CREDE

CONSTRUCTION DATA ANALYSIS Q3 2025

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CREDE'S Market Outlook

Q3 confirms that we are in the later stage of this industry cycle, on the verge of a new start as absorption has taken up excess supply. It is not a question of if we are starting the next cycle merely when which as this point seems dependent on a combination of the ten year bond and investor urgency to deploy committed capital. Design side indicators remain in contraction, with the national Architecture Billings Index drifting into the low 40s and design contracts down for well over a year, even as inquiries have flattened rather than collapsed. At the same time, contractors still report roughly eight and a half months of work on the books, and total construction spending is holding above $2.1 trillion, only modestly below last year's peak.

Taken together, this is a market that has downshifted but keeps moving forward, rewarding teams planning earlier, staying disciplined on scope and cost, and focusing on the opportunities with the strongest long-term upside. The mix of activity continues to evolve, unevenly across regions. Private residential and parts of institutional work are clearly in a cooling phase, while nonresidential buildings and civil infrastructure remain the backbone of the industry, at least for now. Industrial and advanced manufacturing starts are still running far ahead of most other categories, and major civil programs in roads, bridges, airports, and water are steadily adding work even as some commercial and health-care segments step back. In this kind of two-speed market, growth is no longer about riding a broad up-cycle; it is about aligning with the corridors and asset types where long-term demand is indisputable.

CREDE'S Market Outlook (Continued)

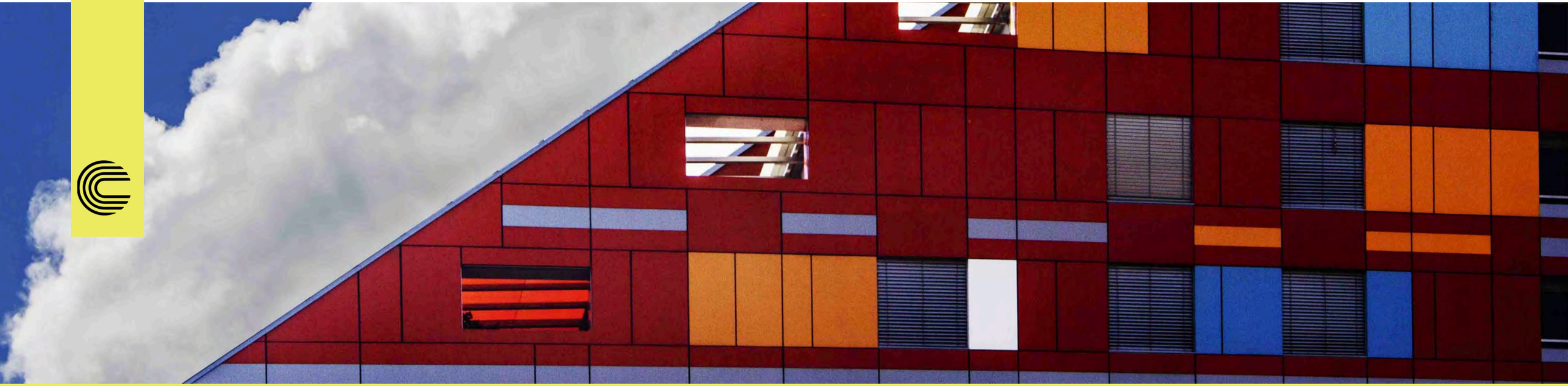
From CREDE's vantage point, three forces are now carrying the construction economy: public infrastructure, technology-heavy assets, and disciplined renovation. Federal and state programs continue to anchor civil work and support contractor backlogs. Data centers and advanced industrial facilities are absorbing capital at a pace that is reshaping power grids and delivery models. At the same time, roughly half of design billings are now tied to reconstruction rather than new expansion, as owners rethink existing portfolios instead of simply adding more square footage. That combination favors teams that understand both ground-up delivery and complex conversions.

Technology infrastructure remains the clear outlier on the upside. U.S. data center inventory and construction pipelines continue to grow, yet vacancy in the major hubs is near zero and absorption in markets like Dallas-Fort Worth, Richmond, and Columbus is setting new records. Developers are layering in microgrids, fuel cells, and other on-site power solutions to get around grid bottlenecks and support higher-density AI deployments. We expect this sector to remain exceptionally active into 2026, with speed to power, entitlement readiness, and cooling strategy now as important as location.

CREDE'S Market Outlook (Continued)

Industrial is moving toward a healthier balance. New supply and square footage under construction have fallen sharply from their 2022 peaks after an extended building boom, while Q3 brought the strongest quarter of net absorption in more than a year and only a marginal uptick in vacancy. Rents are still edging up, but new deliveries are now much closer to actual demand, especially in infill and supply constrained markets where quality space near customers remains limited. As the pipeline continues to thin, we see room for firmer fundamentals in 2026–2027, particularly for well-located logistics, last mile, and light industrial assets tied to reshoring and ongoing supply chain reconfiguration.

Housing and several consumer-facing segments are working through more visible adjustments. Multifamily absorption slowed sharply in Q3 as new deliveries temporarily outpaced demand, pushing vacancies higher and slowing rent growth to more sustainable levels. Single-family starts, permits, and units under construction all remain below last year's levels, and self-storage pipelines have pulled back as operators digest slower lease-up and softer street rents. In our view, this is less a structural downturn than a necessary pause after several years of overheated building. Slower starts today, combined with continued household formation in many of our core markets, set the stage for a more durable recovery in mid-2026 and beyond.



CREDE'S Market Outlook (Continued)

The hospitality sector remains one of the clearest bright spots, with performance and project pipelines holding up even as other segments slow. New development is moving forward more selectively, but brands and owners continue to invest in renovations, repositionings, and experience focused upgrades that support higher rates and longer stays. Office is on a different path. New construction is generally limited to the best located Class A projects in markets with real demand, while more activity is shifting toward conversions and major renovations that reposition older buildings for mixed use, life science, or modern workplace needs. Together these trends point to a market where capital is following quality, experience, and adaptability rather than simple expansion of square footage.

Looking ahead, we see 2026 shaping up as a transition year from a broad reset to more targeted growth. The data show that design activity is still soft, but backlogs, infrastructure programs, and technology driven projects are providing a durable and increasingly visible floor beneath activity. Costs will continue to rise, but within a range that can be forecast and managed with disciplined planning. In this environment, the advantage belongs to owners who treat this stage of the cycle as the time to secure entitlements, refine scope, and make clear go or no go decisions rather than waiting for perfect clarity. Early movers who stay on offense will turn this phase to their advantage and set the pace in the next one and beyond.

Architectural Billing Index - National

- The AIA/Deltek Architecture Billings Index (ABI) remained firmly in contraction through Q3, with the national index falling to 43.3 in September, down from 47.2 in August and 46.2 in July.

- Design contracts declined for a nineteenth straight month in September. Backlogs reduced again, with institutional firms under the most pressure, while commercial, industrial, and multifamily work is stabilizing at low levels.

- Inquiries for new projects, which had strengthened modestly over the summer, flattened out in late Q3 as clients hesitated to convert early conversations into signed work.

CREDE Perspective

From CREDE's standpoint, the ABI confirms that the design side of the market is late in a prolonged slowdown, we are seeing our large private clients take advantage of the buyer market but most institutional clients are waiting for a more public move to start. We expect nonresidential construction starts in 2026 to be more selective, with growth concentrated in infrastructure, data centers, and other high-conviction asset types. With Residential starts from public home builders increasing after Q1 as their inventory has depleted over the last 3 quarters.

NATIONAL

Billings Weaken Further at Architecture Firms in Q3

Graphs represent data from September 2024 - September 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 September 2024 - September 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.

- Firm backlogs continued to soften, falling to an average of 6.1 months.
- Billings declined across all regions except the Midwest, and business conditions were weakest at institutional firms and soft at commercial and industrial practices.
- Reconstruction work generated about half of design billings over the past year, and most firms now expect this share to remain generally stable or gradually increase.

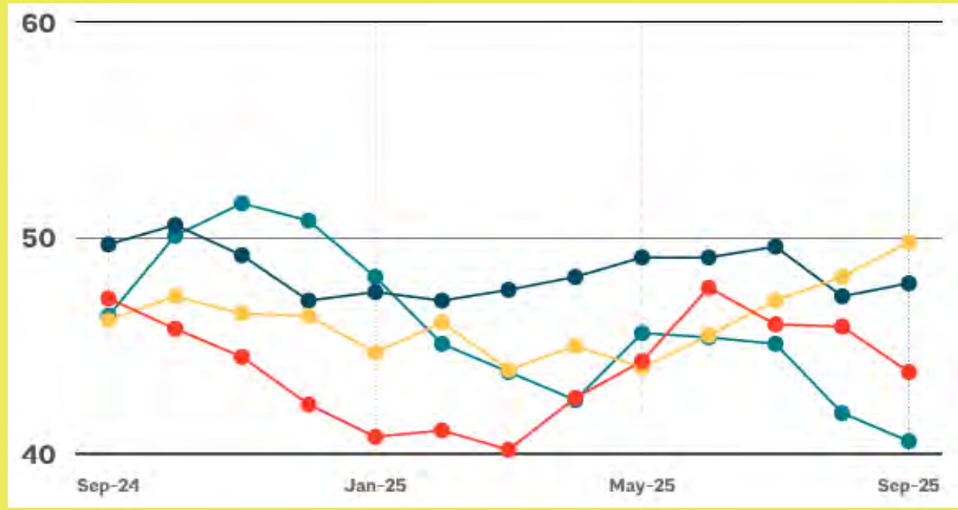
CREDE Perspective

Owners are prioritizing repositioning of existing assets over broad expansion, leaning into reconstruction and conversions while using feasibility and entitlement work to unlock value and keep select projects ready as capital and confidence improve. Into 2026, CREDE expects a gradual firming in demand, led by renovation, conversion, and well prepared ground up projects.

REGIONAL

Firms located in the Midwest reported the highest billings nationally at 49.8

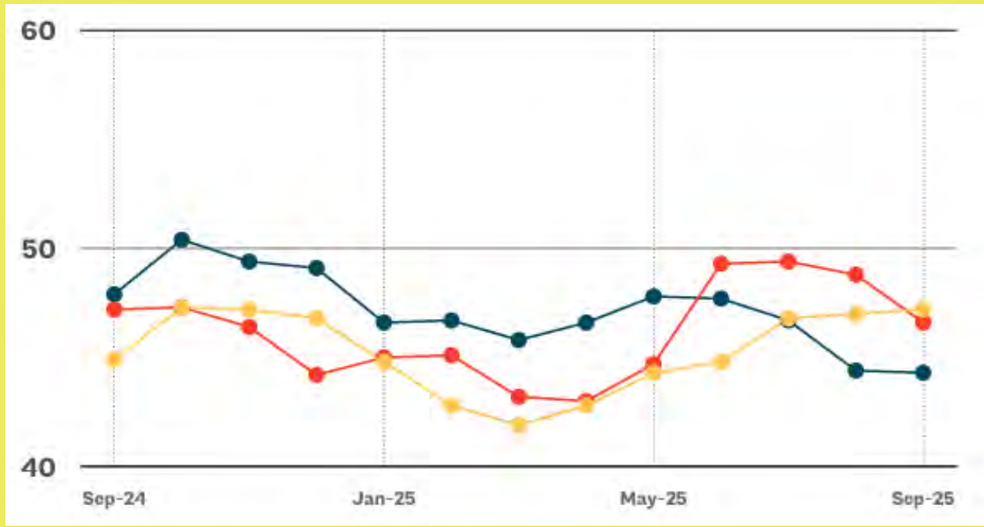
WEST	SOUTH	MIDWEST	NORTHEAST
40.6	47.9	49.8	43.8



SECTOR

Business conditions softened further at firms with institutional specialization

Commercial/ Industrial:	Institutional:	Residential:
46.6	44.3	47.2



Source: The American Institute of Architects

Construction Backlog Indicator

- ABC's Construction Backlog Indicator held at 8.5 months in September, unchanged from August and just 0.1 months below September 2024, signaling a stable but elevated pipeline of work.

