed student centers and destination resorts.

# Construction Backlog Indicator

- ABC's Construction Backlog Indicator rose to 8.52 months in March, with the South increasing to 10.29 months and maintaining the longest backlog nationally due to the allocation to mega projects.
- All key confidence indicators remained above 50, supporting continued expectations for industry growth over the next six months.
- Staffing level confidence improved to 64.2, reversing last quarter's dip and reflecting renewed hiring momentum.

Construction Backlog Indicator

| | March 2025 | February 2025 | March 2024 | 1-Month Net Change | 12-Month Net Change |
|---|---|---|---|---|---|
| **Total** | **8.5** | **8.3** | **8.2** | **0.2** | **0.3** |
| ***Industry*** | | | | | |
| Commercial and institutional | 8.7 | 8.6 | 8.5 | 0.1 | 0.2 |
| Heavy industrial | 7.4 | 7.2 | 8.8 | 0.2 | -1.4 |
| Infrastructure | 9.5 | 8.0 | 6.8 | 1.5 | 2.7 |
| ***Region*** | | | | | |
| Middle States | 7.4 | 6.9 | 8.0 | 0.5 | -0.6 |
| Northeast | 8.0 | 7.9 | 7.4 | 0.1 | 0.6 |
| South | 10.3 | 10.1 | 9.7 | 0.2 | 0.6 |
| West | 7.4 | 7.6 | 7.8 | -0.2 | -0.4 |
| ***Company Size*** | | | | | |
| <$30 Million | 7.4 | 7.2 | 7.7 | 0.2 | -0.3 |
| $30-$50 Million | 9.6 | 8.8 | 8.2 | 0.8 | 1.4 |
| $50-$100 Million | 9.0 | 9.9 | 9.7 | -0.9 | -0.7 |
| >$100 Million | 12.9 | 12.3 | 10.1 | 0.6 | 2.8 |

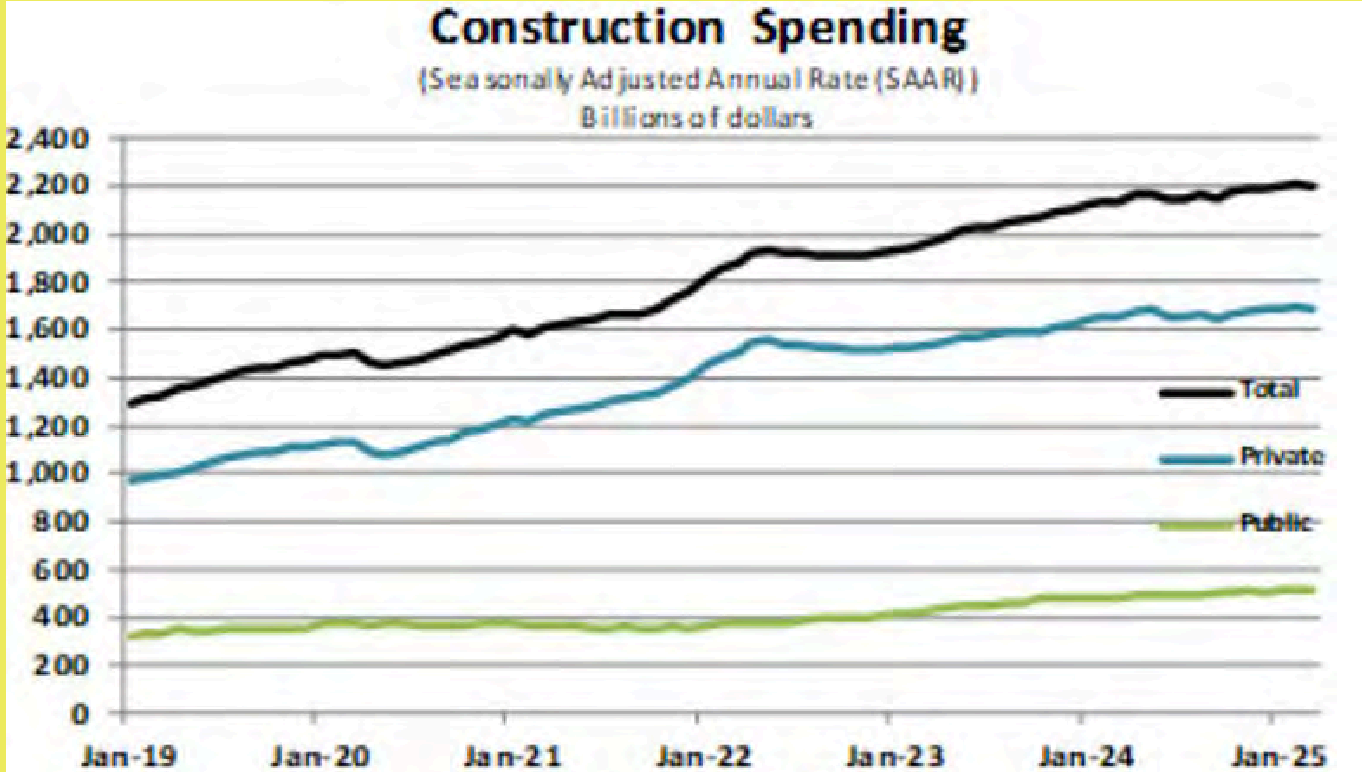
*Source: Associated Builders and Contractors*

## CREDE Perspective

While the ABC Backlog Indicator reflects continued near-term strength, CREDE is closely watching the decline in the Architecture Billings Index. This disconnect may signal a slowdown in project starts later in 2025, highlighting the need for strong positioning and proactive pipeline planning.

# Construction Spending - Through March 2025

- Total construction spending in March 2025 reached an annualized rate of $2.20 trillion, down 0.5% from February, reflecting a modest monthly dip after a strong start to the year.
- Compared to March 2024, spending rose 2.8% year-over-year, indicating continued, albeit slower, growth across the industry.
- Year-to-date construction spending through Q1 totaled $485.7 billion, up 2.9% from the same period last year, suggesting stable expansion despite emerging signs of deceleration.



*Source: United States Census Bureau*

## CREDE Perspective

The data reflects a market shifting from rapid expansion to strategic execution. Steady growth signals continued demand, but tighter margins and slower momentum require disciplined planning. CREDE sees this as a window for well positioned projects to move forward while others pause, creating opportunities to gain advantage in cost, schedule, and entitlement.

# Forecasted New Construction Projects: Residential, Commercial, & Industrial

- Residential construction activity slowed in the first quarter, with single-family starts down 10.4% year-over-year and multi-family starts experiencing a sharper 36.3% decline.
- The commercial sector saw a 19.7% YoY drop in starts, with steep declines in Hotels/Motels (-66.6%), Transportation Terminals (-60.4%), and Private Offices (-44.5%). Only Government Offices (+19.3%) and Sports/Convention Facilities (+165.9%) posted gains.
- Industrial sector saw a boost from two large-scale projects breaking ground, collectively valued at $6.1 billion.

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

| | Actuals | | Forecasts | | |
|---|---|---|---|---|---|
| | 2023 | 2024 | 2025 | 2026 | 2027 |
| Single Family | 201.56 | 206.42 | 204.14 | 217.93 | 233.51 |
| Multi-Family | 118.08 | 90.35 | 91.97 | 96.36 | 103.91 |
| TOTAL RESIDENTIAL | 319.64 | 296.78 | 296.12 | 314.31 | 337.41 |
| (Yt/yr % change) | -14.5% | -7.2% | -0.8% | 6.1% | 7.4% |
| Hotels/Motels | 14.65 | 11.97 | 10.41 | 11.11 | 12.38 |
| Shopping/Retail | 14.77 | 13.11 | 12.94 | 13.5 | 14.72 |
| Parking Garages | 2.11 | 2.08 | 2.46 | 2.46 | 2.58 |
| Amusement | 9.23 | 12.45 | 9.73 | 10.02 | 10.93 |
| Private Offices | 33.59 | 34.98 | 50.15 | 48.42 | 50.81 |
| Governmental Offices | 16.19 | 16.39 | 14.61 | 12.27 | 11.71 |
| Laboratories (Schools & Industrial) | 4.98 | 5.22 | 3.98 | 3.87 | 4.14 |
| Warehouses | 22.97 | 20.58 | 15.17 | 16.21 | 17.78 |
| Sports Stadium/Convention Center | 9.95 | 11.86 | 13.61 | 12.82 | 12.91 |
| Transportation Terminals | 6.87 | 7.48 | 25.33 | 11.41 | 11.37 |
| TOTAL COMMERCIAL | 142.55 | 143.54 | 165.67 | 149.82 | 157.37 |
| (Yt/Yr % change) | 8.9% | 0.7% | 7.4% | -9.6% | 5.0% |
| TOTAL INDUSTRIAL (manufacturing) | 104.64 | 54.82 | 49.53 | 16.48 | 48.32 |
| (Yt/Yr % change) | -9.3% | -47.6% | -9.3% | -6.2% | 4.0% |

*Source: Construct Connect*

## CREDE Perspective

CREDE forecasts new multi-family residential ground breakings to stay soft until Q4 of 2025. We are seeing an uptick in forward planning on both multi-family and new residential with public and private builders. Modest growth is expected in commercial starts especially light industrial and retail.

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

- Health care and municipal construction fell 15.2% YoY in Q1, with growth limited to Nursing Homes (+93.2%) and Police/Fire (+4.7%). Declines in Medical (-58.1%), Hospitals (-40.4%), and Libraries/Museums (-19.6%) drove the drop.

- Total Nonresidential building activity is forecast to decline by 3.9% in 2025. This represents a slight improvement in the performance seen in 2024, but it is the second year of decline for the subsector.

- The Civil construction sector posted solid growth across several subsectors, with Airport (336.4%) being the strongest of the lot. Other areas of growth were Bridges (47.8%), Water & Sewage Treatment (30%), and Roads (6.7%).

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

| | Actuals | | Forecasts | | |
|---|---|---|---|---|---|
| | 2023 | 2024 | 2025 | 2026 | 2027 |
| Religious | 1.12 | 1.26 | 1.23 | 1.28 | 1.31 |
| Hospitals/Clinics | 22.71 | 24.49 | 25.78 | 28.51 | 30.58 |
| Nursing Homes/Assisted Living | 2.88 | 2.41 | 3.74 | 3.32 | 3.39 |
| Libraries/Museums | 5.06 | 4.95 | 5.14 | 5.33 | 5.43 |
| Courthouse | 2.37 | 2.31 | 2.25 | 2.21 | 2.39 |
| Police/Fire | 6.04 | 5.79 | 6.39 | 6.51 | 6.63 |
| Prisons | 6.99 | 7.52 | 4.91 | 5.24 | 5.13 |
| Military | 16.18 | 9.58 | 9.33 | 11.16 | 12.19 |
| Education Facilities | 92.15 | 101.91 | 93.25 | 96.11 | 98.99 |
| MED misc | 9.46 | 9.56 | 6.69 | 6.81 | 7.33 |
| TOTAL INSTITUTIONAL | 163.98 | 169.79 | 158.75 | 166.52 | 173.41 |
| (Yt/Yr % change) | 15.6% | 3.5% | -11.8% | 4.9% | 4.1% |
| Miscellaneous Non-Res Building | 7.21 | 7.45 | 7.36 | 7.75 | 8.01 |
| TOTAL NON-RES BLD | 411.2 | 368.2 | 374.0 | 362.8 | 379.1 |
| (Yt/Yr % change) | 5.9% | -10.5% | -3.9% | -3.0% | 4.5% |
| Airport | 10.26 | 14.32 | 16.23 | 14.35 | 14.61 |
| Roads | 95.27 | 99.98 | 109.34 | 113.32 | 117.73 |
| Bridges | 24.35 | 29.87 | 34.63 | 36.37 | 38.01 |
| Dams/Canal/Marine | 12.66 | 11.94 | 9.82 | 10.02 | 10.59 |
| Water & Sewage Treatment | 48.21 | 57.81 | 57.24 | 57.81 | 59.89 |
| Misc Civil (Power, etc.) | 40.42 | 59.70 | 47.28 | 55.51 | 59.48 |
| TOTAL ENGINEERING | 231.21 | 273.62 | 274.56 | 287.39 | 300.32 |
| (Yt/Yr % change) | 14.5% | 18.3% | 0.0% | 4.7% | 4.5% |

*Source: Construct Connect*

## CREDE Perspective

CREDE anticipates continued weakness in institutional construction overall, though select segments tied to population growth—such as education and essential services—may see more stable demand. Civil construction is set to lead growth, fueled by infrastructure spending in airports, bridges, and utilities.

# Construction Input Pricing – Producer Price Index

- Construction input prices rose for the third consecutive month, increasing by 0.5% in March and reaching a 9.7% annualized rate through the first quarter of 2025.
- Nonresidential input costs grew by 0.6% for the month and now stand at 0.8% higher compared to the same period last year.
- While crude petroleum prices fell in March, costs for steel, copper, lumber, and natural gas if sourced domestically, with upfront deposits, and quicker payment are also falling and are not reflected int the attached table.