- Over the past year, backlog has declined in commercial, institutional, and heavy industrial segments, while the infrastructure category has increased substantially, supported by sustained public spending.

- Data center construction is a key stabilizer: about one in five contractors reports data center work, and those firms have longer backlogs - around 12 months versus 8 months for contractors without such projects.

CREDE Perspective

The Construction Backlog Indicator shows a market that has cooled from mid-year highs but remains supported by infrastructure and tech work. CREDE expects elevated public and data center backlogs to underpin activity into 2026, even as smaller contractors and non-infrastructure sectors face softer pipelines. Depending on the market CREDE's perspective is that prices bottomed out between Q1 and Q3 of this year and we will start to see modest increases in Contractor pricing moving into 2026.

	September 2025	August 2025	September 2024	1-Month Net Change	12-Month Net Change
Total	**8.5**	**8.5**	**8.6**	**0.0**	**-0.1**
Industry					
Commercial and institutional	8.5	8.3	8.9	0.2	-0.4
Heavy industrial	7.6	11.0	8.9	-3.4	-1.3
Infrastructure	9.5	11.2	7.9	-1.7	1.6
Region					
Middle States	8.6	8.3	8.7	0.3	-0.1
Northeast	7.6	8.0	7.5	-0.4	0.1
South	9.9	10.0	9.8	-0.1	0.1
West	7.5	6.6	7.6	0.9	-0.1
Company Size					
<$30 Million	7.8	7.1	7.5	0.7	0.3
$30-$50 Million	7.8	9.7	8.7	-1.9	-0.9
$50-$100 Million	8.3	10.1	12.5	-1.8	-4.2
>$100 Million	12.5	13.5	11.9	-1.0	0.6

Source: Associated Builders and Contractors

Construction Spending - Through August 2025

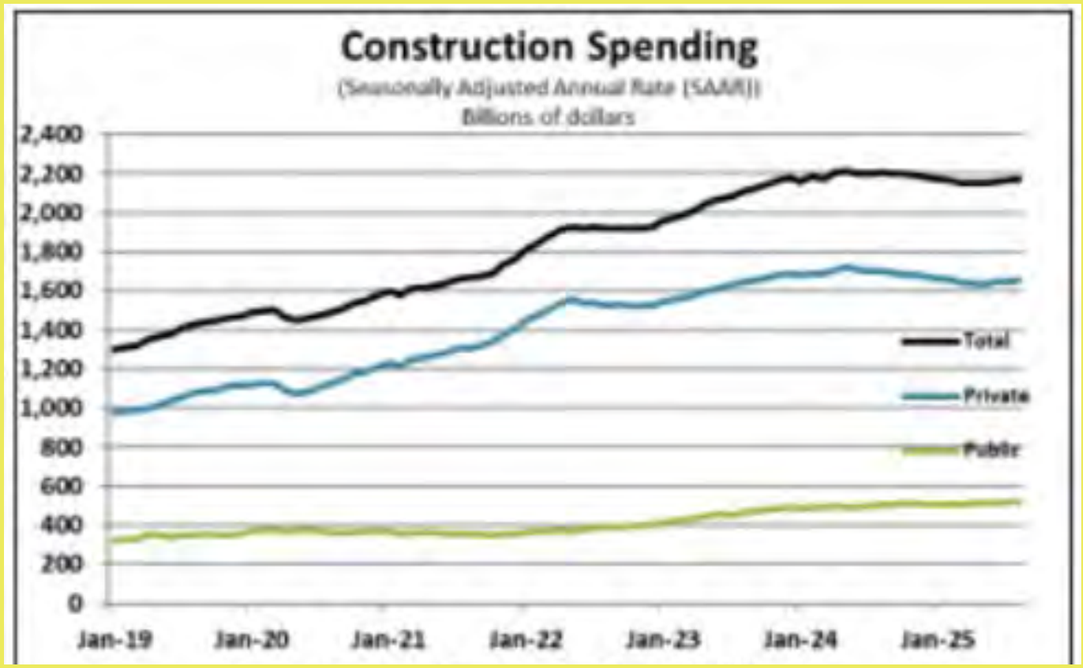
- Construction spending in August 2025 was at a seasonally adjusted annual rate of $2.17 trillion, up 0.2% from July but 1.6% below August 2024.

- Year-to-date spending for the first eight months totaled $1.44 trillion, 1.8% below the same period in 2024 and signaling a softer trajectory than in recent years.

- August construction spending totaled $2.17 trillion (+0.2% MoM; -1.6% YoY), with private residential at $914.8 billion (+0.8% MoM), private nonresidential at $737.3 billion (-0.3% MoM), and public at $517.3 billion (essentially flat month-over-month).

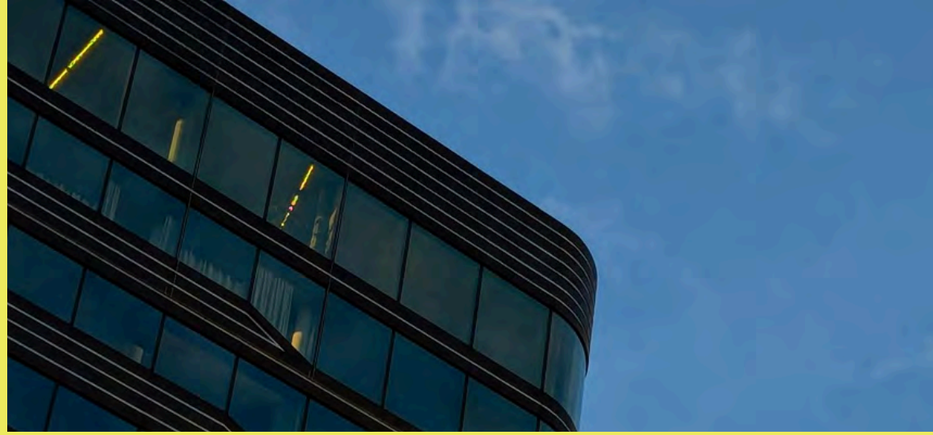
CREDE Perspective

Construction spending edged up in Q3 but remains below year ago levels as the market recalibrates after exceptional growth. Public infrastructure and renovation driven residential work are providing a floor, while new private projects are constrained by financing costs and pricing discipline. This reset will likely extend into 2026, favoring owners and developers who advance entitlements and preconstruction now.



Source: United States Census Bureau

Forecasted New Construction Projects: Residential, Commercial, & Industrial



- In Q3 2025, total US construction starts fell 4.8% YoY but rose 3.4% YTD, reflecting a strong 2024 base and outsized megaprojects this year.

- Nonresidential Building was the strongest summary category, growing by 3.9% YoY and 13.4% YTD, while Residential construction fell by 16.2% YoY and was down 8.8% YTD

- Commercial starts delivered a mixed picture - down 6.5% YoY yet positive at 5.3% YTD due to the timing of significant Office/Data Center and Transportation Terminal projects.

- Industrial construction maintained remarkable momentum, rising 73.6% YoY and 81.9% YTD. This surge is anchored in advanced Manufacturing, semiconductors, and Data Center equipment investment.

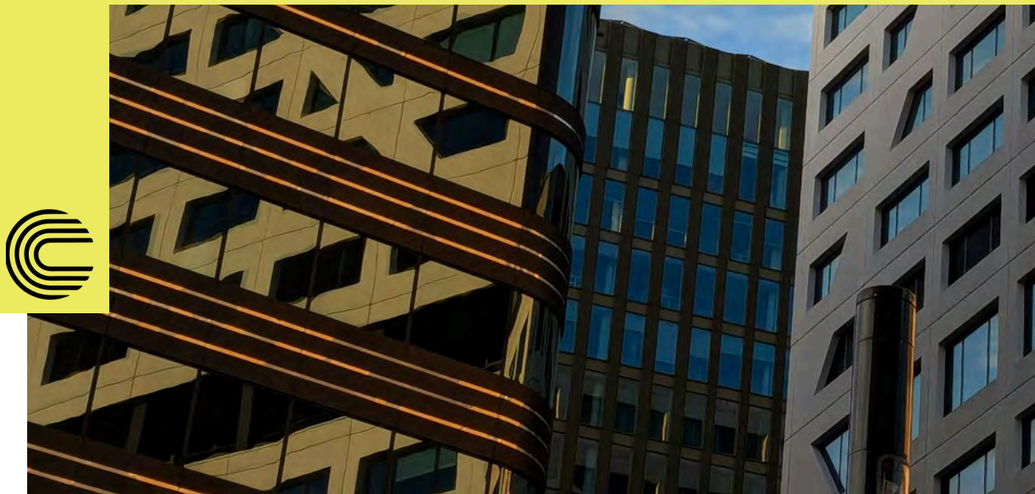
CREDE Perspective

CREDE expects residential starts to pivot back to modest growth in 2026 as conditions ease, with forecasts calling for roughly a 5.5% rebound after three down years. The commercial sector will normalize after 2025's megaproject spike, and industrial will settle from peak levels but will remain strong in key reshoring and data-center corridors.

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

	Actuals		Forecasts		
	2023	2024	2025	2026	2027
Single Family	201.56	202.94	189.01	204.24	225.73
Multi-Family	118.08	106.61	96.67	97.24	104.36
TOTAL RESIDENTIAL	319.64	309.54	285.68	301.49	330.11
(Yt/yr % change)	-14.5%	-3.2%	-7.7%	5.5%	9.5%
Hotels/Motels	14.65	13.21	10.81	11.13	12.23
Shopping/Retail	14.77	13.87	14.05	14.5	15.81
Parking Garages	2.11	3.06	2.34	2.44	2.52
Amusement	9.23	13.86	10.91	10.87	11.75
Private Offices	33.59	40.45	47.44	50.01	52.43
Governmental Offices	16.19	17.96	15.12	12.24	11.88
Laboratories (Schools & Industrial)	4.98	5.94	3.39	3.82	4.04
Warehouses	22.97	22.91	19.63	19.66	21.47
Sports Stadium/Convention Center	10.31	14.11	17.48	14.57	14.59
Transportation Terminals	6.87	7.53	19.09	11.22	11.03
TOTAL COMMERCIAL	142.96	161.35	168.38	158.67	166.18
(Yt/Yr % change)	9.2%	12.9%	4.4%	-5.8%	4.7%
TOTAL INDUSTRIAL (manufacturing)	104.64	57.54	79.45	46.65	48.14
(Yt/Yr % change)	-9.3%	-45.1%	38.1%	-41.3%	3.2%

Source: Construct Connect



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

- Health care and broader institutional construction is forecast to decline 8.8% in 2025, with growth concentrated in Nursing Homes (+20.2%), Police/Fire (+10.7%), and Religious Buildings (+7.7%), while Hospitals & Clinics (-24.6%), Prisons (-35.9%), and Medical Miscellaneous (-18.3%) drive the downturn.

- Total Nonresidential construction (buildings plus civil) is projected to grow 5.7% YoY in 2025, with Nonresidential Building up 7.5% on manufacturing and commercial megaprojects and Civil Engineering up 3.0%

- The Civil construction sector is expected to grow 3.0% in 2025, led by Airports (+14.2%), Roads (+7.7%), Bridges (+7.6%), and Water & Sewage Treatment (+15.4%), partially offset by declines in Dams/Canal/Marine (-20.9%) and Miscellaneous Civil (-11.6%).