Producer Price Index, March 2025

| | 1-Month % Change | 12-Month % Change | Change Since Feb 2020 |
|---|---|---|---|
| ***Inputs To Industries*** | | | |
| Inputs to construction | 0.5% | 0.8% | 41.6% |
| Inputs to multifamily construction | 0.5% | 1.0% | 41.6% |
| Inputs to nonresidential construction | 0.6% | 0.8% | 41.8% |
| Inputs to commercial construction | 0.9% | 1.7% | 42.8% |
| Inputs to healthcare construction | 0.8% | 1.5% | 42.7% |
| Inputs to industrial construction | 0.7% | 1.0% | 38.6% |
| Inputs to other nonresidential construction | 0.5% | 0.7% | 41.6% |
| Inputs to maintenance and repair construction | 0.3% | 0.5% | 40.0% |
| ***Commodities*** | | | |
| Adhesives and sealants | 2.0% | 2.0% | 36.4% |
| Brick and structural clay tile | 0.2% | 2.2% | 32.4% |
| Concrete products | -0.3% | 1.4% | 40.8% |
| Construction machinery and equipment | 0.0% | 0.7% | 30.4% |
| Construction sand, gravel, and crushed stone | 0.5% | 8.3% | 46.1% |
| Copper wire and cable | 5.5% | 13.4% | 51.6% |
| Crude petroleum | -8.2% | -12.0% | 39.7% |
| Fabricated structural metal products | 2.3% | 4.5% | 57.6% |
| Gypsum products | 0.0% | 1.8% | 48.3% |
| Hot rolled steel bars, plates, and structural shapes | 0.9% | -11.4% | 34.0% |
| Insulation materials | 0.4% | 4.4% | 48.8% |
| Iron and steel | 5.5% | -2.5% | 49.8% |
| Lumber and wood products | 0.8% | 1.8% | 27.3% |
| Natural gas | 10.4% | 147.6% | 113.4% |
| Plumbing fixtures and fittings | 0.1% | 2.0% | 20.6% |
| Prepared asphalt, tar roofing and siding products | -0.2% | -0.6% | 41.6% |
| Softwood lumber | 4.7% | 12.6% | 25.3% |
| Steel mill products | 7.1% | -5.6% | 53.9% |
| Switchgear, switchboard, industrial controls equipment | 2.1% | 6.2% | 52.3% |
| Unprocessed energy materials | -3.3% | 7.6% | 70.3% |

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

## CREDE Perspective

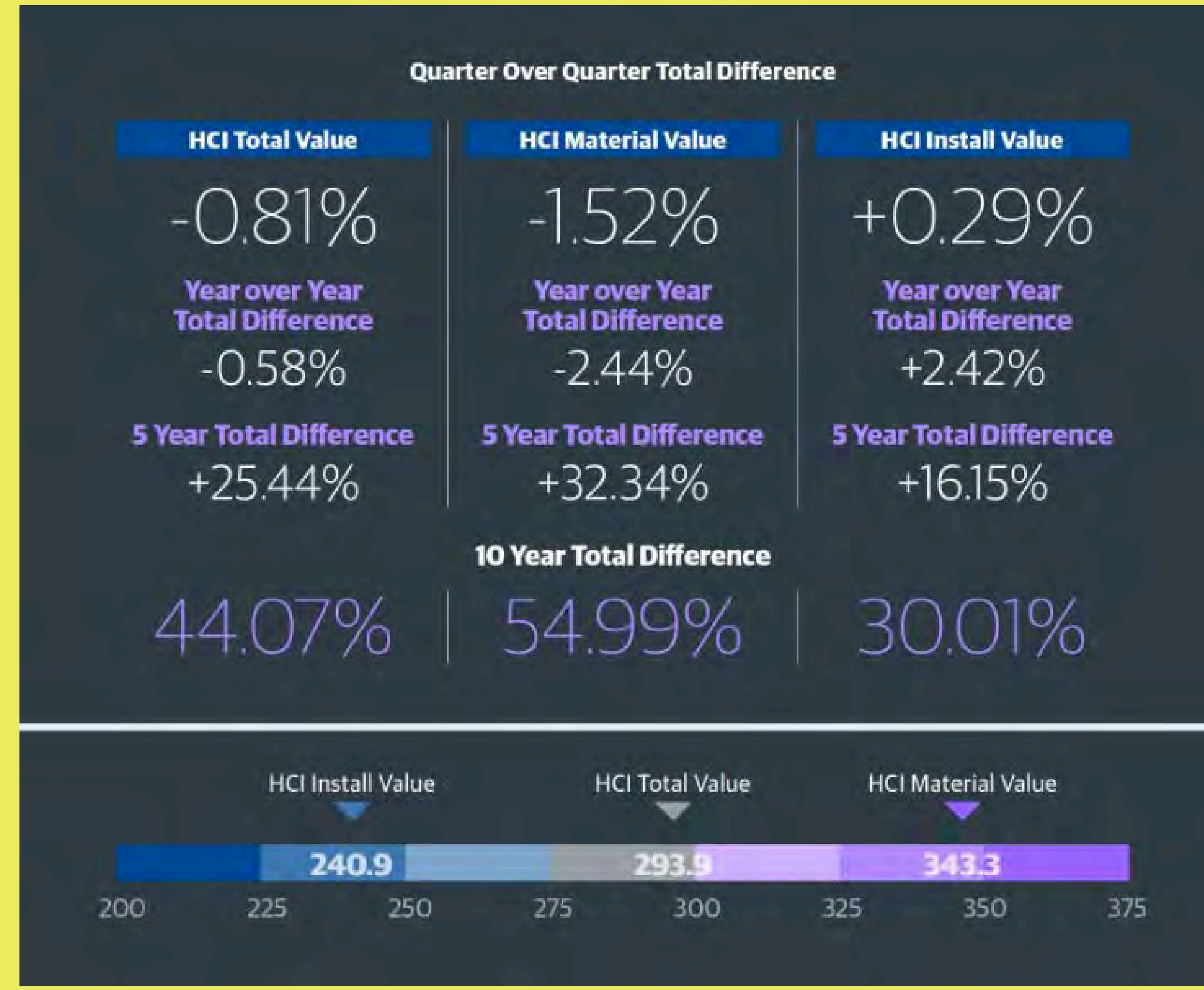
We are seeing a dislocation between public statistics and actual demand in the field. Lumber is available at discounted prices in the Southeast and Pacific Northwest. Switchgear in Texas and Arizona has been stockpiled and is available for those willing to purchase it immediately.

# Construction Costs – Historical Cost Index

- After relative stability in late 2024, material costs began rising again in Q1 2025, driven by tariff pressures, shifting trade policies, and tighter supply conditions.
- Labor costs long-term remain elevated, short-term we are seeing sub contractors lower their fees and profit margins to pick up work in 2025.
- The HCI reflects increased volatility, with materials like lumber and copper trending upward, while installation costs remain strained by persistent labor market challenges.

## CREDE Perspective

CREDE anticipates construction costs will rise in the coming quarters, driven by tariffs and ongoing supply constraints. In the near term, labor costs are easing as subcontractors compete for work. Firms should prepare for a pricing environment that is less predictable and increasingly influenced by policy shifts.




Source: Gordian

# National Average Cost of Construction Per Square Foot

**Offices**
- Prime: Low $339 / High $579
- Secondary:  Low $235 / High $358

**Retail**
- Shopping Center: Low $239 / High $445
- Strip Mall: Low $206 / High $337

**Hotels**
- 5-Star: Low $487 / High $717
- 3-Star: Low $330 / High $477

**Hospital**
- General: Low $616 / High $955

**Industrial**
- Warehouse: Low $134 / High $220

**Parking**
- Ground: Low $120 / High $178
- Basement: Low $168 / High $257

**Residential**
- Multi-Family: Low $248 / High $420
- Single-Family: Low $267 / High $496

**Education**
- Elementary: Low $423 / High $603
- High School: Low $457 / High $676
- University: Low $569 / High $830

| | 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 | 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 |
| 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 |
| 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 |
| 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 |
| 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 |
| Washington, D.C. | 335 | 555 | 230 | 365 | 180 | 325 | 150 | 245 | 430 | 665 | 280 | 440 | 510 | 915 | 130 | 210 | 75 | 100 | 90 | 155 | 210 | 355 | 265 | 390 | 385 | 585 | 400 | 600 | 485 | 730 |

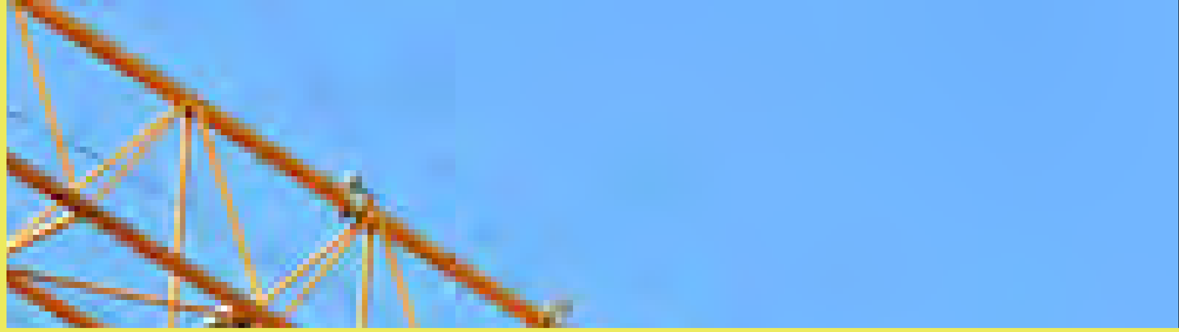
*Source: Cushman & Wakefield, Rider Levett Bucknall*

# National Average Cost of Construction Per Square Foot (Continued)

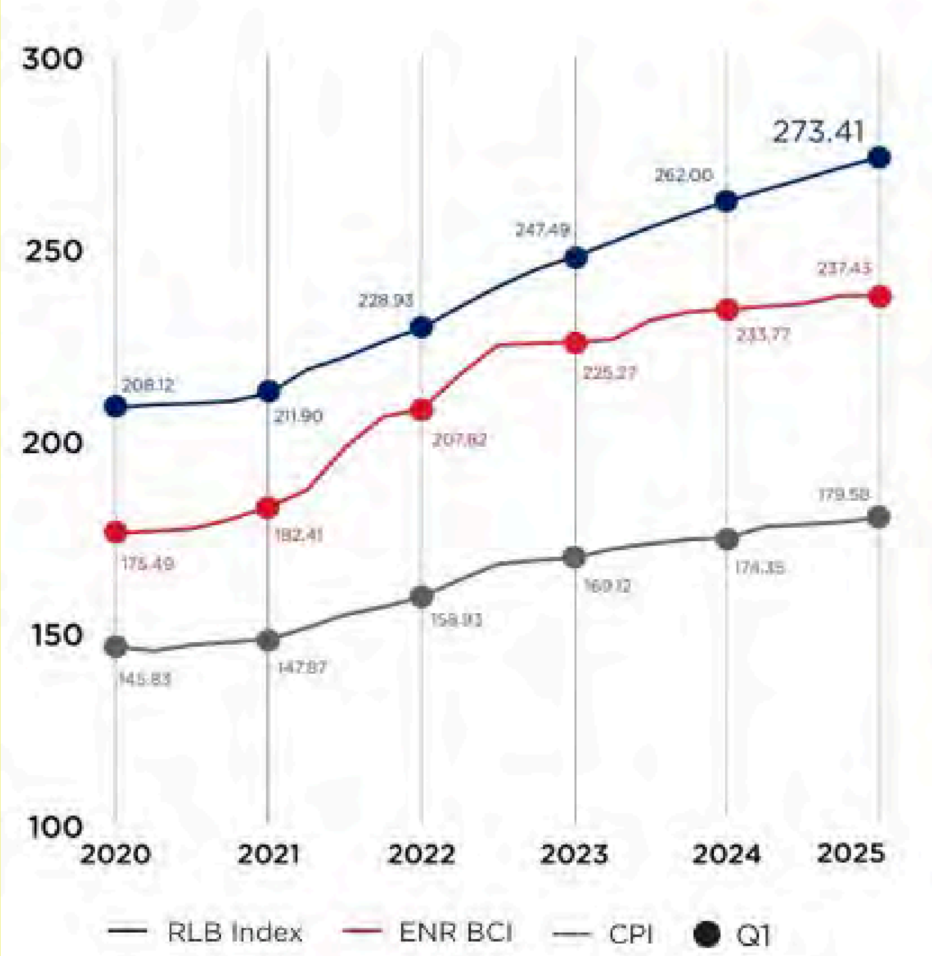
- The national average for construction costs in the U.S. increased by 1.1% in Q1 2025, continuing an upward trend from Q4 2024. On a year-over-year basis, costs rose by 6.2%.
- While gypsum, cement, and lumber appeared to stabilize in late 2024, Q1 brought renewed inflation in these categories.
- This escalation is further driven by volatility in ready-mix concrete and diesel fuel, as well as new tariffs on steel and aluminum, which are beginning to impact material pricing across sectors.

## CREDE Perspective

CREDE anticipates continued upward pressure on construction costs through 2025 as material markets react to new tariffs and supply-side uncertainty and short-term labor rates fluctuate. Rather than signaling a return to stability, Q1 conditions suggest that volatility will remain a defining feature of the construction environment this year.



NATIONAL CONSTRUCTION COST INDEX

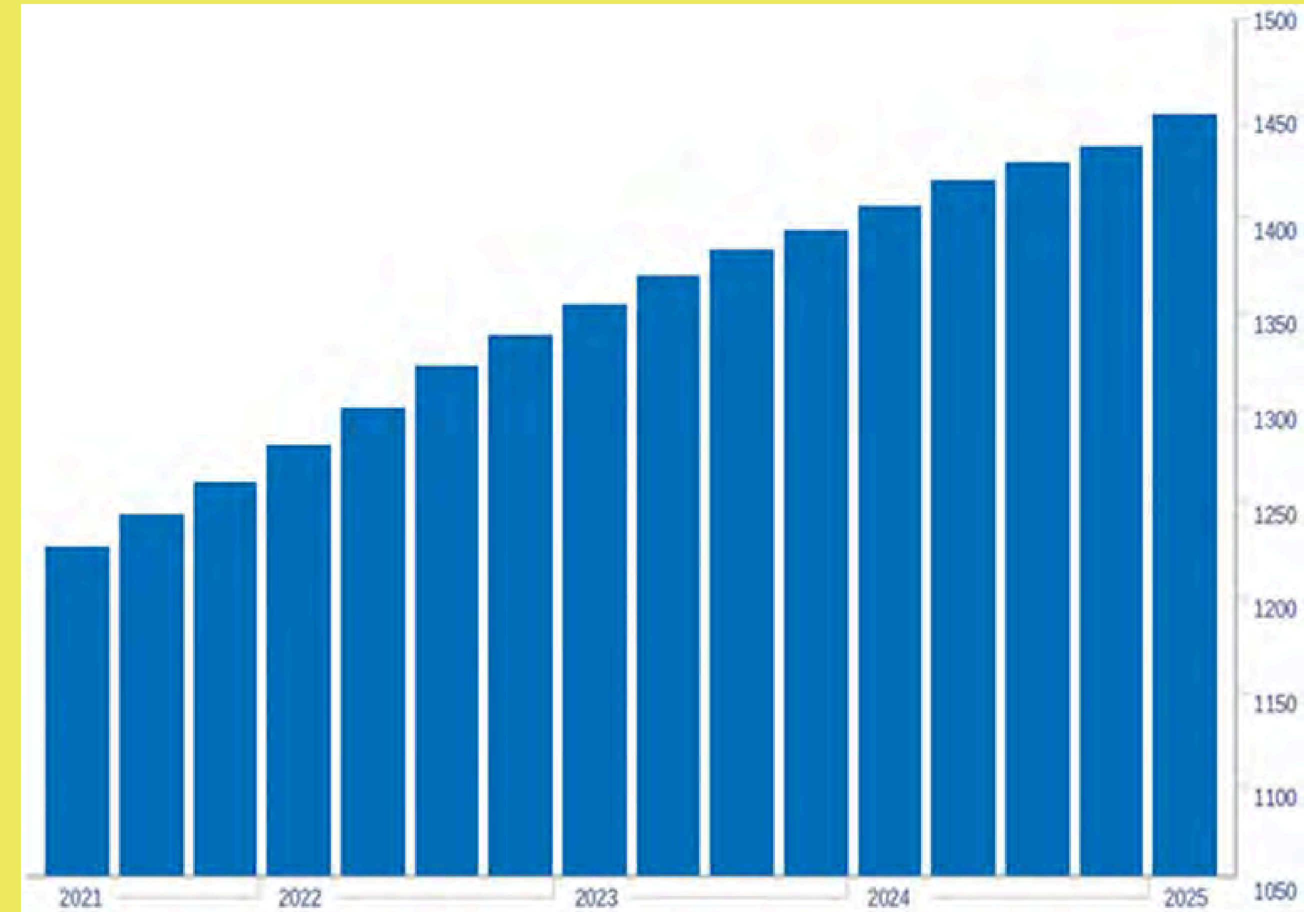



| Date | NCCI |
|---|---|
| Q1 2022 | 228.93 |
| Q2 2022 | 234.42 |
| Q3 2022 | 239.68 |
| Q4 2022 | 244.19 |
| Q1 2023 | 247.49 |
| Q2 2023 | 251.34 |
| Q3 2023 | 255.24 |
| Q4 2023 | 258.62 |
| Q1 2024 | 262.00 |
| Q2 2024 | 264.94 |
| Q3 2024 | 267.77 |
| Q4 2024 | 270.75 |
| **Q1 2025** | **273.41** |

*Source: Rider Levett Bucknall*, Statista.com

# National Construction Building Cost Index

- The U.S. Construction Building Cost Index for nonresidential construction increased from 1,442 in Q4 2024 to 1,459 in Q1 2025.
- This represents a 1.18% quarterly increase from the Fourth Quarter 2024 and a 3.62% yearly increase from the First Quarter 2024.
- The index's acceleration now exceeds both pre-pandemic and inflation-adjusted historical averages, signaling that recent volatility is structural rather than merely cyclical.



*Source: Turner Construction Company*

## CREDE Perspective

The Q1 2025 index movement signals a clear break from the slower growth curve observed in late 2024. Rather than leveling off, national construction costs are accelerating earlier than expected—reshaping how budgets, bids, and timelines should be approached this year.

# FED Projections – Q1 2025

- The economy is now projected to grow at an annualized rate of 2.5% this quarter, an upward revision from the previous forecast of 1.9%.
- On an annual average basis, forecasters now anticipate real GDP growth of 2.4% in 2025, an upward revision of 0.2% points from the previous estimate.
- The unemployment rate decreased to 4.1% in Q1 2025 but is expected to grow to 4.3% by the end of the year.

| | REAL GDP (%) | | UNEMPLOYMENT RATE (%) | | PAYROLLS (000S/MONTH) | |
|---|---|---|---|---|---|---|
| | PREVIOUS | NEW | PREVIOUS | NEW | PREVIOUS | NEW |
| *Quarterly data:* | | | | | | |
| 2025:Q1 | 1.9 | 2.5 | 4.2 | 4.1 | 123.7 | 152.1 |
| 2025:Q2 | 1.8 | 2.1 | 4.3 | 4.2 | 117.2 | 144.4 |
| 2025:Q3 | 2.2 | 2.0 | 4.2 | 4.2 | 114.2 | 109.8 |
| 2025:Q4 | 2.0 | 2.1 | 4.3 | 4.3 | 128.2 | 119.7 |
| 2026:Q1 | N.A. | 2.2 | N.A. | 4.3 | N.A. | 129.2 |
| *Annual data (projections are based on annual-average levels):* | | | | | | |
| 2025 | 2.2 | 2.4 | 4.3 | 4.2 | 134.1 | 145.0 |
| 2026 | 2.1 | 2.2 | 4.2 | 4.2 | N.A. | 113.5 |
| 2027 | 2.1 | 1.8 | 4.1 | 4.3 | N.A. | N.A. |
| 2028 | N.A. | 2.0 | N.A. | 4.3 | N.A. | N.A. |

*Source: Federal Reserve Bank of Philadelphia*

## CREDE Perspective

The Fed's Q1 2025 projections show stronger economic momentum, with higher GDP growth and payroll gains, but CREDE believes the effects of the 2025 tariffs are not yet reflected. As of 5/28/2025 the fed has announced an anticipation of 1 to 2.25 basis point rate cuts by the end of 2025.

# Lumber Pricing Insights

- In Q1 2025, lumber prices reached a peak of $686.00 per 1,000 board feet in March, compared to a peak of $609.00 in March 2024.
- The average price for Q1 2025 was $601.00 per 1,000 board feet, up from $550.00 in Q4 2024, reflecting a 9.2% quarter-over-quarter increase.
- Early 2025 price gains reflect post-wildfire rebuilding in Southern California and looming tariffs on Canadian and European imports.

*Lumber (USD/1000 board feet)*


*Source: Macrotrends, Timber Industry News*

## CREDE Perspective

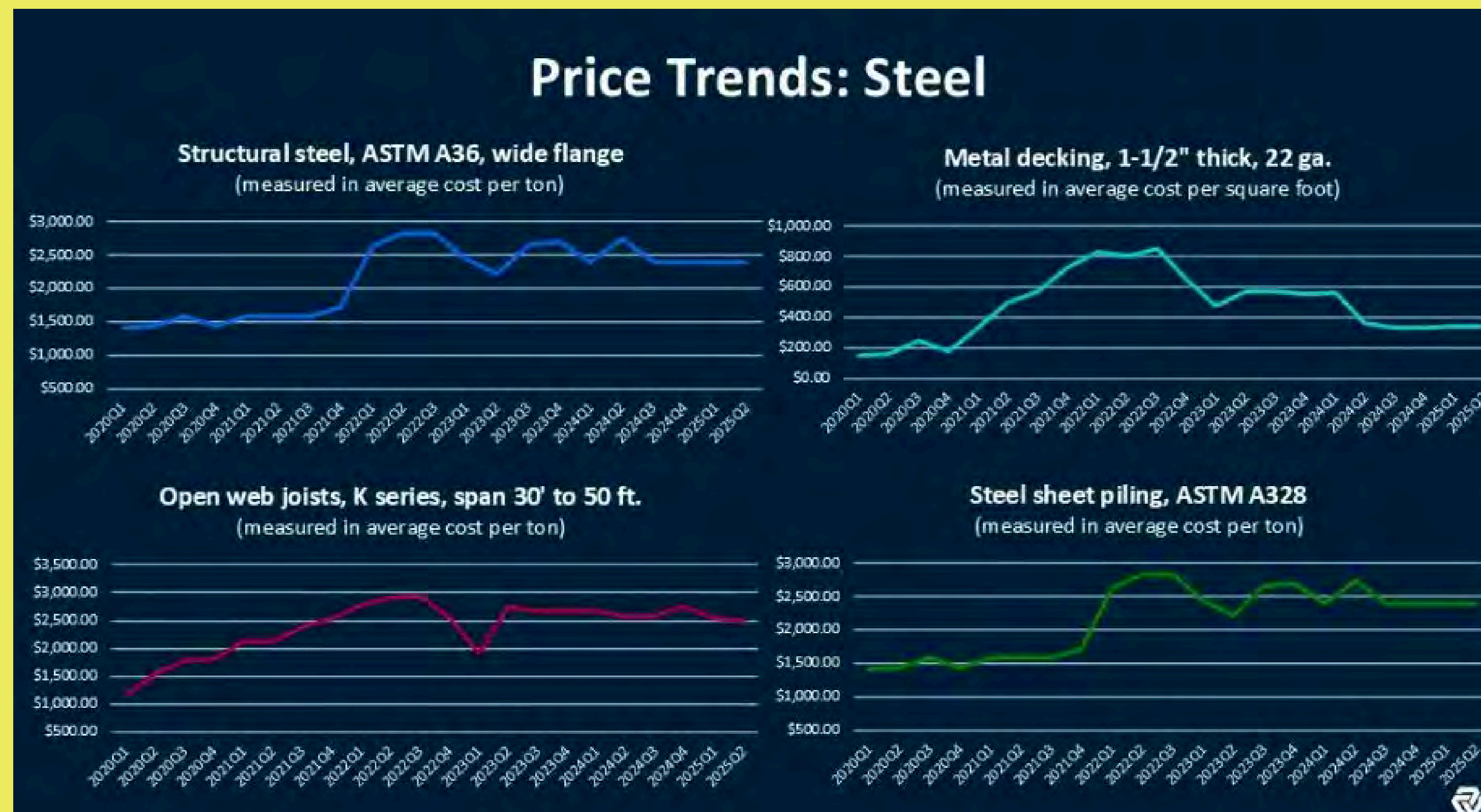
While national averages show a Q1 price increase, regional surpluses in the Southeast and Pacific Northwest offer local buying opportunities. This reflects the difference between national trends and on-the-ground conditions, making region-specific sourcing strategies essential.

# Steel Pricing Insights

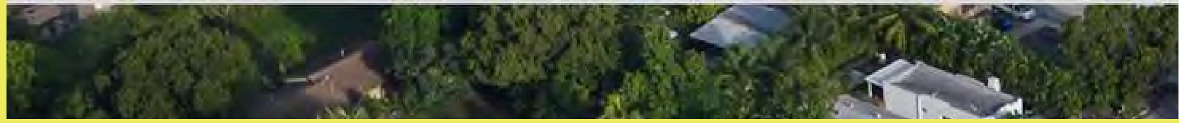
- In Q1 2025, U.S. HRC prices averaged $802 per metric ton, a 15% increase from $697 in Q4 2024.
- The Producer Price Index (PPI) for cold-rolled steel sheet and strip rose from 322.156 in December 2024 to 355.298 in March 2025, indicating a 10.3% increase over the quarter.
- Structural steel prices declined in Q1 2025 to approximately $270 per metric ton, down 10% from the Q4 2024 average of $300.

## CREDE Perspective

Steel prices are expected to stay elevated through mid-2025, supported by strong industrial demand and new tariffs. While most steel types are trending up, structural steel is an exception, softening due to steady supply and more stable demand.. CREDE anticipates continued divergence across product types and ongoing volatility driven by trade policy and project timing.

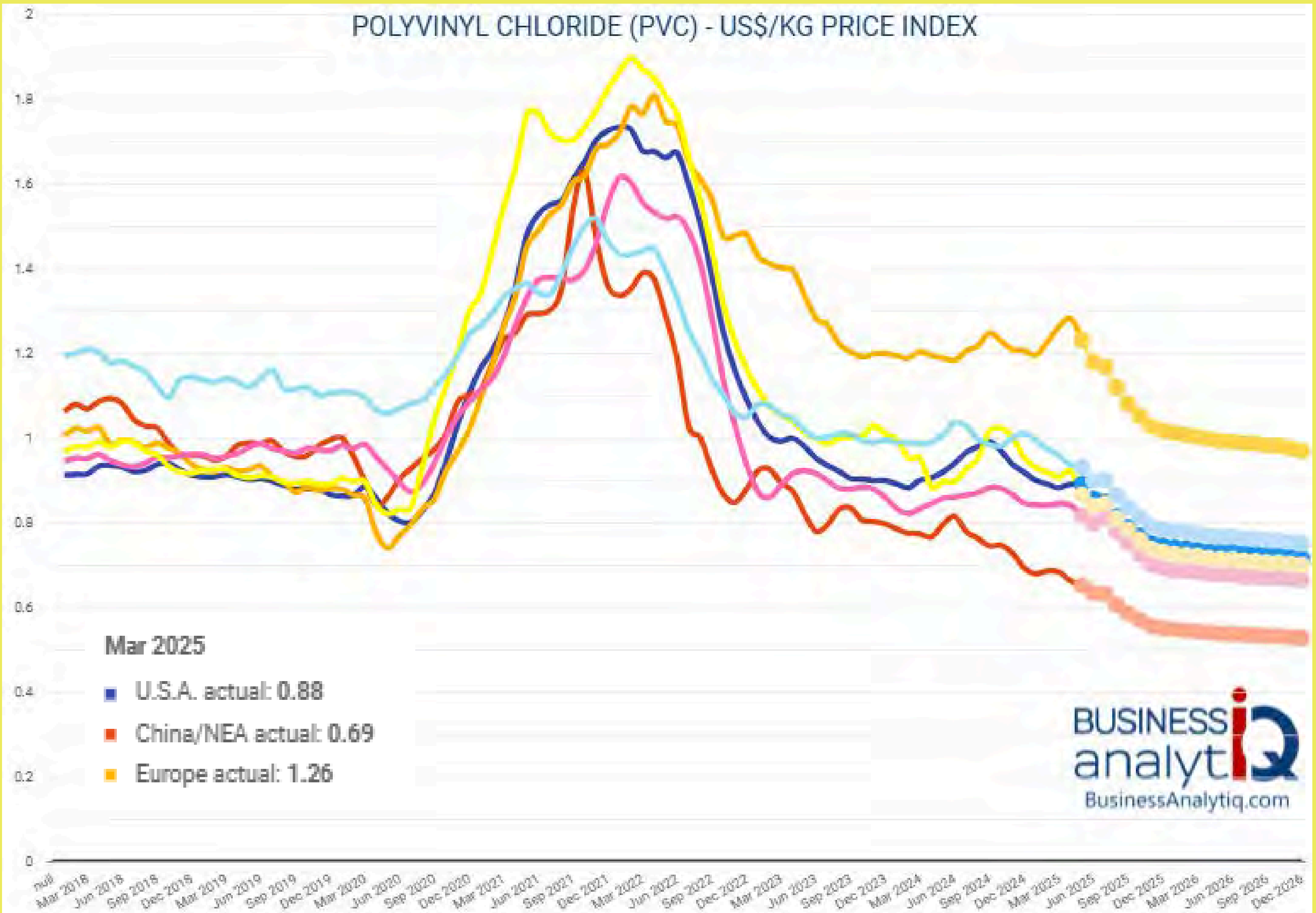



*Source: Steel Market Update, Gordian, Reuters*



# PVC Pricing Insights

- PVC pricing remained under downward pressure in Q1 2025, as construction demand stayed soft and export volumes declined amid ongoing economic uncertainty.
- Prices fell 3.8% from $662/MT in January to $637/MT in March, extending the downward trend from late 2024 and reflecting persistent market weakness.
- The March 2025 price drop was further influenced by elevated inventory levels and reduced global competitiveness following the imposition of Chinese tariffs on U.S. chemical exports.