CREDE Perspective

CREDE expects institutional softness to persist through the end of 2025, with health care and justice projects under pressure even as senior living and public safety remain selective growth areas. In 2026, we see civil and infrastructure programs continuing to anchor nonresidential demand, positioning critical municipal and institutional projects to move as funding stabilizes.

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

	Actuals		Forecasts		
	2023	2024	2025	2026	2027
Religious	1.12	1.32	1.42	1.31	1.37
Hospitals/Clinics	22.71	33.77	25.45	28.41	30.42
Nursing Homes/Assisted Living	2.88	2.65	3.19	3.44	3.54
Libraries/Museums	5.06	5.15	5.48	5.42	5.51
Courthouse	2.37	2.29	20.40	2.21	2.48
Police/Fire	6.04	6.21	6.87	6.58	6.73
Prisons	6.99	7.44	4.77	5.18	5.31
Military	16.18	8.94	8.88	10.71	11.52
Education Facilities	92.15	106.45	101.67	92.73	94.28
MED misc	9.46	10.11	8.25	8.41	8.97
TOTAL INSTITUTIONAL	163.98	184.34	168.06	164.42	170.12
(Yt/Yr % change)	15.6%	11.9%	-8.8%	-2.2%	3.5%
Miscellaneous Non-Res Building	7.21	8.56	7.71	8.16	8.41
TOTAL NON-RES BLD	411.2	406.0	436.3	407.3	422.1
(Yt/Yr % change)	5.9%	-1.5%	7.5%	-6.7%	3.6%
Airport	10.26	16.65	19.01	15.16	15.83
Roads	95.27	101.49	109.33	113.91	118.46
Bridges	24.35	30.59	32.91	36.39	38.45
Dams/Canal/Marine	12.66	12.75	13.08	11.16	11.71
Water & Sewage Treatment	48.21	59.55	61.37	60.26	60.62
Misc Civil (Power, etc.)	40.42	54.99	48.63	57.07	61.56
TOTAL ENGINEERING	231.21	276.03	284.36	293.95	306.65
(Yt/Yr % change)	14.5%	13.1%	3.0%	3.4%	4.3%

Source: Construct Connect

Construction Input Pricing - Producer Price Index

- Construction input prices rose 0.2% in September and 3.5% YoY, with nonresidential inputs up 0.2% for the month and 3.8% annually, and materials rising a 3.2% annualized pace since April.

- Energy inputs eased in Q3, with September prices for natural gas (-8.7%), unprocessed energy materials (-3.0%), and crude petroleum (-1.7%) all down, partly offsetting broader materials inflation.

- Tariff-sensitive metals stayed volatile: iron and steel fell 1.0% and 9% YoY, while steel mill products dropped 1.5% for the month and 13.1% for the year, as fabricated products and copper wire and cable rose.

CREDE Perspective

CREDE sees input costs grinding higher but at a slower, more manageable pace, with softer energy prices partly offsetting steady metals and manufactured-product inflation. We expect this pattern to carry into 2026, with moderate materials escalation and tariff-driven volatility keeping pressure on budgets even as the extreme spikes of prior years remain behind us.

Producer Price Index September 2025

	1-Month % Change	12-Month % Change	Change Since Feb 2020
Inputs To Industries			
Inputs to construction	0.2%	3.5%	43.3%
Inputs to multifamily construction	0.1%	3.3%	43.5%
Inputs to nonresidential construction	0.2%	3.8%	44.2%
Inputs to commercial construction	0.2%	4.4%	46.1%
Inputs to healthcare construction	0.3%	4.4%	45.7%
Inputs to industrial construction	0.3%	4.4%	41.9%
Inputs to other nonresidential construction	0.2%	3.7%	43.7%
Inputs to maintenance and repair construction	0.1%	3.2%	41.0%
Commodities			
Adhesives and sealants	0.6%	3.0%	39.9%
Brick and structural clay tile	0.0%	1.6%	33.1%
Concrete products	0.3%	2.0%	42.2%
Construction machinery and equipment	0.3%	4.4%	35.6%
Construction sand, gravel, and crushed stone	0.6%	6.1%	48.4%
Copper wire and cable	-4.3%	9.1%	54.0%
Crude petroleum	-1.7%	-4.5%	30.6%
Fabricated structural metal products	0.6%	6.7%	62.2%
Gypsum products	0.0%	0.7%	48.7%
Hot rolled steel bars, plates, and structural shapes	0.8%	2.9%	44.8%
Insulation materials	-0.1%	-0.5%	46.0%
Iron and steel	-1.0%	9.0%	52.0%
Lumber and wood products	-0.6%	0.9%	25.6%
Natural gas	-8.7%	25.1%	31.2%
Plumbing fixtures and fittings	0.3%	6.9%	28.0%
Prepared asphalt, tar roofing and siding products	-0.2%	3.4%	47.2%
Softwood lumber	-4.2%	-1.4%	10.0%
Steel mill products	-1.5%	12.4%	62.5%
Switchgear, switchboard, industrial controls equipment	0.1%	10.3%	62.8%
Unprocessed energy materials	-3.0%	0.7%	45.6%

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

Construction Costs - Historical Cost Index

- Material costs edged higher in Q3, with the HCI Material Value up 2.31% QoQ and 1.78% YoY, as tariffs and tighter lumber supply lifted boards, framing lumber, and plywood 4-7% from Q2.

- Labor costs remain elevated, with the HCI Install Value up 2.35% YoY and 0.66% QoQ, as steady 2-3% wage growth and skilled-trade shortages continue to extend schedules despite softer demand.

- Overall project costs are rising from an already high base, with HCI Total Value up 2.0% YoY and 1.66% QoQ, as labor, logistics, and tariffs keep costs from easing.

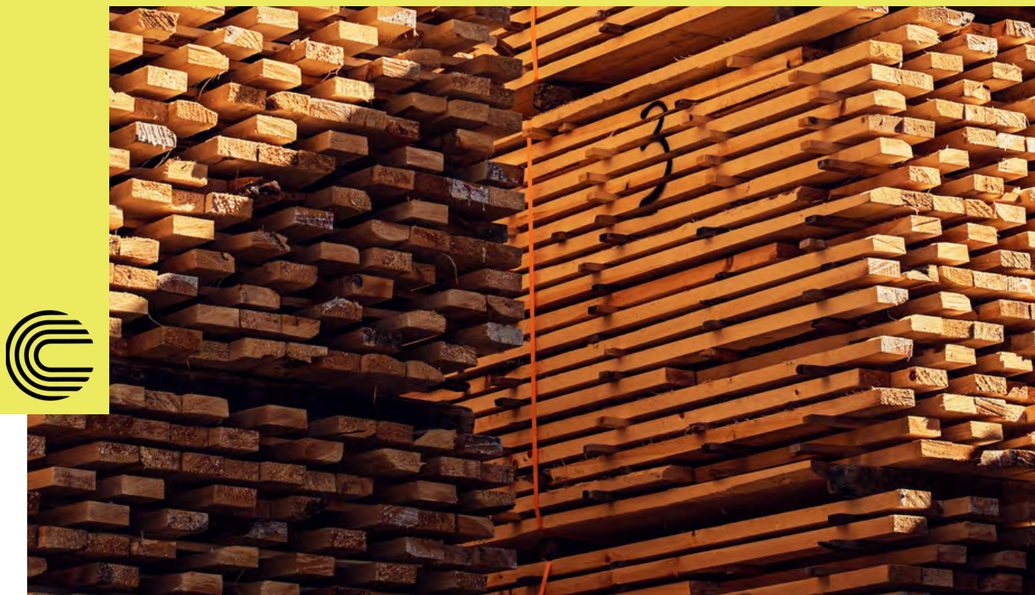
CREDE Perspective

CREDE views the HCI as evidence of a slow grind higher rather than a new spike, with modest index gains layered on top of a structurally expensive cost base. We expect 2026 to bring similar 2-3% annual increases, driven more by labor and tariff impacts than broad commodity shocks.

Quarter Over Quarter Total Difference

HCI Total Value	HCI Material Value	HCI Install Value
+1.66%	+2.31%	+0.66%
Year over Year Total Difference		
+2.00%	+1.78%	+2.35%
5 Year Total Difference		
+28.18%	+37.60%	+15.78%
10 Year Total Difference		
45.83%	58.77%	29.37%

Source: Gordian



National Average Cost of Construction Per Square Foot

Offices
- Prime: Low $341 / High $578
- Secondary: Low $235 / High $355

Retail
- Shopping Center: Low $240 / High $443
- Strip Mall: Low $210 / High $336

Hotels
- 5-Star: Low $494 / High $730
- 3-Star: Low $338 / High $493

Hospital
- General: Low $626 / High $957

Industrial
- Warehouse: Low $133 / High $218

Parking
- Ground: Low $126 / High $188
- Basement: Low $175 / High $267

Residential
- Multi-Family: Low $244 / High $411
- Single-Family: Low $263 / High $512

Education
- Elementary: Low $425 / High $590
- High School: Low $463 / High $679
- University: Low $590 / High $851

	OFFICES				RETAIL SHOPPING				HOTELS				HOSPITAL		INDUSTRIAL		PARKING				RESIDENTIAL				EDUCATION					
	PRIME		SECONDARY		CENTER		STRIP		5 STAR		3 STAR		GENERAL		WAREHOUSE		GROUND		BASEMENT		MULTI-FAMILY		SINGLE-FAMILY		ELEMENTARY		HIGH SCHOOL		UNIVERSITY	
LOCATION	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH
USA																														
Austin	250	420	165	225	200	330	190	255	425	580	300	445	475	670	75	150	115	190	165	260	180	270	190	515	275	390	310	475	420	645
Boston	455	705	270	405	250	405	175	280	475	805	330	555	605	1110	130	220	110	165	140	190	285	390	305	430	595	675	625	800	650	900
Chicago	345	570	215	350	215	460	170	280	520	800	380	510	450	920	150	240	100	150	165	285	210	480	285	570	320	480	370	510	450	910
Dallas	255	430	160	230	205	340	190	260	435	595	305	450	480	685	75	150	115	190	165	265	185	275	195	520	280	400	315	480	430	660
Denver	350	575	250	350	200	360	200	275	460	665	320	475	700	1000	130	205	125	200	175	280	210	375	240	475	375	500	400	610	650	900
Honolulu	385	645	245	375	305	615	285	465	735	880	420	665	565	950	145	290	180	235	205	315	300	505	335	625	565	930	585	790	725	1060
Las Vegas	280	495	200	265	175	670	160	360	440	810	260	445	555	665	80	170	80	110	105	200	210	500	245	495	455	565	540	740	705	930
Los Angeles	270	410	210	300	190	400	160	230	435	675	310	415	695	1055	145	220	120	150	165	225	265	435	235	415	415	540	355	625	515	705
Miami	255	435	165	235	210	345	180	280	460	620	320	420	495	700	80	150	125	195	170	285	185	285	195	530	290	410	320	495	435	675
Minneapolis	420	685	295	420	240	420	240	325	545	745	385	565	830	1190	150	235	150	240	210	330	240	425	275	555	390	565	475	725	775	1070
Nashville	360	595	260	360	210	360	195	285	470	645	330	435	710	980	130	205	130	210	185	290	210	365	240	475	335	485	410	630	645	725
New York	415	960	240	595	355	715	375	755	515	775	375	515	640	975	145	240	115	210	170	250	250	490	355	715	550	695	595	765	585	840
Phoenix	265	455	175	240	215	360	125	210	425	660	225	340	515	725	85	160	60	115	95	170	195	290	205	555	295	425	335	515	455	695
Portland	325	425	305	400	325	425	300	375	550	725	425	550	1000	1300	275	350	275	325	300	375	325	415	305	450	600	750	750	1000	750	1000
San Francisco	460	800	360	580	320	550	275	500	580	1020	430	660	750	1500	150	255	130	205	250	350	400	640	330	580	650	950	700	1100	750	1200
Seattle	370	660	245	340	275	445	210	335	485	735	340	485	650	920	185	255	140	205	215	310	285	485	265	410	450	675	385	675	595	810

Source: Cushman & Wakefield, Rider Levett Bucknall

National Average Cost of Construction Per Square Foot (Continued)

- The national average for construction costs rose 1.2% in Q3 2025 and about 4.5% YoY, as the National Construction Cost Index climbed from 276.5 to 279.8.