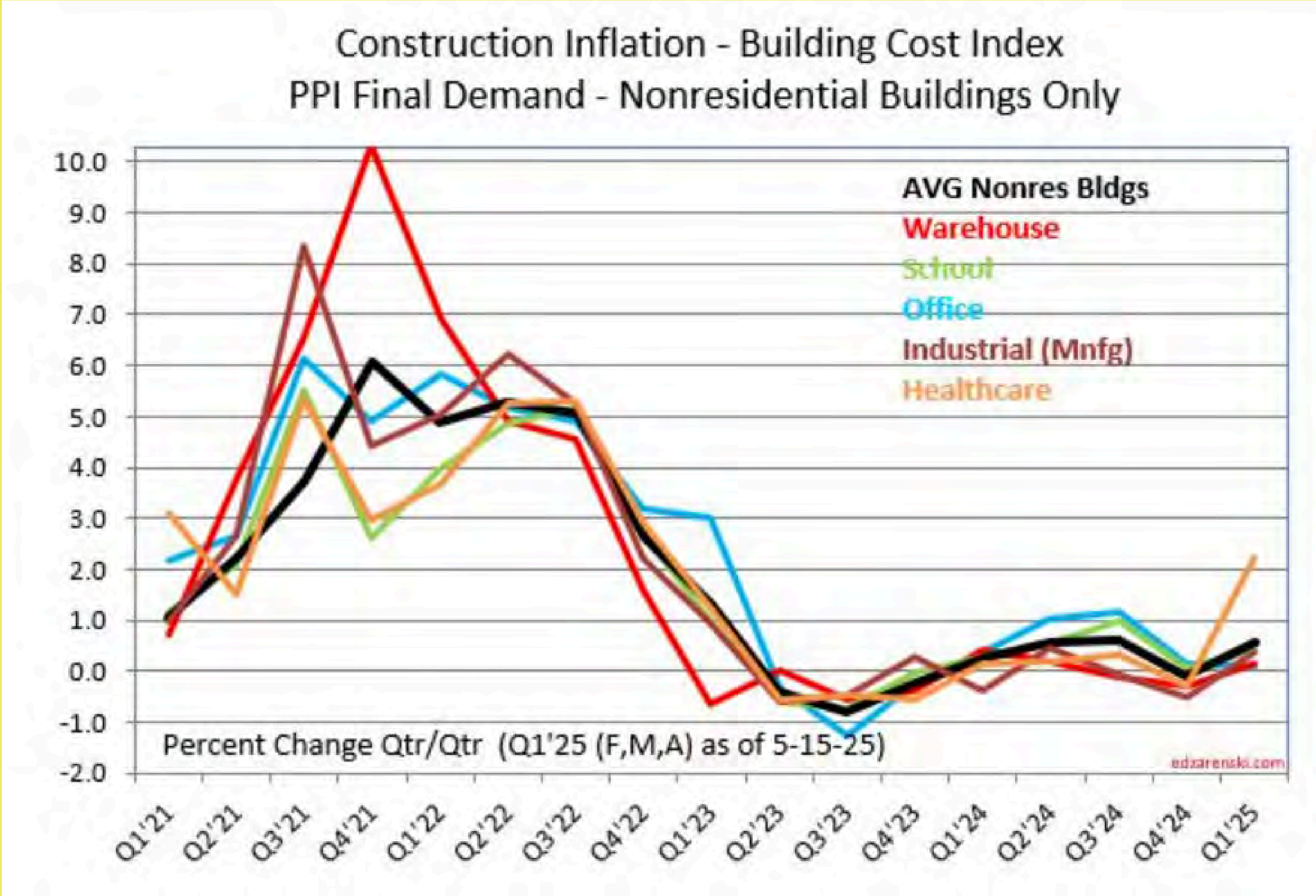

*Source: Business Analytiq, Chem Analyst, Procurement Resource*

## CREDE Perspective

CREDE expects PVC prices to remain low through mid-2025, providing a continued cost advantage for upcoming construction projects. Elevated inventories and weak global demand are likely to keep material pricing favorable in the near term.

# Construction Inflation

- Inflation edged upward in Q1 2025, with average nonresidential building inflation at +0.6%, following stagnation between 0.0% and -0.5% in Q4 2024.
- Healthcare led all sectors with +2.2% inflation in Q1, while School and Office sectors showed milder increases of +0.4% and +1.6%, respectively.
- Year-to-date inflation shows continued escalation, with Nonresidential Buildings at +1.35% and Healthcare nearing +3.0%, indicating accelerating cost pressures in early 2025.



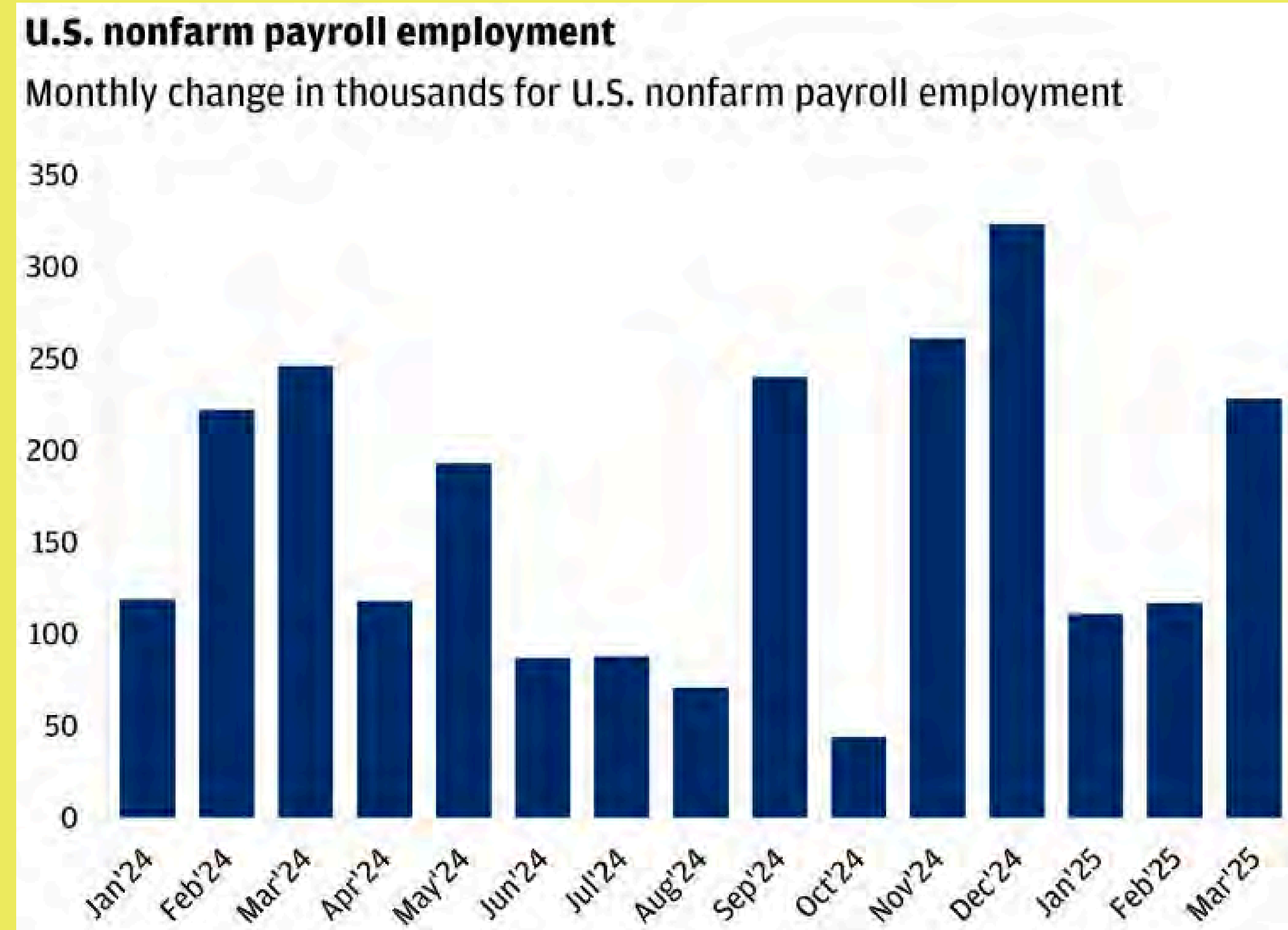

*Source: CoreLogic, Ed Zarenski*

## CREDE Perspective

CREDE expects construction inflation to accelerate modestly through 2025, driven by sector-specific labor pressures and preliminary impacts from new tariffs. While still below 2021–2022 peaks, cost forecasts may rise, especially for material-heavy, import-sensitive scopes in 2026.

# National Labor Outlook

- The U.S. added 228,000 jobs in March, outperforming forecasts (140,000) and the 12-month average (158,000), with notable gains in healthcare, social assistance, retail, and transportation.
- The unemployment rate edged up to 4.2% from 4.1% in February, reflecting increased labor force participation.
- Average hourly earnings rose 0.3%, with annual growth slowing to 3.8%, supporting the Federal Reserve's view that wages are no longer a main source of inflation.




*Source: US Bureau of Labor Statistics, JP Morgan*

## CREDE Perspective

This mix of strong job growth, a rising unemployment rate, and slowing wages may appear contradictory. CREDE views these trends as signs of a stabilizing labor market. Hiring remains steady at the national level, but construction continues to face specific labor shortages and delayed recovery.

# Construction Industry Labor Outlook

- At the end of March, the construction industry reported 248,000 job openings, a 27% decrease from the same time last year. Total hires also declined by 10%.
- Job openings fell by 38,000 over the past month, as hiring slowed to the lowest rate on record.
- Hiring activity was notably subdued in March, with the 302,000 hires representing only 3.6% of total employment across the construction industry.

Construction Industry Job Openings and Labor Turnover Data: March 2025

| | March 2025 | February 2025 | March 2024 | 1-Month Net Change | 12-Month Net Change | 12-Month % Change |
|---|---|---|---|---|---|---|
| ***Total*** | | | | | | |
| Job openings | 248,000 | 286,000 | 338,000 | -38,000 | -90,000 | -26.6% |
| Hires | 302,000 | 347,000 | 337,000 | -45,000 | -35,000 | -10.4% |
| Total separations | 313,000 | 348,000 | 345,000 | -35,000 | -32,000 | -9.3% |
| Layoffs & discharges | 144,000 | 149,000 | 178,000 | -5,000 | -34,000 | -19.1% |
| Quits | 163,000 | 180,000 | 147,000 | -17,000 | 16,000 | 10.9% |
| Other separations | 6,000 | 18,000 | 20,000 | -12,000 | -14,000 | -70.0% |
| ***Rate*** | | | | | | |
| Job openings | 2.9% | 3.3% | 4.0% | | | |
| Hires | 3.6% | 4.2% | 4.1% | | | |
| Total separations | 3.8% | 4.2% | 4.2% | | | |
| Layoffs & discharges | 1.7% | 1.8% | 2.2% | | | |
| Quits | 2.0% | 2.2% | 1.8% | | | |
| Other separations | 0.1% | 0.2% | 0.2% | | | |

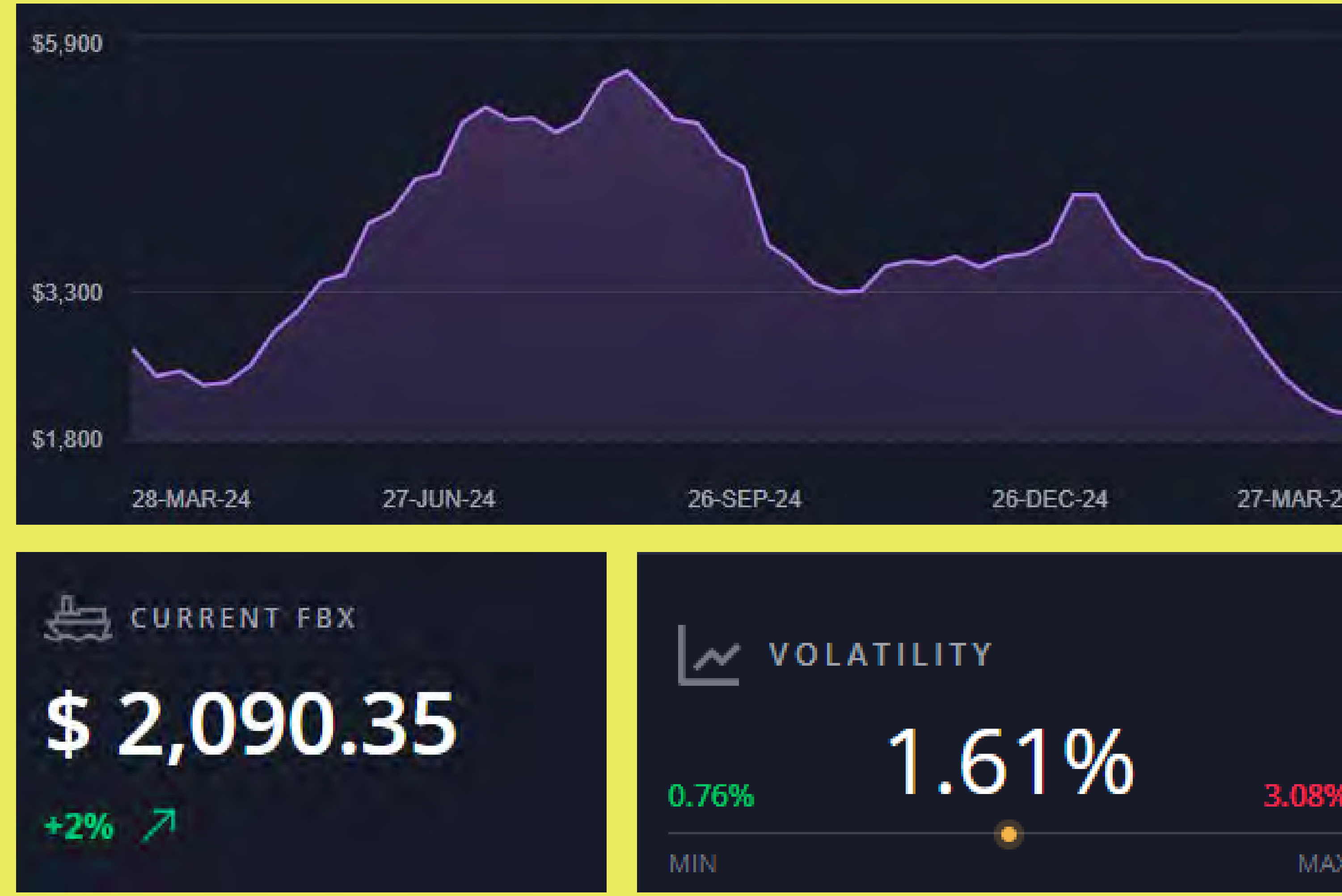
*Source: US Bureau of Labor Statistics, Construction Dive*

## CREDE Perspective

Labor conditions in construction remain tight, with hiring at a record low and near-term growth constrained by costs, tariffs, and project timing. CREDE expects contractors to stay selective through late 2025, with broader labor expansion unlikely before early 2026.

# Container Shipping Outlook

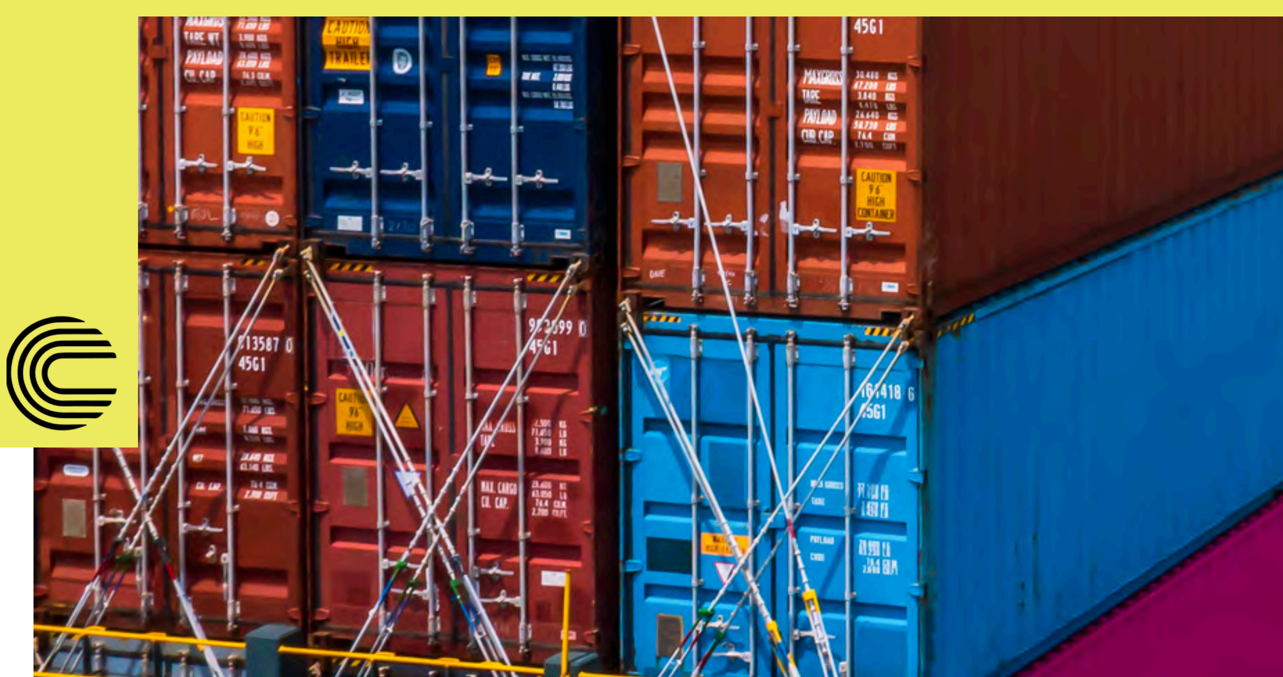
- As of April 1, spot rates from the Far East rose 8% to the U.S. East Coast and 15% to the West Coast yet remain down 43% and 49% since January 1.
- Chinese carriers are expected to face rising costs, with further increases likely to result in surcharges for shippers.
- New U.S. tariffs, geopolitical risks, and changes to de minimis rules continue to drive supply chain volatility.




Source: *Xeneta, Freightos Terminal - FBX*

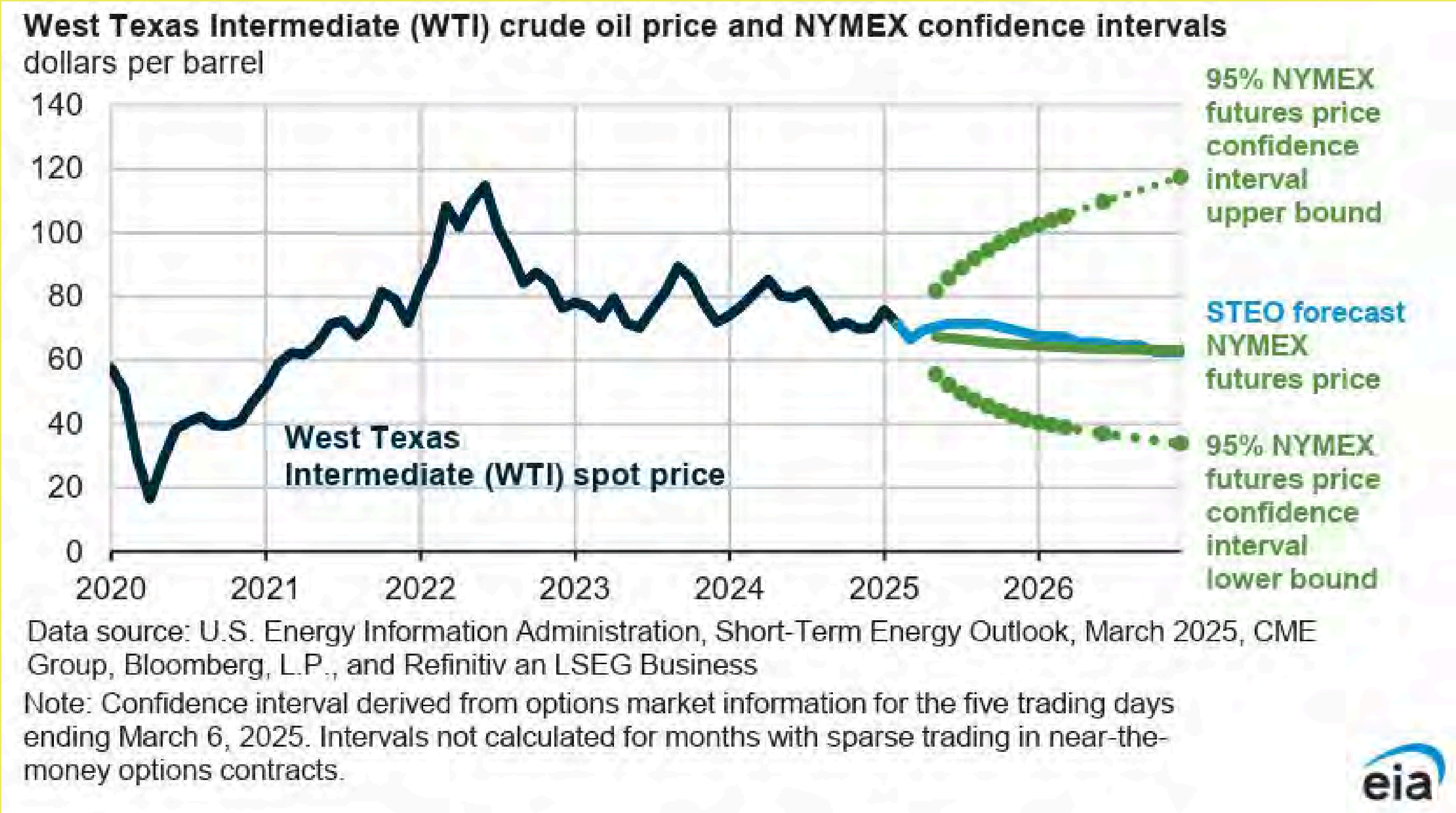
## CREDE Perspective

**CREDE expects average spot rates to rise well beyond the initial 8% and 15% increase. The abrupt announcement of new U.S.–China tariffs prompted shippers to prioritize immediate cargo movement. As more shippers enter rate renegotiations in the coming weeks, spot prices are likely to climb further.**



# Energy Outlook

- Brent crude remains forecast at $74 for 2025, with a Q3 rise to $75 and global production growth revised from 1.6 to 1.4 million b/d.
- U.S. crude output reached 13.6 million b/d at the end of Q1, up from 13.2 million last quarter.
- Henry Hub gas is now projected at $4.20/MMBtu, up from $3.00 in Q4 2024, driven by stronger demand and lower storage levels.




*Source: U.S. Energy Information Administration*

## CREDE Perspective

While oil prices remain steady, the sharp rise in natural gas suggests increasing pressure on operating costs and material pricing. CREDE anticipates continued margin compression for manufacturers and suppliers, which may translate into higher bids or tighter availability in late 2025.

# Insurance Marketplace Realities

- Insurance pricing varies by location and risk profile, with general liability rates rising 2% to 8% and up to 15% in high-risk areas like California, New York, and Florida.
- High hazard work, including street and road construction, is seeing double digit rate increases due to greater exposure and limited capacity.
- Carriers in Q1 prioritized clean safety records and proactive risk management, offering more favorable terms to teams with proven claims history and documented safety programs.

## CREDE Perspective

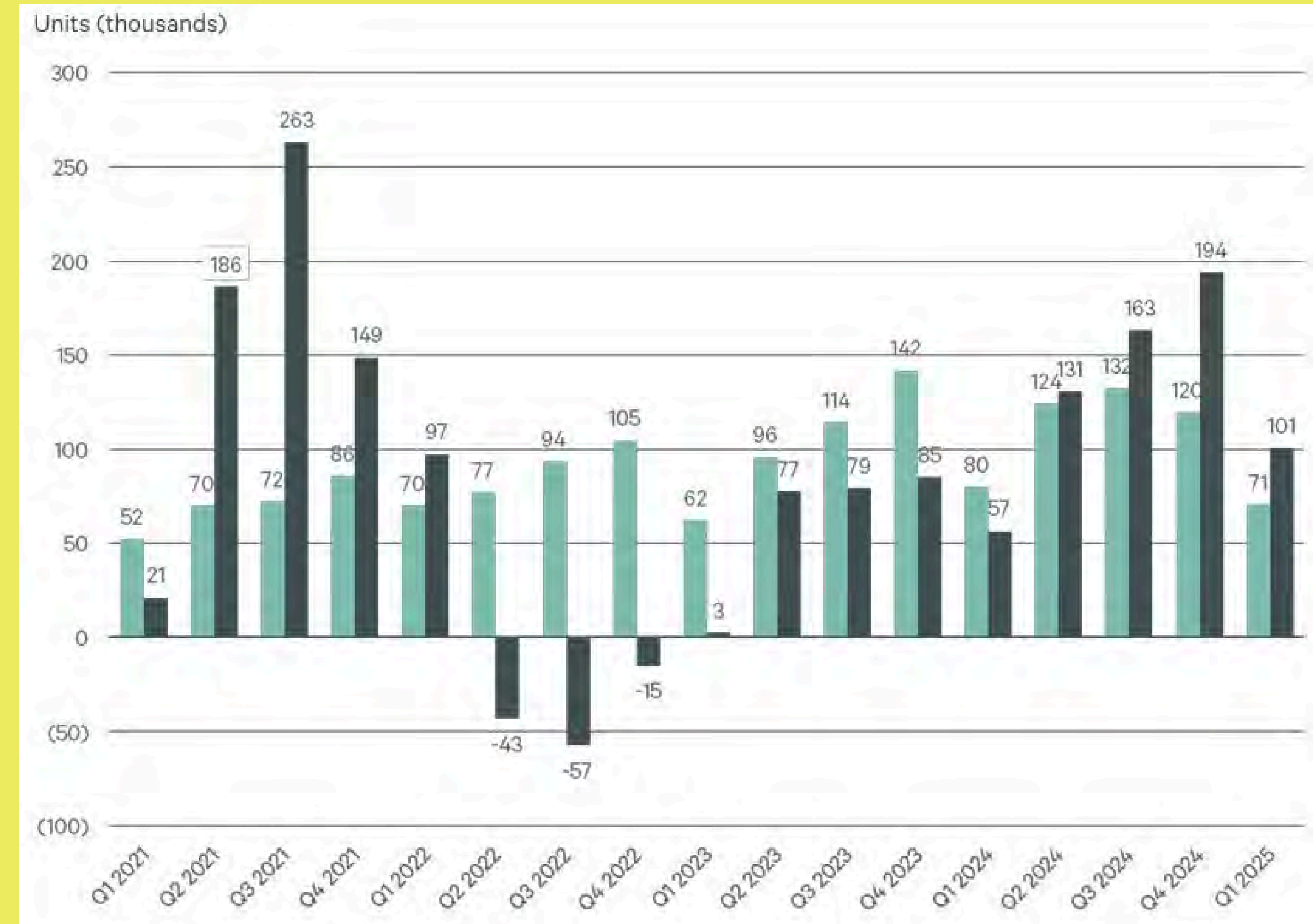
Tariff-driven cost inflation and widening underwriting gaps will intensify pricing pressure through 2025, especially for high-exposure projects. CREDE expects a harder line from insurers on valuations and coverage terms.