- Building material prices firmed, with inputs to new residential construction up 0.2% in September and 3.1% YoY, core materials up 3.5%, ready-mix concrete up 0.4%, and softwood lumber down 2.3%.

- Ready-mix concrete and diesel remain key swing factors, with aluminum, steel mill products, precast concrete, and diesel all posting above-trend YoY price increases amid tariff uncertainty.

CREDE Perspective

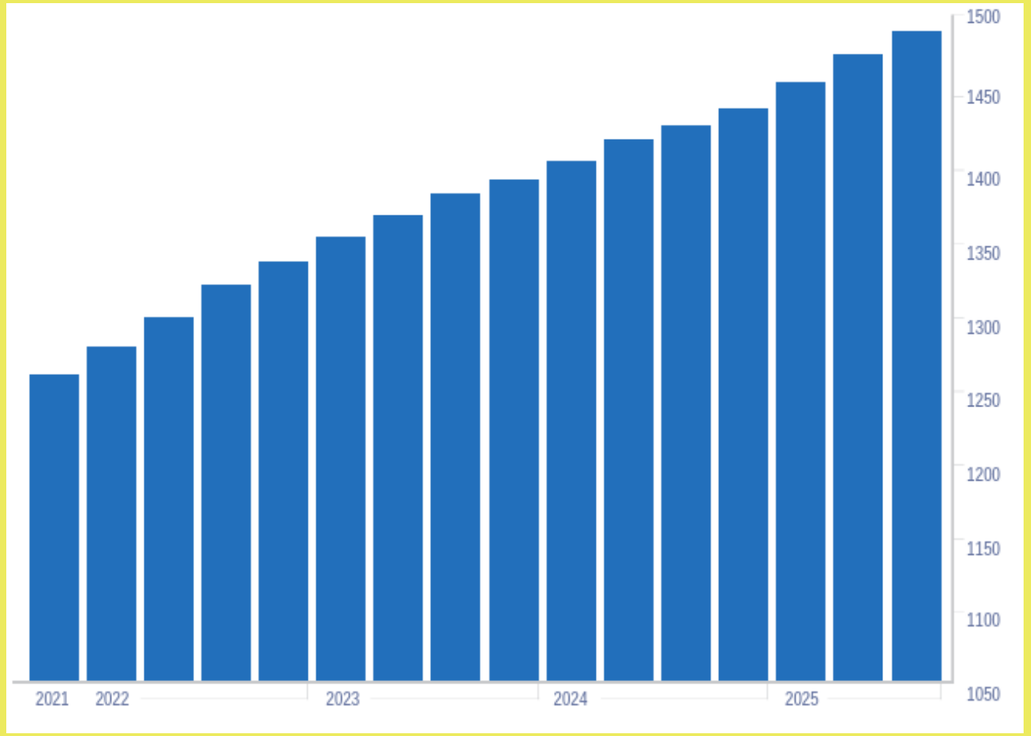
CREDE expects cost growth in 2026 to remain in the low single digits, increasingly driven by structurally expensive scopes like concrete, metals, and MEP-intensive trades rather than broad-based spikes. This shift means overall inflation may look moderate on paper, but core structure and systems packages will continue to feel outsized pressure.

Date	NCCI
Q3 2022	239.68
Q4 2022	244.19
Q1 2023	247.49
Q2 2023	251.34
Q3 2023	255.24
Q4 2023	258.62
Q1 2024	262.00
Q2 2024	264.94
Q3 2024	267.77
Q4 2024	270.75
Q1 2025	273.41
Q2 2025	276.51
Q3 2025	**279.82**

Source: Rider Levett Bucknall, Statista.com

National Construction Building Cost Index

- The U.S. Construction Building Cost Index for nonresidential construction increased from 1,476 in Q2 2025 to 1,493 in Q3 2025.
- This reflects a 1.15% quarterly increase and places the index roughly 4.7% above the 2024 average level of 1,426.
- The index's continued rise in Q3 points to steady, incremental escalation, with labor, equipment, and key structure packages keeping upward pressure on nonresidential costs.



Source: Turner Construction Company

CREDE Perspective

The Q3 2025 index shows cost escalation still running at just over 1% per quarter, reinforcing that elevated pricing is now embedded rather than cyclical. CREDE expects similar quarterly gains into 2026, implying mid-single digit annual cost growth that needs to be built into baseline project assumptions.

FED Projections - Q3 2025

- The U.S. economy is projected to grow at an annualized rate of 1.3% in Q3 2025, up from a 0.9% estimate three months ago; annual GDP growth for 2025 is now forecast at 1.7%, a 0.3-point upward revision from the prior survey.

- The unemployment rate is expected to average 4.2% in 2025 and 4.5% in 2026, slightly lower than previously projected for 2025, before easing to 4.4% in 2027 and 4.3% in 2028.

- Job growth projections have softened, with payroll gains now expected at about 73,000 per month in Q3 and 132,800 for 2025, down from 140,900 in the prior survey.

	REAL GDP (%)		UNEMPLOYMENT RATE (%)		PAYROLLS (000S/MONTH)	
	PREVIOUS	NEW	PREVIOUS	NEW	PREVIOUS	NEW
Quarterly data:						
2025:Q3	0.9	1.3	4.3	4.3	79.5	73.0
2025:Q4	1.4	1.3	4.5	4.4	90.5	70.7
2026:Q1	1.7	1.9	4.5	4.4	120.5	58.8
2026:Q2	1.9	1.3	4.5	4.5	129.1	87.4
2026:Q3	N.A.	1.6	N.A.	4.5	N.A.	105.8

Source: Federal Reserve Bank of Philadelphia

CREDE Perspective

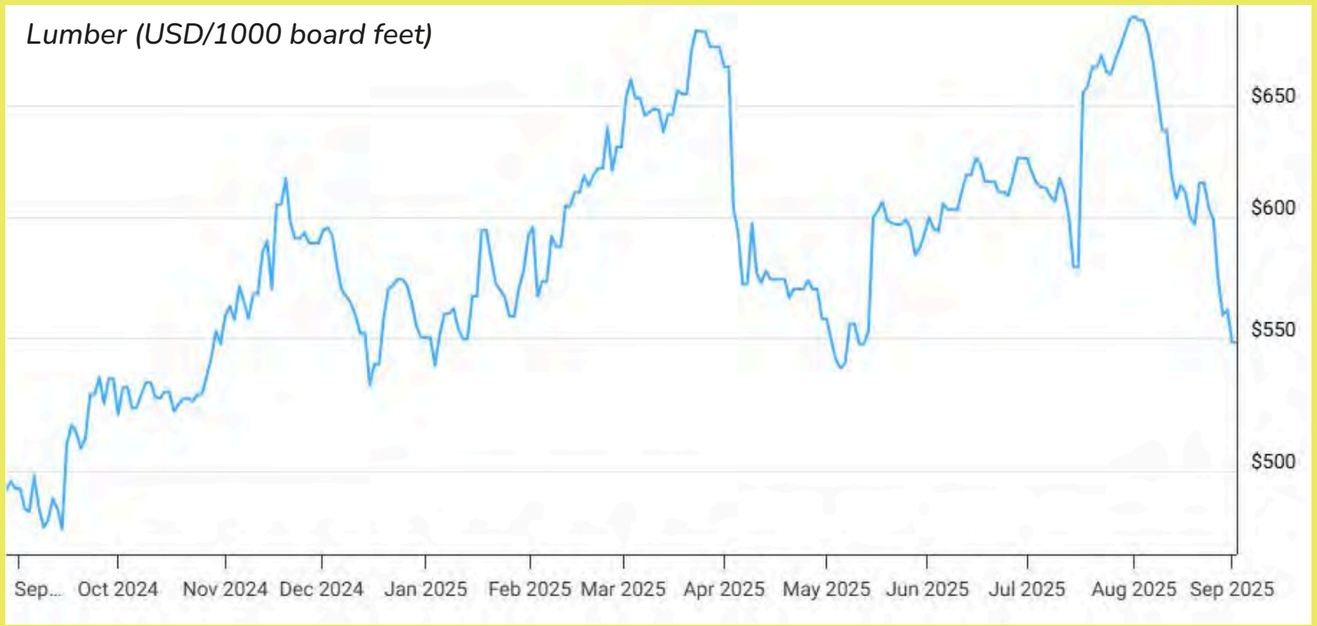
The Q3 survey points to slightly stronger GDP but weaker payroll gains, signaling a slower, less labor-intensive expansion. CREDE expects this mix to keep financial conditions tight into 2026, reinforcing a cautious environment for new construction starts even as recession risks ease.

Lumber Pricing Insights

- In Q3 2025, lumber prices spiked to about $695 per 1,000 board feet on 7/1, a three-year high - before sliding roughly 20-25% to near $535-$595 by early September.

- The average price for Q3 2025 hovered in the mid-$550s per 1,000 board feet, roughly 5-7% below Q2's $589 average but still about 10-11% higher than a year earlier.

- Q3 volatility was driven by a mix of weak housing demand, shifting seasonal construction activity, and tariff-related uncertainty, with prices spiking early in the quarter before easing as inventories rebuilt and buying slowed.



Source: Macrotrends, Timber Industry News

CREDE Perspective

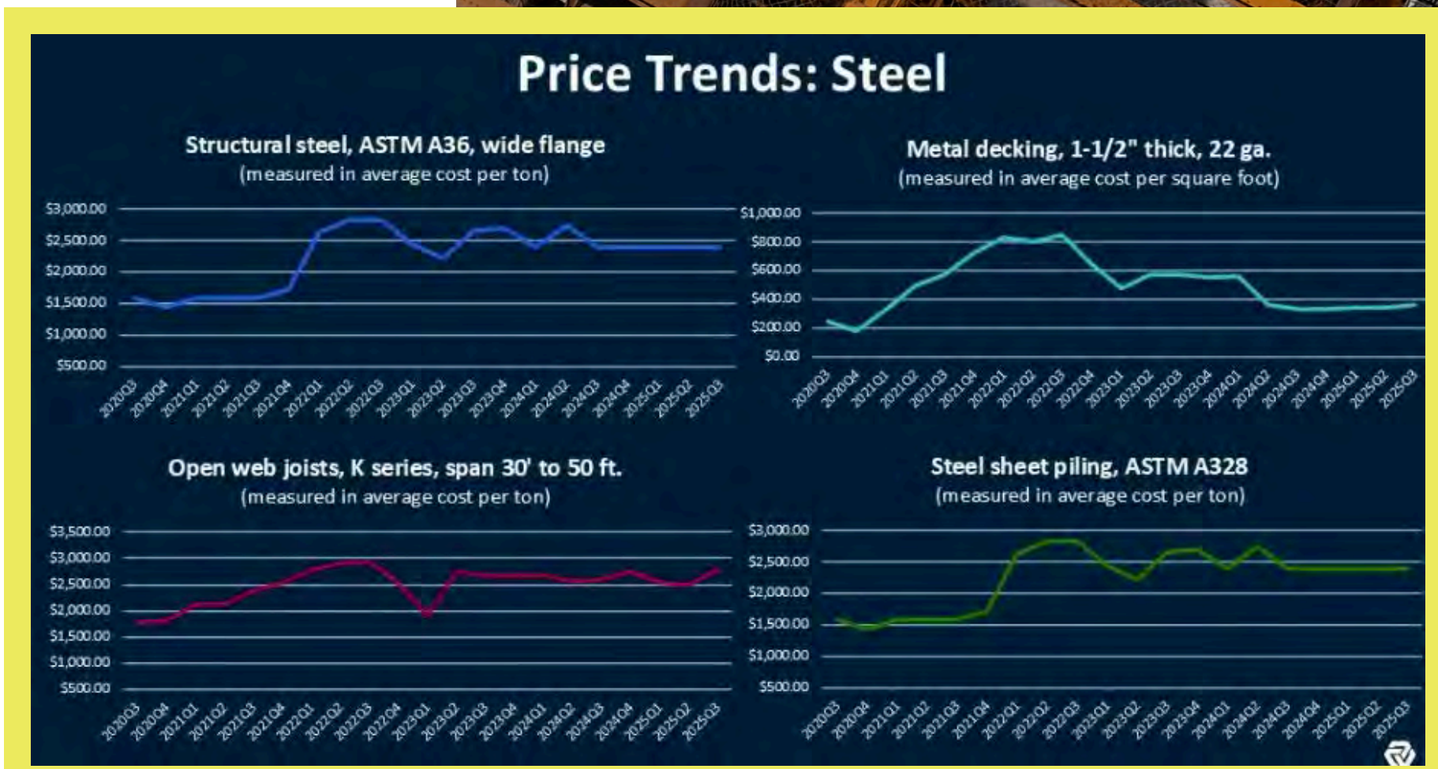
CREDE expects Q3's price correction to be followed by tighter supply and renewed firmness into 2026, with tariffs keeping lumber prices volatile and above pre-2020 norms, especially for framing lumber, panels, and other structural wood products.

Steel Pricing Insights

- U.S. hot-rolled coil prices averaged in the low $800s per metric ton in Q3 2025, higher than the high-$700 levels seen in Q2 and continuing to add cost pressure to steel-intensive scopes.
- The Producer Price Index for cold-rolled steel sheet and strip fell from about 372 in August to roughly 360 by September 2025, a decline of just over 3% during the quarter, but still above 2020 levels.
- Structural steel prices held near $265 per ton in Q3 2025, up slightly from about $260 in Q2.

CREDE Perspective

CREDE expects steel pricing to remain elevated but relatively stable through 2026, with tariffs and infrastructure demand limiting any meaningful softening. We anticipate low-to-mid single-digit escalation from current levels, particularly for flat-rolled and fabricated structural products.



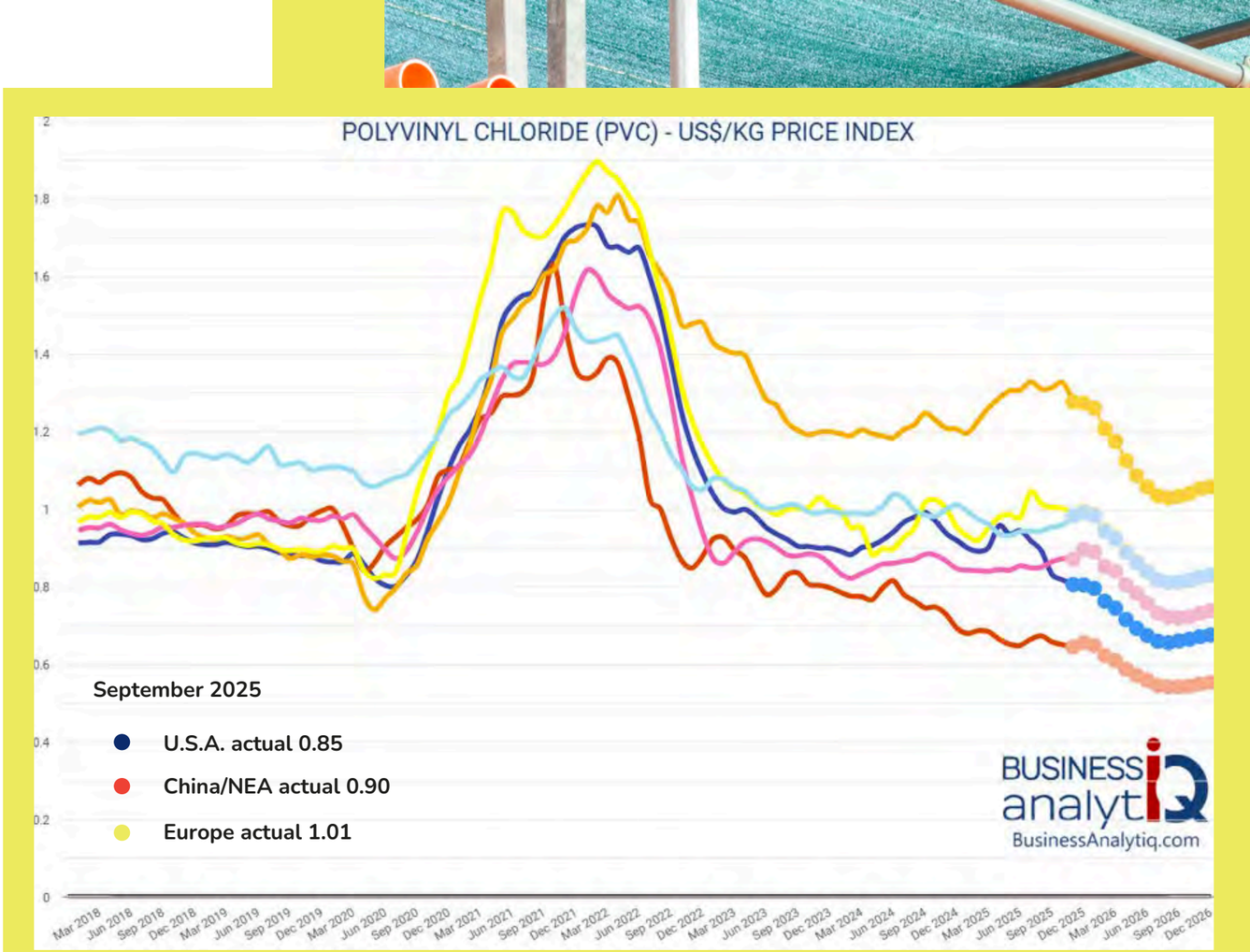
Source: Steel Market Update, Gordian, Reuters

PVC Pricing Insights

- The PVC Price Index in North America declined about 10% in Q3 2025, moving from roughly $643/MT in Q2 to around $576/MT as prices continued to adjust lower.

- Compared with Q3 2024 levels near $700/MT, Q3 2025 prices are down roughly 17%, marking a second year of double-digit annual declines from the 2021-2022 peak.

- The drop continues to be driven by oversupply and softer demand in construction and industrial end markets, with inventories still elevated across much of the value chain.



Source: Business Analytiq, Chem Analyst, Procurement Resource

CREDE Perspective

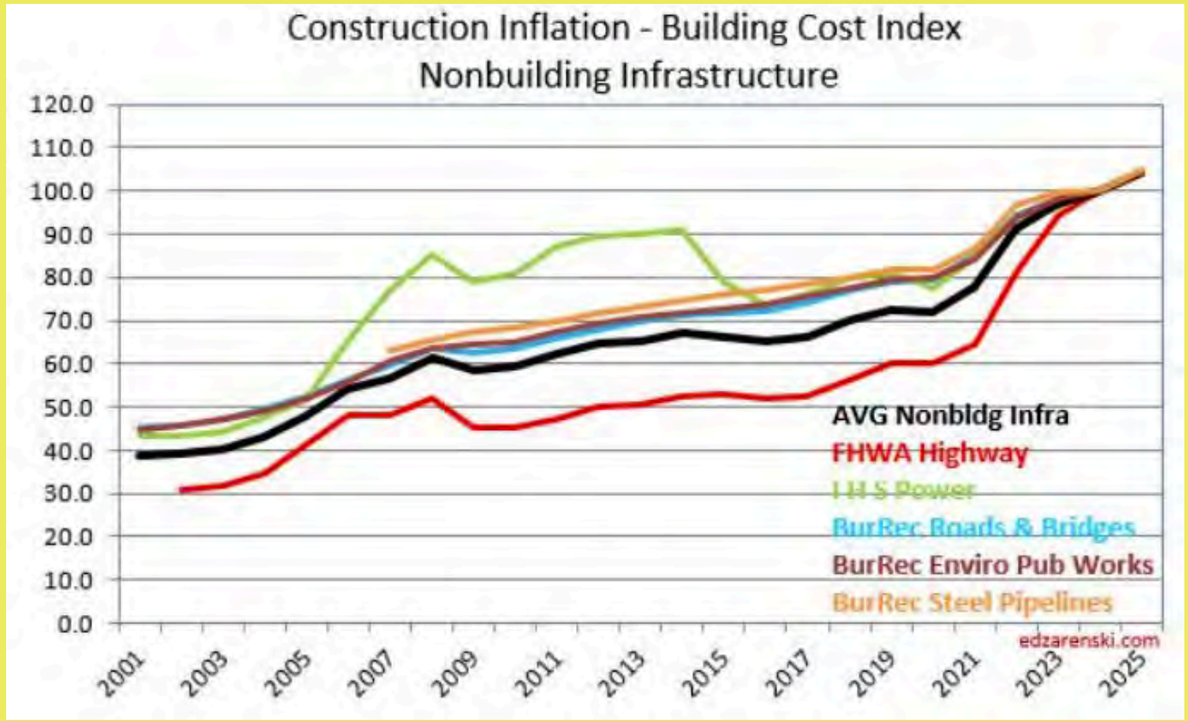
CREDE expects PVC pricing to remain comparatively favorable into 2026, with any recovery likely to be gradual as inventories work down and demand normalizes, helping keep PVC more stable than many metal and energy sensitive materials.

Construction Inflation - Building Cost Index

- Inflation in Q3 2025 averaged a little over +1.0% for nonresidential buildings, similar to Q1 and Q2, confirming that quarterly cost increases have stabilized after the volatility of 2021-2023.

- Infrastructure cost indices continued to outpace most building sectors in Q3, with nonbuilding inflation running near +4.1% year-to-date, led by steady gains in highway, power, and pipeline work.

- Year-to-date inflation for Nonresidential Buildings is now tracking around +4.8% for 2025, with Healthcare still the main contributor to overall cost escalation.



Source: CoreLogic, Ed Zarenski, Turner, RLB

CREDE Perspective

CREDE expects overall building inflation to remain in the mid single digits into 2026, with healthcare leading nonresidential costs while infrastructure categories such as highways, power, and pipelines continue to show some of the strongest inflation readings in the market.

National Labor Outlook

- The U.S. added 119,000 jobs in September 2025, trailing the 12-month average of roughly 140,000 jobs per month, signaling that hiring remains positive but slower than in earlier cycles.
- The unemployment rate ticked up to 4.4% in September, the highest since 2021. Forecasters expect it to average around 4.2% in 2025 and move toward 4.5% in 2026.
- Average hourly earnings increased 0.2% month-over-month and 3.8% year-over-year in September, signaling that wage growth is moderating but still running ahead of pre-pandemic norms.