| | Trend | Range |
|---|---|---|
| **General liability** | | Flat to +8% |
| **Auto liability and physical damage** | | +7% to +20% |
| **Workers compensation** | | –2% to +4% |
| **Umbrella (lead)** | | +6% to +15% |
| **Excess** | | +7% to +20% |
| **Non-high hazard Nat-Cat project specific builders risk** | | 0% to +5% |
| **High hazard Nat-Cat project specific builders risk** | | +5% to +15% |
| **Master builders risk/contractors block** | | –5% to +5% |
| **Professional Liability** | | Flat to +5% |
| **Project specific/controlled insurance programs for excess** | | Flat to +10% / +5% to +30% |

Source: *Willis Towers Watson plc.*

# Multi-Family Forecast

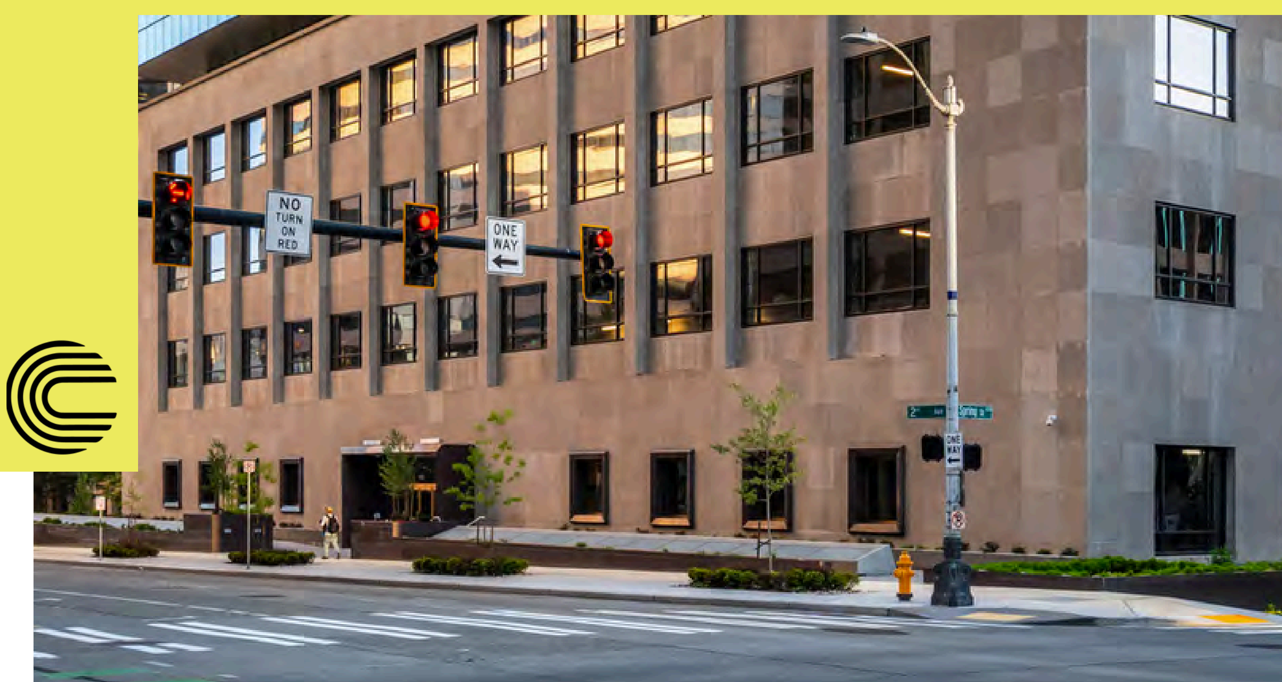
- Net absorption rose 77% year over year in Q1 to 100,600 units—the highest since 2000 and over three times the pre pandemic average. The increase reflects a shift back to renting, a slowdown in new supply over the past three years, and higher interest rates.
- Completions fell to 71,000 units in Q1 from 120,000 in Q4, signaling continued slowdown in new supply.
- Renter demand outpaced deliveries, bringing the national vacancy rate down to 4.8 %, with declines in 47 of 63 major markets and further tightening expected as construction slows.
- Effective rent growth turned positive for the first time since 2022, up 0.9% year-over-year and 0.3% from Q4.




*Source: FreddieMac, CBRE Inc.*

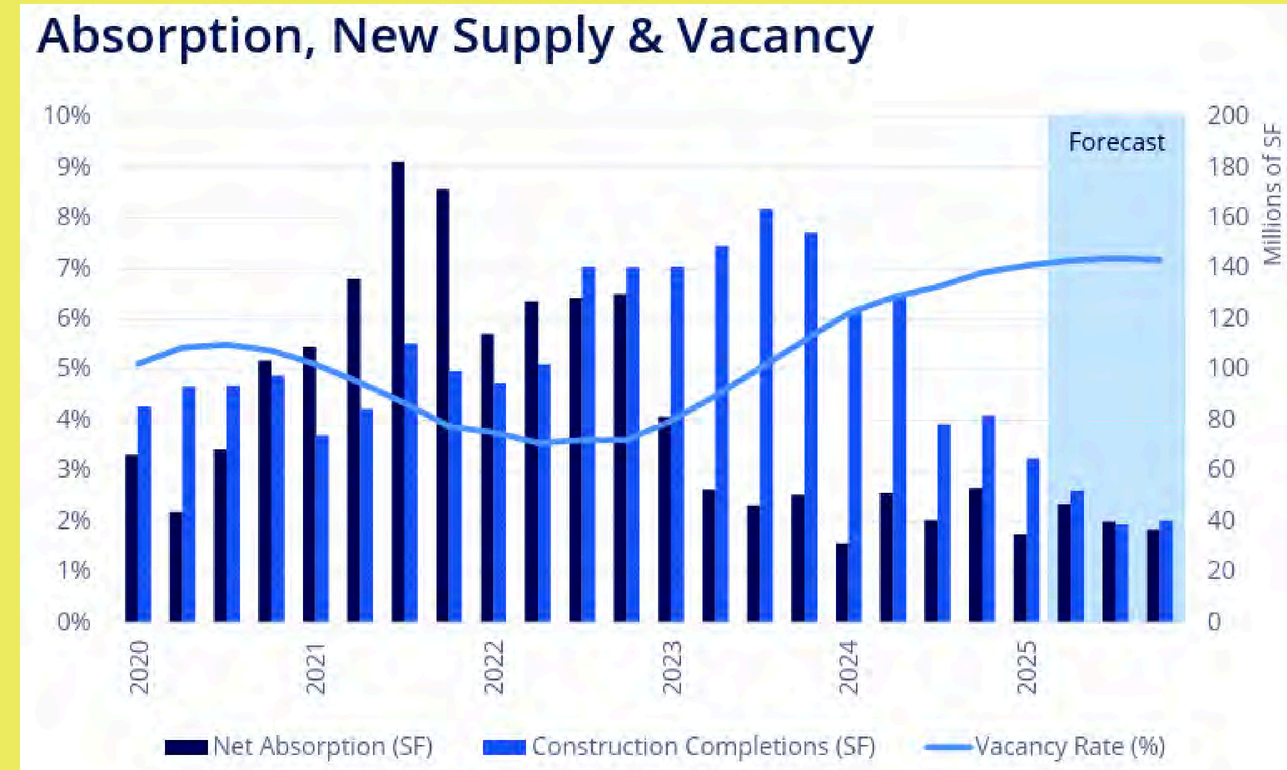
## CREDE Perspective

With vacancy tightening and rent growth rebounding, new construction remains constrained by cost and capital. CREDE anticipates increased focus on redevelopment and adaptive reuse, especially in supply constrained Sun Belt markets. Near term deliveries are positioned to capture demand and pricing gains. Our forecast is that new starts will gradually pick up through the remainder of 2025, with a significant increase expected in 2026 as demand accelerates.



# Industrial Forecast

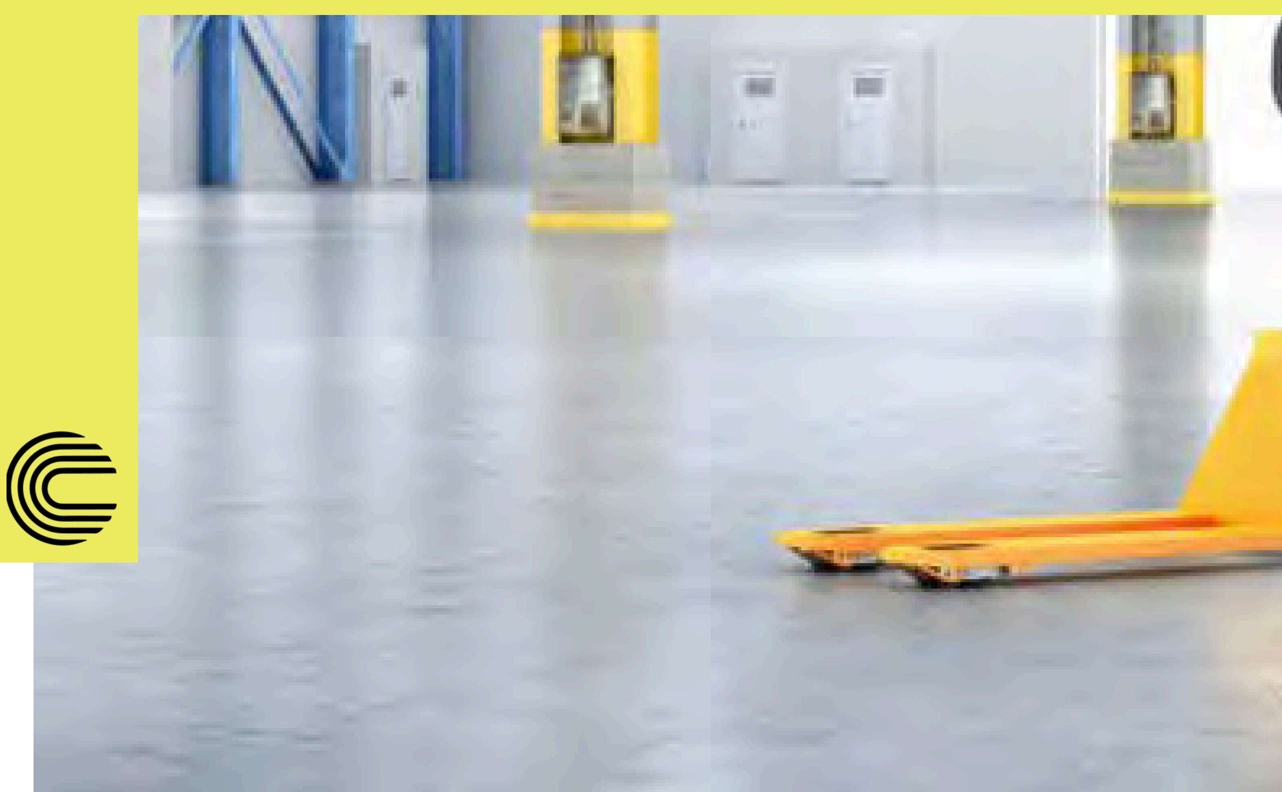
- New supply fell to 65 million SF in Q1, the lowest since 2019 and 60% below the 2023 peak. The pipeline dropped to 279 million SF, with further declines expected by year-end.
- Net absorption reached 35 million SF, down 34% from Q4 but up 12% year-over-year.
- Construction volume hit its lowest point since 2018, as developers pause projects amid uncertainty. Activity is expected to stabilize near 250 million SF by year-end.
- Rents rose 6% year-over-year to $10.65 per SF, but growth is expected to slow to 2% to 5% as the market balances.




*Source: Colliers U.S. Industrial Market Statistics*

## CREDE Perspective

The industrial market has been cooling for several quarters, but shallow bay light industrial is emerging as a key opportunity. As vacancy peaks and stabilizes toward the end of 2025, well-positioned projects in supply-constrained areas will lead the next cycle. CREDE expects development to remain selective, with modest rent growth in markets like Chicago, Kansas City, and Salt Lake City."



# Hospitality Forecast

- At the end of Q1 2025, the U.S. hotel construction pipeline reached 6,376 projects and 749,561 rooms, reflecting a 5% increase in projects and 6% in rooms year-over-year.
- The pipeline includes 1,152 projects (145,368 rooms) under construction, and 2,286 projects (263,370 rooms) scheduled to start in the next 12 months—both up 1% YOY.
- Early planning led growth with 2,938 projects and 340,823 rooms, up 10% and 13% year over year.
- In Q1 2025, 161 hotels (18,767 rooms) opened. Another 579 (64,781 rooms) are expected, totaling 740 hotels and 83,548 rooms (+1.5%). For 2026, 848 hotels (92,892 rooms) are forecasted (+1.6%).

## CREDE Perspective

CREDE expects steady momentum in the hotel sector, supported by early planning activity and rising midscale demand. While some renovation and brand conversion efforts are underway, activity remains limited and highly market specific. High borrowing costs, entitlement delays, and labor shortages continue to extend delivery timelines.