CREDE Perspective

CREDE expects hiring to remain below the 12-month average into 2026 signaling an employers market, with unemployment gradually rising and wage growth settling just under 4%. While pay increases are moderating, wage levels remain well above pre-2020 norms, keeping labor a firm source of cost pressure.

Source: US Bureau of Labor Statistics, JP Morgan

Construction Industry Labor Outlook

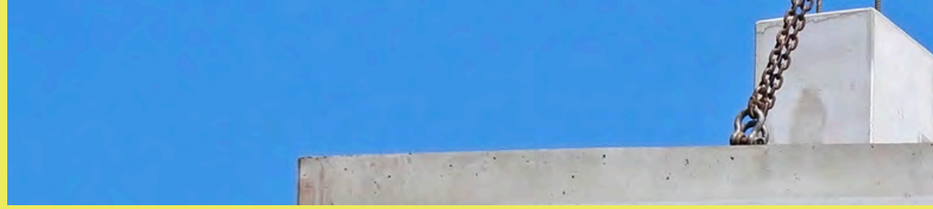
- The construction industry added 19,000 jobs in September 2025, bringing total employment to 8.3 million, with headcount up 38,000 jobs (+0.5%) YoY after three straight months of declines.

- Nonresidential construction drove the gains, adding 16,300 positions in September - 11,100 in specialty trades, 4,900 in heavy and civil engineering, and 300 in nonresidential building.

- The construction unemployment rate rose to 3.8% in September, up from 3.2% in August, but remains low by historical standards, with wages continuing to grow at roughly 3.8% YoY.

CREDE Perspective

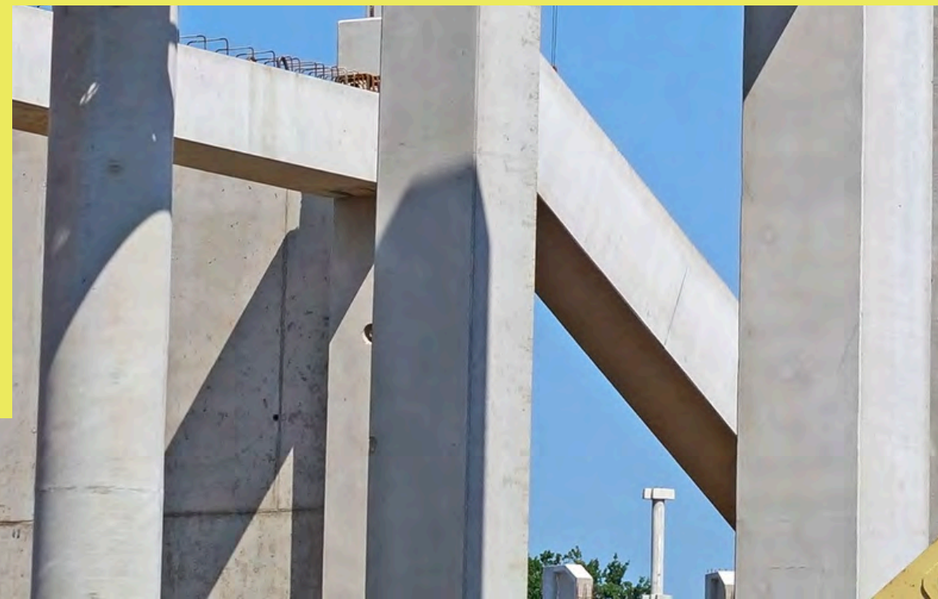
CREDE expects construction employment to grow only modestly into 2026, with nonresidential segments carrying most of the gains while residential remains under pressure. Even with slower net hiring, low sector unemployment and nearly 4% annual wage growth, meaning labor will remain a key cost driver on projects.



Construction Industry Employment Statistics: September 2025

	September 2025	August 2025	September 2024	1-Month Net Change	12-Month Net Change	12-Month % Change
Construction	**8,305,000**	**8,286,000**	**8,267,000**	**19,000**	**38,000**	**0.5%**
Nonresidential	**4,982,800**	**4,966,500**	**4,899,300**	**16,300**	**83,500**	**1.7%**
Nonresidential building	916,300	916,000	915,500	300	800	0.1%
Nonresidential specialty trade contractors	2,878,800	2,867,700	2,820,000	11,100	58,800	2.1%
Heavy & civil engineering	1,187,700	1,182,800	1,163,800	4,900	23,900	2.1%
Residential	**3,322,400**	**3,319,300**	**3,367,300**	**3,100**	**-44,900**	**-1.3%**
Residential building	954,100	950,200	949,700	3,900	4,400	0.5%
Residential specialty trade contractors	2,368,300	2,369,100	2,417,600	-800	-49,300	-2.0%
Average Hourly Earnings						
All private industries	$36.67	$36.58	$35.33	$0.09	$1.34	3.8%
Construction	$40.07	$39.96	$38.59	$0.11	$1.48	3.8%
Average Weekly Hours						
All private industries	34.2	34.2	34.2	0.0	0.0	0.0%
Construction	39.0	39.0	39.2	0.0	-0.2	-0.5%
Unemployment Rate						
All private industries (SA)	4.4%	4.3%	4.1%	0.1pp	0.3pp	
Construction (NSA)	3.8%	3.2%	3.7%	0.6pp	0.1pp	

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



Container Shipping Outlook

- Far East-U.S. West Coast spot rates retreated through Q3 2025, sliding from a June peak above $3,200 per FEU to a low near $1,900 by late September.

- Even after that drop, current rates around $2,000-$2,200 per FEU are still well above pre-2020 levels but roughly two-thirds below the early-summer spike

- Similar easing has appeared on other major lanes, with most benchmark indices showing lower YoY rates despite occasional short-term jumps from GRIs and blank sailings.

Source: Xeneta, Freightos Terminal - FBX

CREDE Perspective

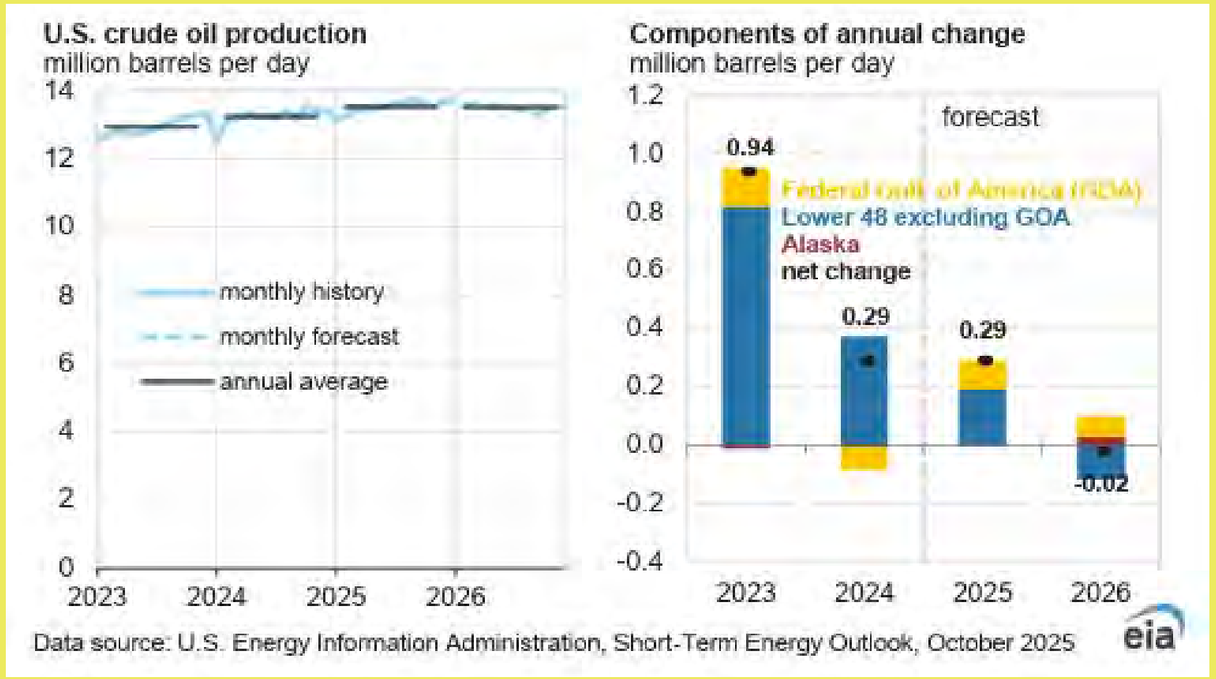
CREDE expects container rates to remain relatively low into 2026 compared with the 2021-2022 highs, with brief rate spikes around policy changes and peak seasons but an overall environment that is more favorable for project logistics planning.

Energy Outlook

- Brent crude averaged $68 per barrel in September, unchanged from August, and is now forecast to fall to around $62 per barrel in Q4 2025 and $52 in 2026 as global inventories build.

- U.S. crude oil production topped 13.6 million b/d in July - its highest monthly level on record - and is projected to average 13.5 million b/d in both 2025 and 2026 even as prices drift lower.

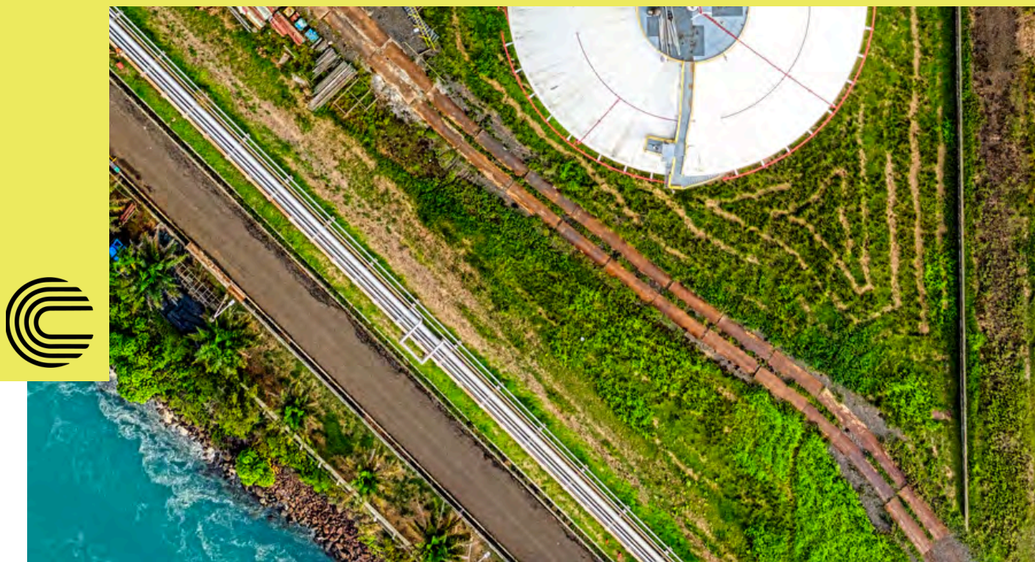
- Henry Hub natural gas prices sat just under $3.00/MMBtu in September, with the EIA outlook calling for an average of $3.40 in 2025 and $3.90 in 2026, peaking near $4.10/MMBtu this winter.



Source: U.S. Energy Information Administration

CREDE Perspective

CREDE expects softer oil prices alongside gradually higher U.S. gas prices through 2026 to keep overall energy costs manageable, but not low enough to materially reverse fuel surcharges or equipment and materials premiums on construction projects.



Insurance Marketplace Realities

- General liability is up 5%-12% for contractors, with the sharpest increases in Texas, Florida, and Gulf Coast markets driven by nuclear verdicts, social inflation, and CAT exposure.
- Excess liability premiums are rising 10%-18%, with higher attachment points, tighter limits, and stricter underwriting for heavy fleet and poor loss histories.
- Builders risk remains firm, typically 10%-15% higher, with carriers demanding accurate valuations, stronger CAT deductibles, and more detailed risk engineering on large projects.

CREDE Perspective

CREDE expects insurance costs to stay elevated into 2026, with liability and builders risk pricing driven more by legal and catastrophe trends than by construction volume. Owners and contractors should plan for continued scrutiny on valuations, safety practices, and project controls.

	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%

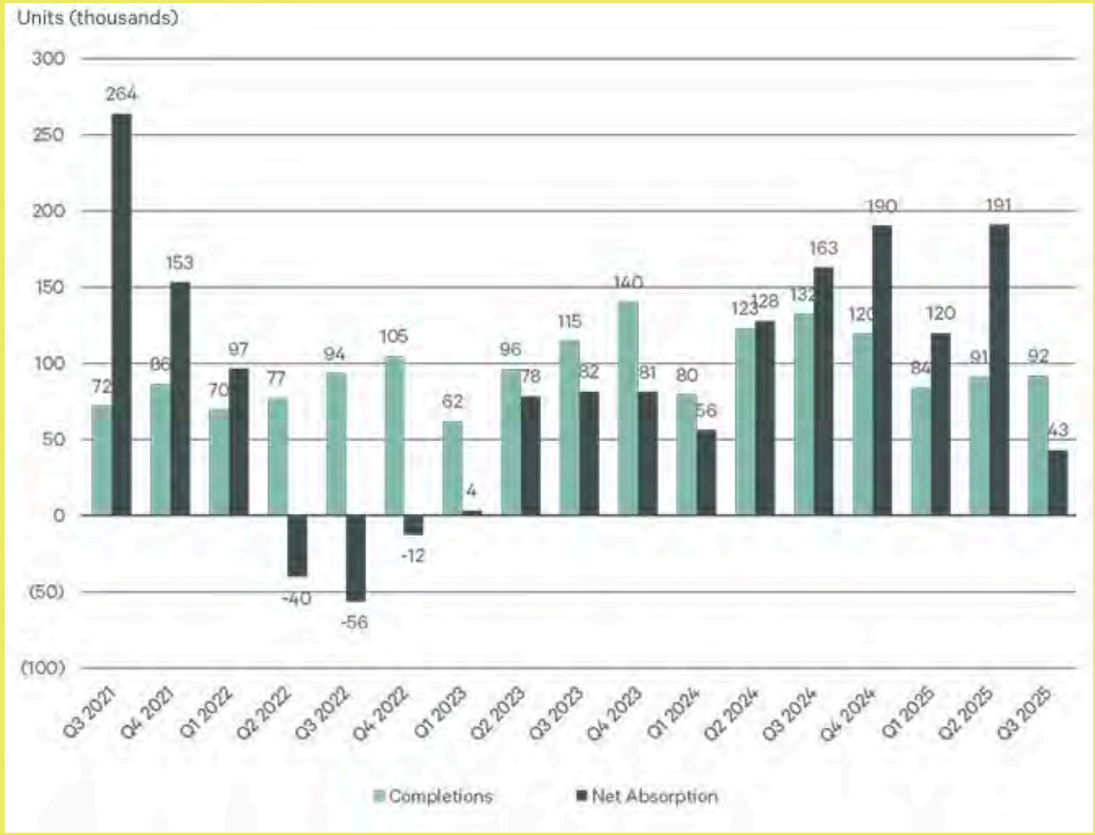
Source: WTW

Multi-Family Forecast

- Net absorption fell 73% YoY to 43,200 units in Q3 2025, the lowest third-quarter total since 2022 and roughly 52% below the pre-pandemic Q3 average.
- Completions totaled 92,000 units in Q3, with new deliveries outpacing absorption for the first time in six quarters.
- The national vacancy rate increased to 4.4% in Q3 as new supply exceeded demand, while average effective rent growth slowed to 0.5% YoY and was flat QoQ.
- Effective rent growth decelerated to +0.5% YoY and was flat QoQ in Q3, reversing the momentum seen earlier in 2025.

CREDE Perspective

CREDE expects multifamily market conditions to stay softer near term as new deliveries continue to pressure vacancy and rents, but slow construction starts and steady investment interest position the sector for a more durable recovery beginning in mid-2026 and landlords being in a position to push rental rates into 2027 and 2028.



Source: Freddie Mac, CBRE Inc.

Industrial Forecast

- New supply declined to 64.5M SF in Q3, down from 75.1M SF in Q2 and 78.4M SF a year ago, while space under construction fell to about 270M SF, 62% below its 2022 peak and the lowest since 2018.

- Net absorption jumped to 60.4M SF in Q3, more than double Q2's 24.3M SF and the strongest quarter since early 2023, bringing demand roughly back in line with new deliveries.

- The national vacancy rate edged up only four bps to 7.4%, the smallest quarterly increase since 2022, suggesting vacancy is nearing its cyclical peak as development slows and leasing activity rebuilds.

- Warehouse/distribution rents averaged $10.35 per SF triple-net, up 2% YoY but slightly below Q2's $10.55.

Source: Colliers U.S. Industrial Market Statistics

CREDE Perspective

CREDE expects vacancy to level off and gradually decline through 2026 as fewer new industrial buildings are completed and demand improves, supported by reshoring, automation, and supply-chain reconfiguration. While performance will vary by market, the overall sector appears positioned for firmer conditions over the next two years.

Hospitality Forecast

- At the end of Q3 2025, the U.S. hotel construction pipeline reached 6,405 projects, 749,710 rooms, up 4% and 5% YoY, marking the ninth consecutive quarter of pipeline growth.

- Hotels under construction totaled 1,089 projects (135,335 rooms), while 2,403 projects (277,374 rooms) are scheduled to start in the next 12 months. Both stages rose slightly YoY, and early planning increased to 2,913 projects (337,001 rooms), up 5% by projects.

- Extended-stay brands continued to dominate activity, representing 39% of projects and 36% of rooms in the total pipeline, with mid-scale extended-stay accounting for 1,628 projects/153,012 rooms at quarter-end.

- Through Q3 2025, 504 hotels (57,913 rooms) opened nationwide, with another 613 projects (68,715 rooms) expected to open by year-end, bringing the 2025 total to 1,117 hotels/126,628 rooms (+48% YoY).

CREDE Perspective

CREDE expects hotel development to accelerate into 2026 as extended-stay, leisure-driven, and select-service brands continue to outperform and capture a larger share of new openings. At the same time, higher financing costs will keep full-service and luxury pipelines more selective, with many projects shifting toward phased renovations and brand conversions rather than ground-up development.

Source: Lodging Econometrics, Hotel Investment Today

Life Science Forecast

- Space under construction declined sharply to 5.9M SF in Q3 from 8.3M SF in Q2, with preleasing rising to 57% - the highest level since early 2020. Completions increased to 2.4M SF, up from 1.1M SF in Q2.

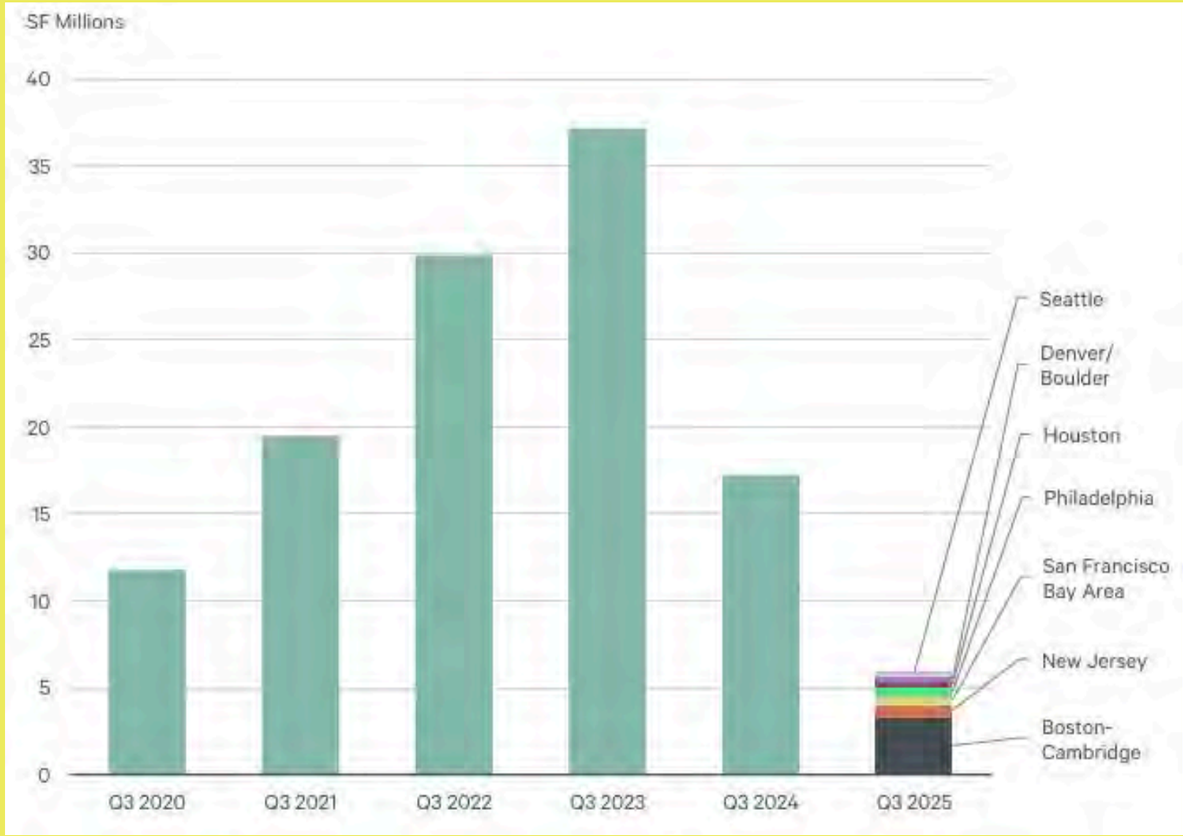
- The vacancy rate rose more slowly in Q3, reaching 23.4% versus 22.7% in Q2, driven largely by speculative deliveries in Boston, Philadelphia, and San Francisco.

- Absorption turned positive for the first time in 2025, totaling +938,000 SF in Q3 after negative absorption in both Q1 and Q2, though total quarterly leasing volume fell 15% to 2.3M SF.

- Asking rents slipped for the third straight quarter, declining from $71.77 NNN per SF in Q2 to $70.42 in Q3, with concessions continuing to weigh on effective pricing.

CREDE Perspective

CREDE expects life sciences construction to recover gradually through mid-2026, as a smaller development pipeline and improving absorption help work through excess space in major coastal markets. Build-outs and conversions will remain the primary drivers of activity near term, with pricing still pressured by concessions but supported longer term by improving preleasing and steady R&D funding.



Source: CBRE Research, Globest

Data Center Forecast

- Existing U.S. colocation inventory reached about 21.7 GW in Q3 2025, with an additional 1.3 GW under construction, reflecting a meaningful wave of new deliveries even as the development pipeline continues to expand.

- Dallas–Fort Worth led Q3 absorption with its largest quarterly gain on record, followed by Richmond and Columbus, while spillover from Northern Virginia continued to fuel growth across several secondary markets.