**UNITED STATES**

Construction Pipeline

| 6,376 | 749,561 |
|---|---|
| Projects | Rooms |

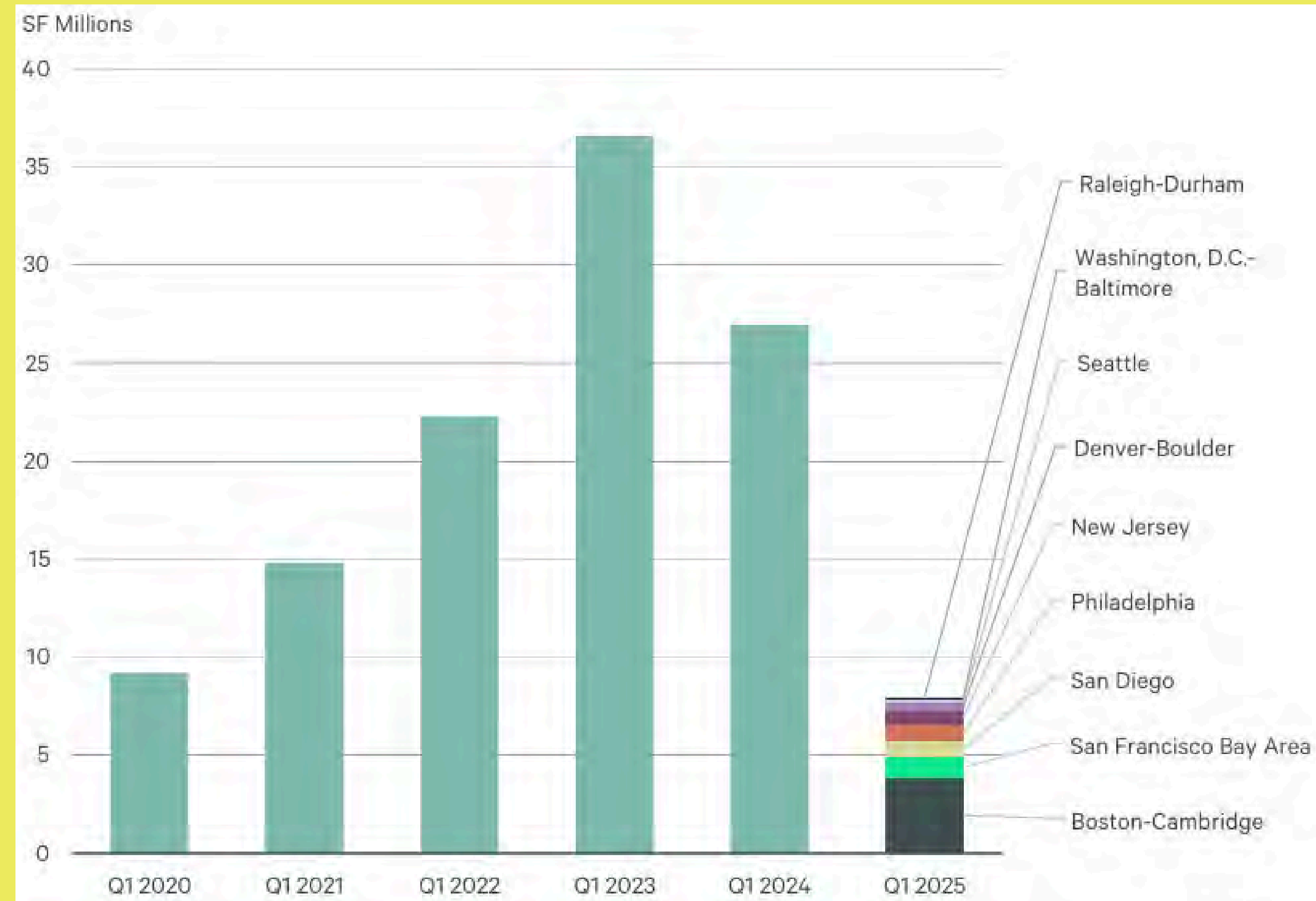
2025 Forecast for New Hotel Openings

| 740 | 83,548 |
|---|---|
| Projects | Rooms |

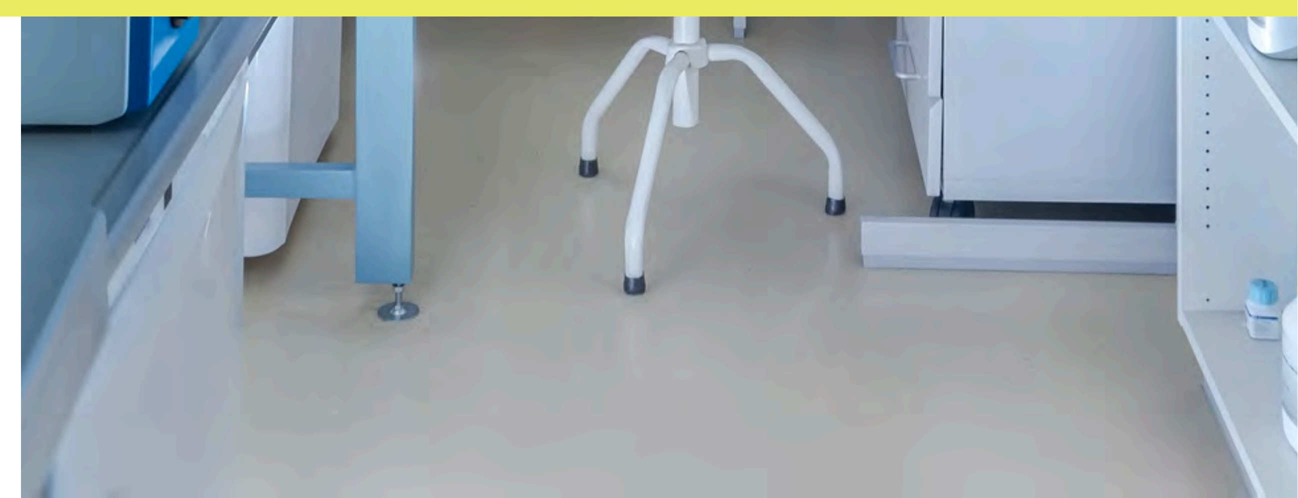
*Source: Lodging Econometrics, Hotel Investment Today*

# Life Science Forecast

- Space under construction dropped to 8 million square feet, 41.8% of which is preleased—the lowest level since early 2020. Deliveries totaled 3.1 million SF.
- The average vacancy rate in the top 13 markets rose to 21.4%, up 1.7 points, driven by 830,105 SF of negative absorption and 2.8 million SF of vacant new deliveries.
- Leasing volume declined to 2.2 million SF in the first quarter as companies postponed commitments amid economic volatility and policy uncertainty.
- With rising vacancy, average asking rent declined slightly to $73.34 NNN per SF.




*Source: CBRE Research, Globest*



## CREDE Perspective

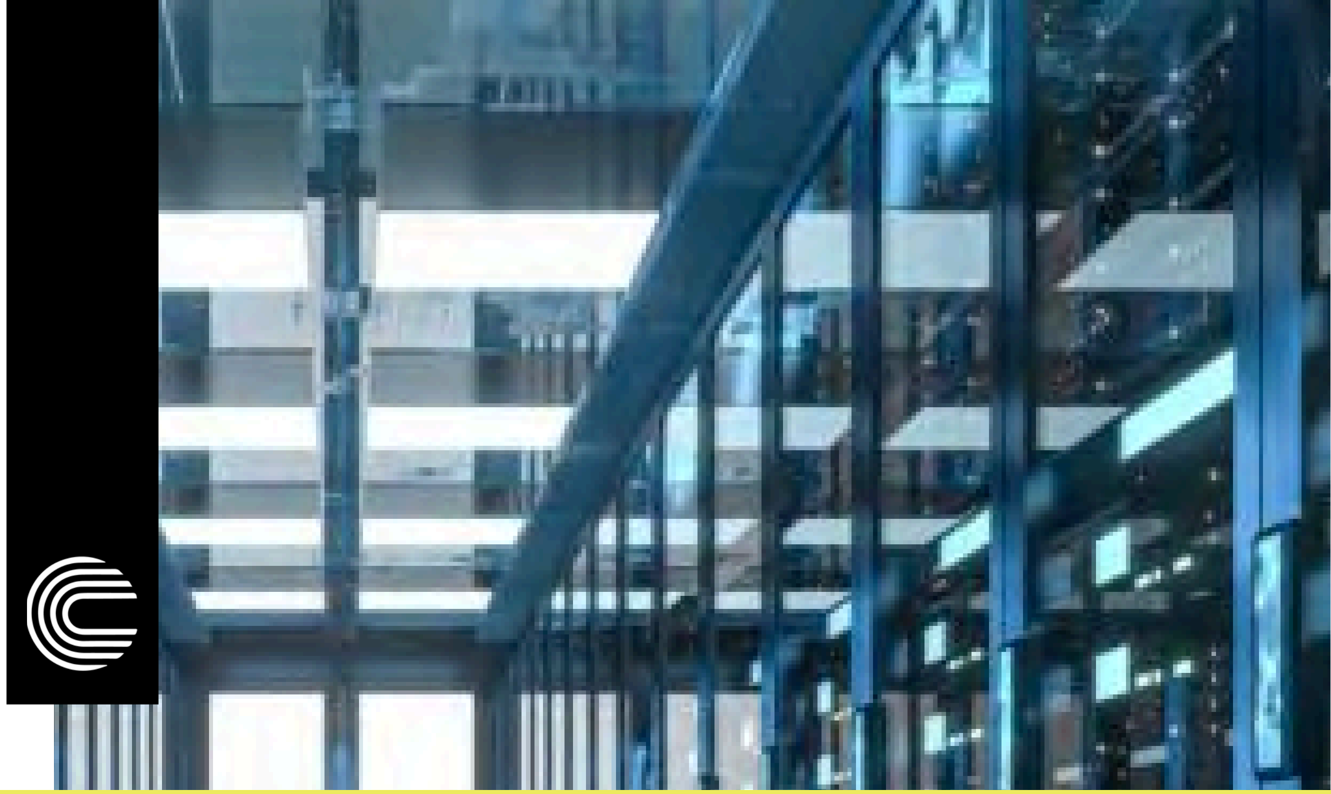
We expect construction to remain muted through 2025 as capital remains selective and developers shift focus from new starts to stabilizing and leasing existing projects. Activity will likely concentrate in build-to-suit and biomanufacturing, where demand is more durable. Broader development will stay on hold until vacancy compresses and tenant activity rebounds.

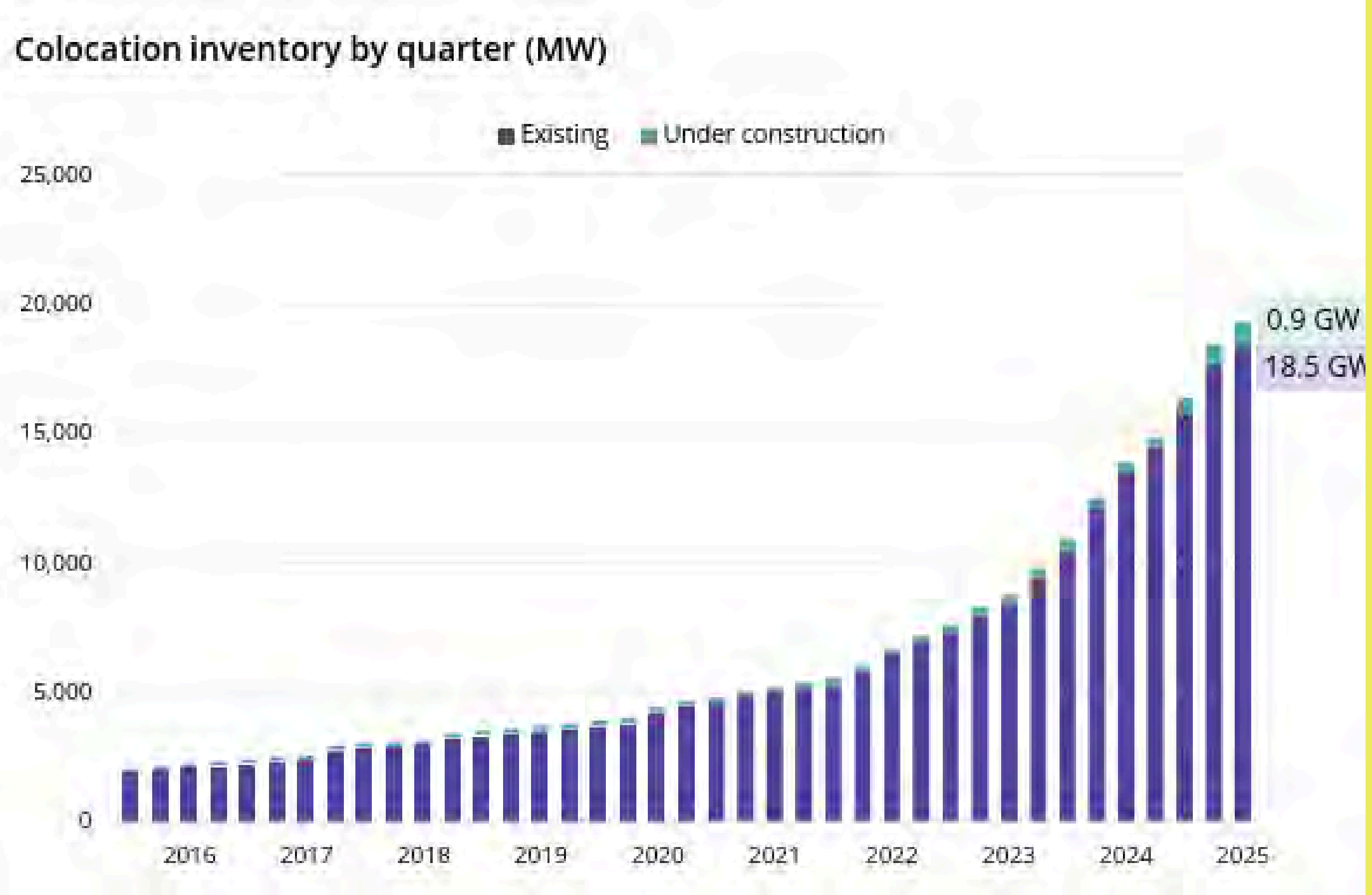
# Data Center Forecast

- Colocation deliveries slowed in Q1 2025 after a record Q4, but construction pipelines continue to expand, indicating long-term demand.
- Dallas/Fort Worth led Q1 net absorption, capturing nearly 80% of its 2024 total as Texas gains momentum.
- Vacancy rates remain near historic lows, with major markets like Northern Virginia and Las Vegas below 1%.
- Developers are adopting on-site power solutions—natural gas, microgrids, and modular reactors—to address grid delays and rising demand.
- AI and robotics workloads are rapidly increasing data processing needs, accelerating demand for scalable data centers.

## CREDE Perspective

CREDE sees the data center sector shifting from a race for space to a race for power. As demand moves to energy intensive AI and compute, success will depend on early access to scalable power. Developers who plan for energy from the start will lead in markets like Dallas Fort Worth, Las Vegas, Columbus, Phoenix, Reno, Atlanta, and parts of the Midwest and Southeast.