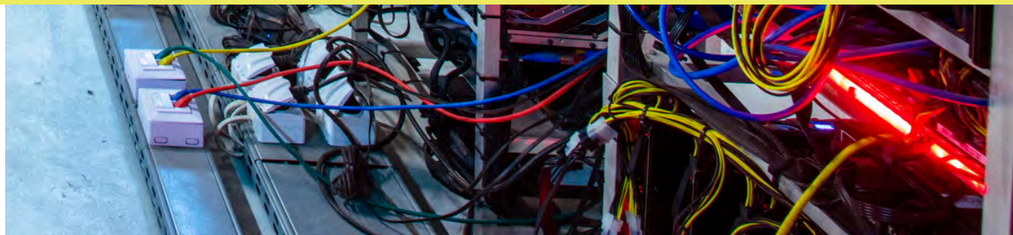
- Vacancy remained near historic lows, with 10 major markets below 1% and Northern Virginia and Dallas–Fort Worth at the tightest levels nationally, reflecting extremely limited available capacity.

- Developers accelerated investment in on-site power solutions, including microgrids, fuel cells, and early small modular reactor partnerships, to bypass grid delays and support the higher power densities required for next-generation GPU clusters.

CREDE Perspective

CREDE expects data center development to remain exceptionally strong into 2026, driven by AI workloads that continue to outpace available power and land in traditional hubs. Persistent grid constraints will push more projects toward on-site generation and secondary markets, while rising power densities and liquid cooling requirements reshape design, cost, and delivery models across the sector.

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



Office Forecast

- Deliveries totaled 4.1M SF in Q3, essentially unchanged from 4.2M SF in Q2 but still less than half the 9.0M SF delivered in Q3 2024.
- Construction in progress held at 31.2M SF in Q3, flat with Q2 but down from 46.7M SF a year ago, continuing the multiyear pullback from the 76M SF pipeline seen in 2023.
- Vacancy edged down to 18.3% from 18.4% in Q2, the first quarterly improvement since 2019, though still 30 basis points higher than Q3 2024.
- Net absorption rebounded to +10.6M SF in Q3, up from -0.1M SF in Q2 and the strongest quarterly total in six years, lifting year-to-date absorption to +12.7M SF.
- Asking rents increased to $37.27/SF in Q3, up from $37.18 in Q2 and 0.9% higher than a year ago, with Class A rents rising to $42.86/SF while Class B softened slightly.

CREDE Perspective

CREDE expects office demand to remain subdued through 2026, with modest positive absorption offset by historically high vacancy and a muted development pipeline. Most new activity will continue to center on renovations and repositionings rather than ground-up projects, as elevated financing costs and shifting workplace strategies limit large-scale office construction.

Source: Colliers, Procore Technologies

Self-Storage Forecast

- National development activity remained soft, with 2,912 properties in the pipeline and 709 under construction (2.6% of inventory) through September - slightly below August's 2.7%, underscoring a continued slowdown in new starts.

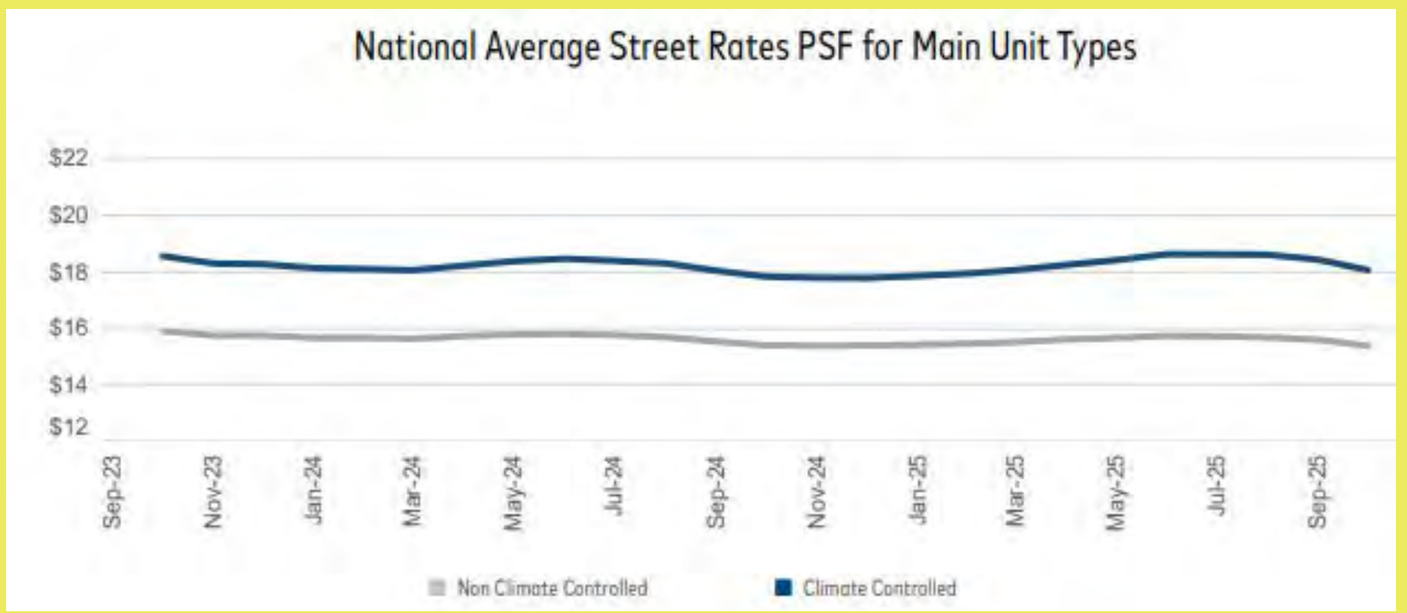
- Street rents posted a 0.7% YoY gain in September, marking another month of positive annual growth, though momentum cooled from 0.8% in August.

- Occupancy weakened further in Q3, with REIT same-store occupancy dropping 70 bps to 90.2%, the lowest level in five years, driven by historically low move-in activity despite subdued move-outs.

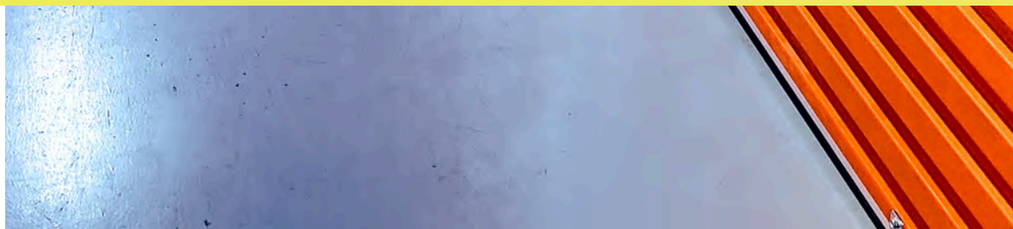
- Monthly rents fell sharply, down 1.6% from September to October nationwide - roughly double the typical seasonal decline - with Los Angeles (-4.3%) and Chicago (-2.9%) experiencing the steepest drops.

CREDE Perspective

CREDE expects self-storage construction to remain limited into 2026, with new projects concentrated in infill and high-growth submarkets rather than broad national expansion. Developers will increasingly favor expansions, conversions, and joint ventures over large speculative ground-up facilities until occupancy and rent trends clearly firm.

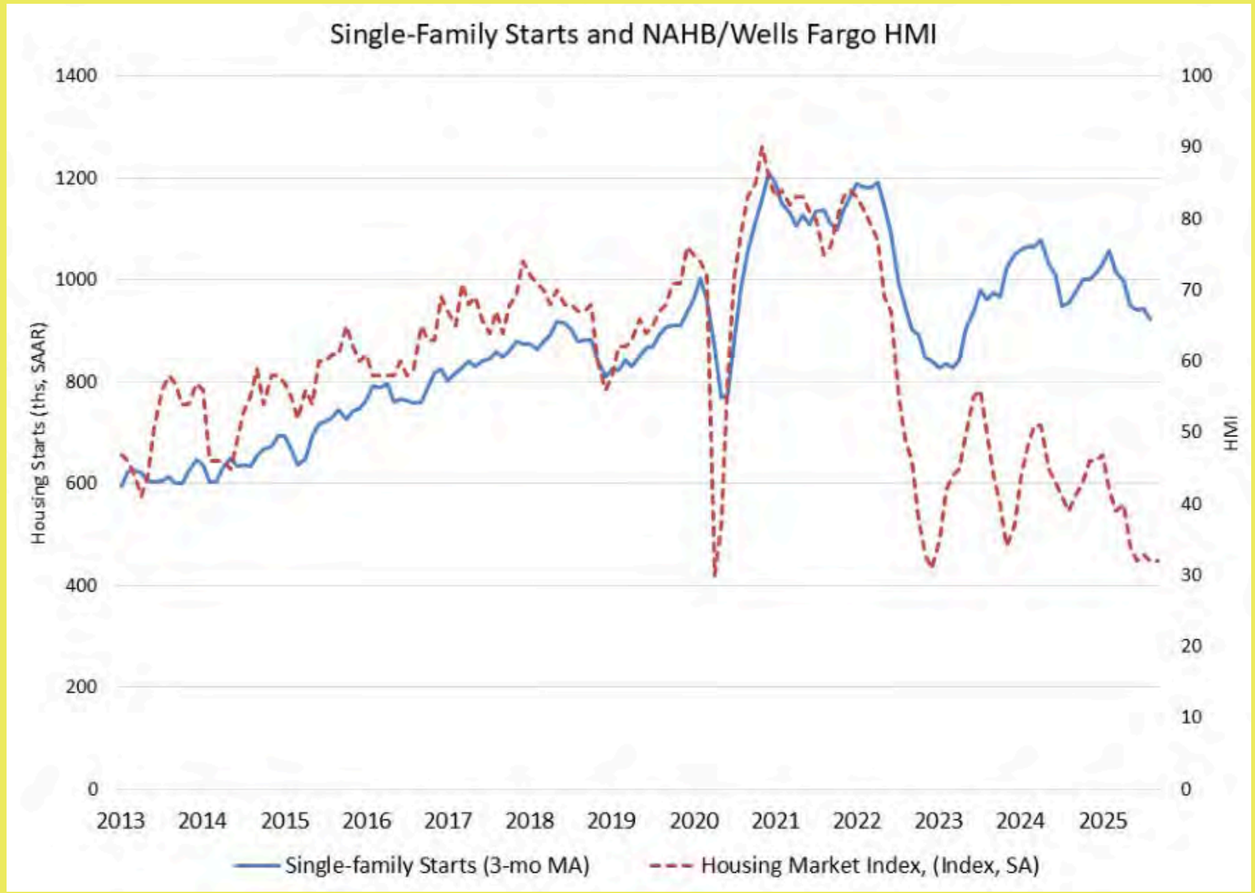


Source: Yardi Matrix, Karr-Cunningham Storage



Housing Demand

- Single-family starts fell 7% in September to a seasonally adjusted annual rate of 890,000, down from August's pace and now 4.9% lower year-to-date, the weakest level since July 2024.
- Year-to-date, single-family starts are down 4.9%, a modest improvement from the 7.1% decline reported in Q2 but still indicative of a soft 2025 building season.
- Single-family homes under construction totaled 611,000 in September, down 4.8% YoY and below the roughly 623,000 level reported in Q2, reflecting slower new starts and longer build times.
- Single-family permits decreased to an annualized rate of 856,000 in September, down 2.2% from August and 7% year-to-date, signaling continued weakness in the pipeline heading into 2026.



Source: U.S. Census Bureau, National Association of Realtors, Eye on Housing,

CREDE Perspective

CREDE expects single-family construction to restart in 2026. Meaningful improvement will depend on rate relief and rebuilding backlogs, keeping near-term activity focused on infill lots, build-for-rent projects, land banking or land light projects, and smaller phased communities.

CREDE

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