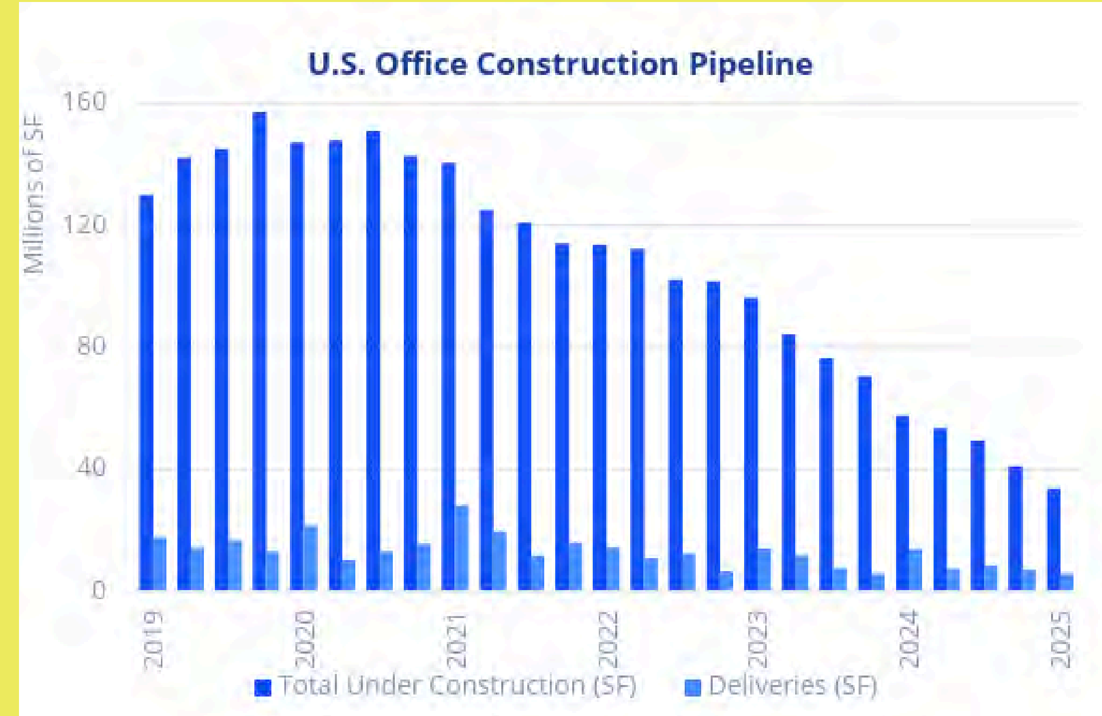

*Source: Avison Young, Jones Lang LaSalle IP, Inc., Data Center Frontier*

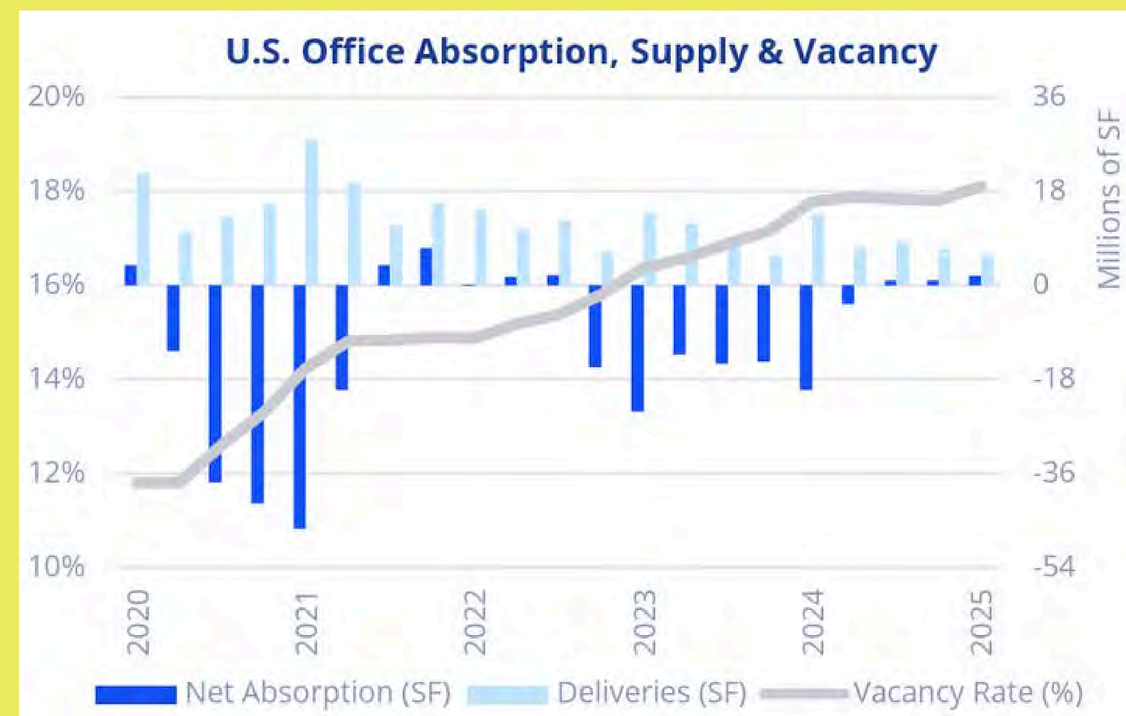
# Office Forecast

- The 5.6M SF completed in Q1 marked the lowest quarterly delivery volume in over 15 years.
- Ongoing construction fell for the 15th straight quarter, ending Q1 at 33.5M SF. Over 65% of that volume remains concentrated in just 13 markets.
- Vacancy rose to 18.2%, up 30 basis points from both the previous quarter and the same period last year.
- Net absorption reached 1.7M SF in Q1—the highest since Q3 2022—driven by strong demand for top-tier markets, with Class A assets accounting for 5.5M SF.
- The average asking rate, across all classes, was $37.12/SF, up 1.1% from last quarter and up 0.5% from one year ago.

## CREDE Perspective

Office construction will remain muted as cost pressures and weak demand deter new starts. Activity will focus on pre-leased projects, while conversions—especially to residential—gain momentum in oversupplied urban markets. We expect minimal new development and rising interest in adaptive reuse as the market recalibrates.



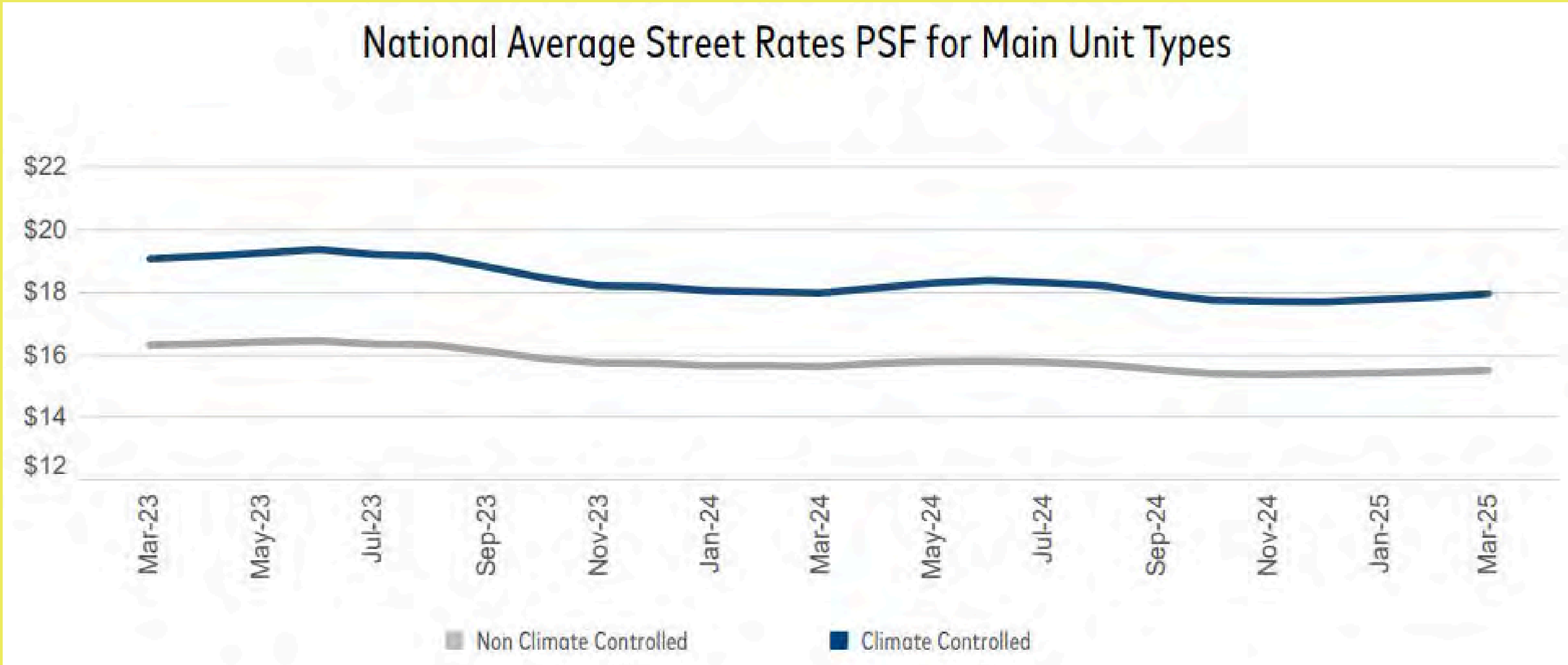

*Source: Colliers, Procore Technologies*

# Self-Storage Forecast

- As of March 2025, 3,191 self-storage properties were in development nationwide, including 734 under construction, 2,046 planned, and 411 prospective.
- The under-construction pipeline accounted for 2.9% of total inventory, unchanged from February and down 20 basis points from December 2024.
- Advertised rental rates fell 0.2% year-over-year in March 2025, with an average of $16.51 per square foot. This marks an improvement from declines of 0.8% in February and 1.1% in January 2025.
- The U.S. self-storage market is set to add 55.0 million square feet in 2025, a 2.2% decline from 2024.

## CREDE Perspective

CREDE expects self-storage construction to slow through 2025 as capital remains tight and costs stay elevated. Activity will focus on high-barrier, demand-driven markets like Washington, D.C., Raleigh–Durham, and Columbus. Broader development is likely to resume in late 2025 or early 2026 as absorption improves and financing conditions ease.



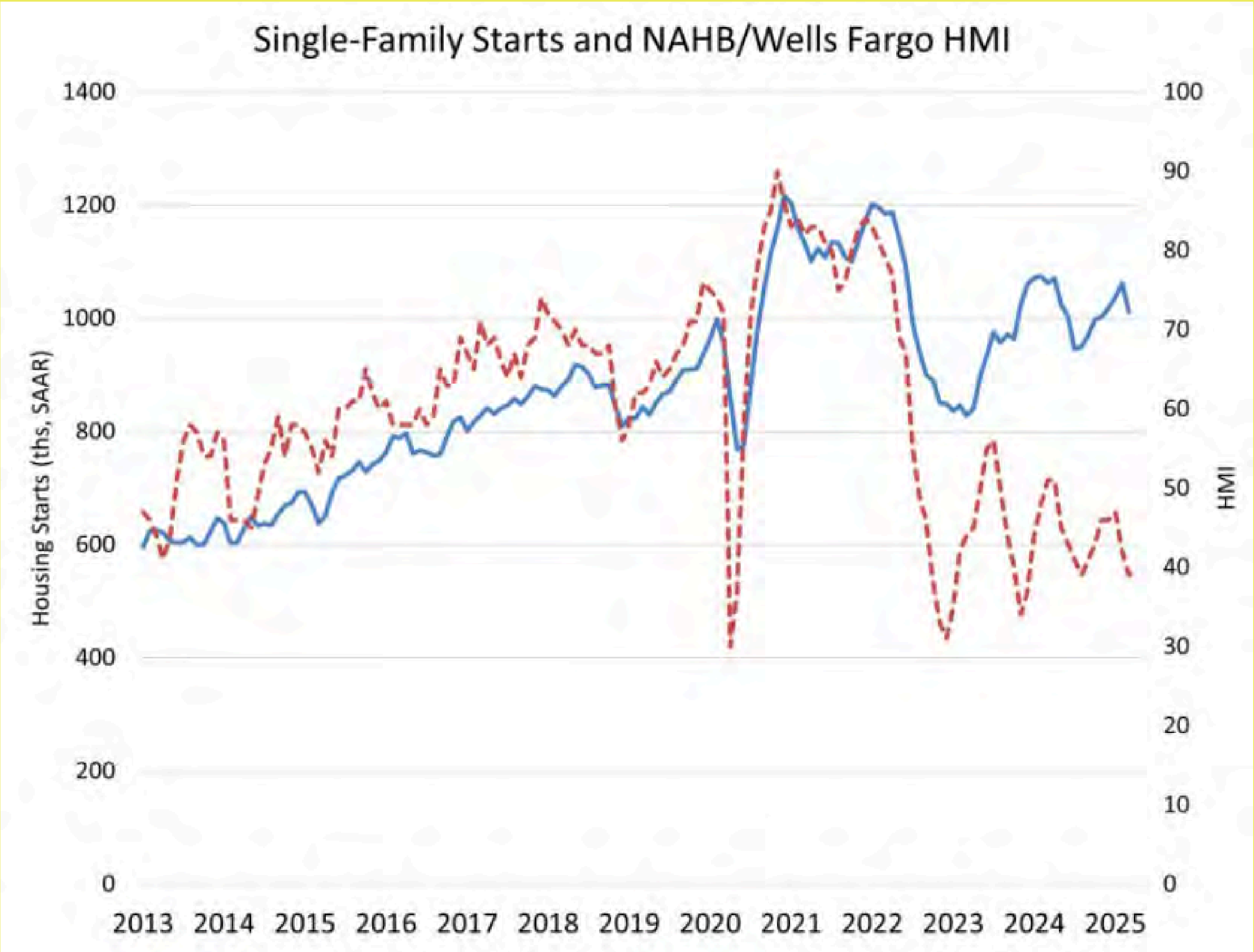

*Source: Yardi Matrix, Karr-Cunningham Storage*

# Housing Demand

- Single-family starts fell 14.2% to a seasonally adjusted annual rate of 940,000, down 9.7% from March 2024.
- Year-to-date, single-family starts are down 5.6%, with the three-month moving average at 1.01 million units.
- On a year-to-date basis, single-family starts are down 5.6%. The three-month moving average is down to 1.01 million units
- Single-family units under construction declined 8.7% year-over-year to 632,000.

## CREDE Perspective

CREDE expects housing ground breakings to be flat or slightly lower through middle 2025 with a gradual uptip through Q4 and into 2026. Developers are already optioning land and contracting for entitlements for 2026 and 2027 starts in Raleigh, Charlotte, Dallas-Fort Worth, Phoenix, and Salt Lake.




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

# CREDE

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