

Construction Market Recap

Construction spending increased in 2024, driven by government funding such as the Infrastructure Investment and Jobs Act (IIJA) and Creating Helpful Incentives to Produce Semiconductors (CHIPS) and Science Act. In 2025, we will likely see a softening in spending gains related to the change of Administration and proposed policies. Uncertainties tied to sustained higher interest rates, inflation, and potential supply chain disruption will likely have an impact on construction spending and job starts. Diligence and preparation related to job pursuits, procurement and pricing of materials and labor will be key to successful contract execution.

Through Q4 of 2024, there continues to be a mix of projections amongst the various construction sectors. The sectors with the most favorable and stable outlooks include:



Manufacturing

The IIJA, CHIPS and Science Act, and IRA have spurred private sector manufacturing investment to nearly \$235 billion in 2024,¹ focusing on investments in semiconductors, electric vehicles, and clean energy. New orders, production, employment and backlog are all signaling sector contraction for the fifth consecutive month. Additionally, talent shortages and supply chain disruptions threaten future infrastructure and power investments.



Commercial

Commercial construction spending contracted by 8% in 2024, primarily due to a 20% decline in private warehouse construction.¹ While recent multifamily development may drive retail investment through 2025 and offset some warehouse losses, ongoing consumer financial stress and reduced investment in multifamily and mixed-use projects will likely hinder new development in the coming years.



Multifamily Residential

Inventory growth and slowed multifamily development have stabilized or lowered rental rates,¹ causing developers to pause projects. This decline could also impact related sectors like retail and entertainment. While new projects may resume in 2025 with expected rate cuts, investments will likely remain cautious due to slower rental growth.



Sewage and Waste Disposal

Spending in 2024 was led by treatment plant expansion projects.¹ The EPA's Clean Watershed Needs Survey identified a \$630 billion gap between available funds and needed infrastructure investments. The report highlights the need for additional plants, conveyance systems, CSO corrections, recycled water distribution, and desalinization. The states with the largest investment gap are NY and CA.



Highway & Street

Spending levels will remain elevated but are beginning to level off through the second half of 2024.¹ Bridge investment should continue to lead the sector growth. Programmed IIJA highway funds are set to expire in fiscal year 2026, which will possibly lead to another boost in funding levels as various temporary and grant programs are deemed permanent.

Other Construction Segments

- Educational
- Health Care
- Power

Key Construction Markets



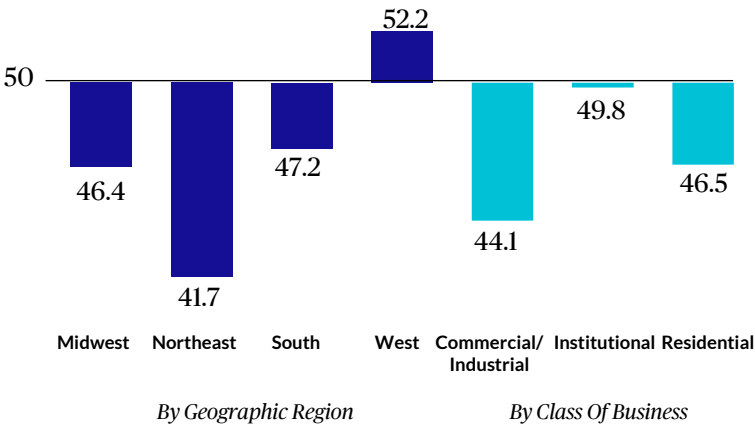
Markets expecting the most construction activity over the next 5 years:



Architectural Billings Index

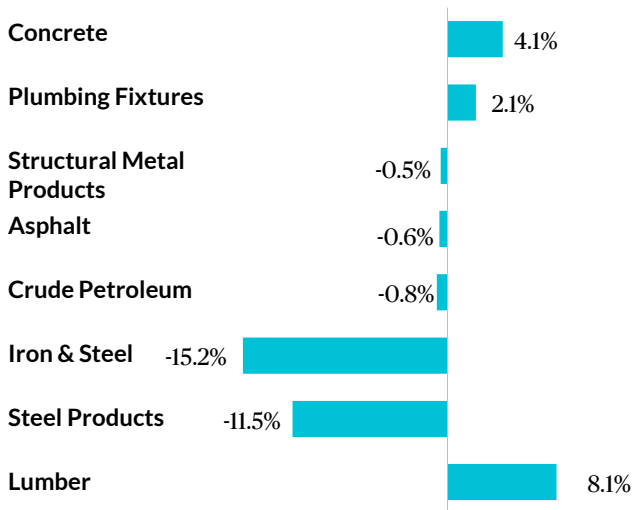


The AIA/Deltek Architecture Billings Index (ABI) has dropped to 44.1, signaling a decline in billings for most firms since October 2022. Although many have a solid backlog of work averaging 6.5 months, future project prospects are bleak, with decreased design contracts in December and cautious clients, despite a slight rise in inquiries. Regionally, firms in the West report growth for the third month in a row, while those in the Northeast face challenges. All specializations showed billings declines, though the institutional sector is nearing growth.² Overall, strong national job growth is overshadowed by inflation concerns, impacting client confidence in the architecture industry.



Material Prices ▼

Material prices continued to fluctuate through December of 2024.³ Some notable price changes to key construction materials year-over-year included:



Administration Changes & Construction ▼

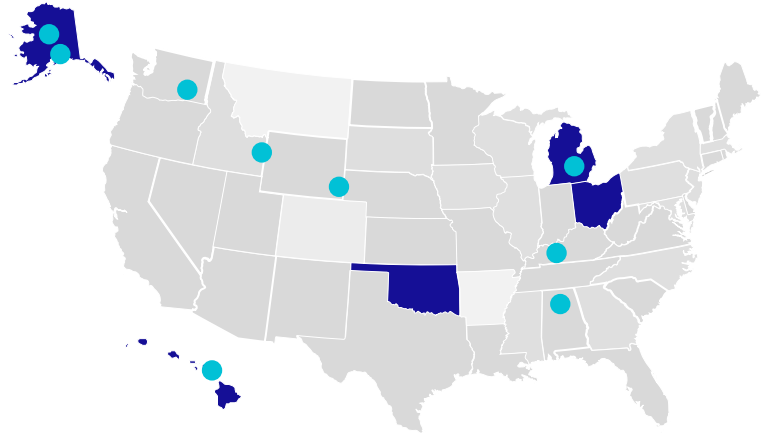
The construction marketplace faces uncertainty with federal policy changes being implemented such as tariffs, immigration, elimination of Project Labor Agreements (PLAs) on federal jobs, and budget freezes. These developments will create both challenges and opportunities.

Several new tariffs have been proposed in the last few months, which may affect construction planning and costs. Notably, a proposed 25% tariff on imported steel and aluminum, along with proposed tariffs on goods from Mexico, Canada, and China, raise concerns about supply chains and inflation. Immigration policies may further stress the labor market, impacting project scheduling and costs. While investment in infrastructure and energy is a stated priority of the Administration, regulatory changes could impact project development. Funding from the 2021 IIJA is still available but shifts in administration priorities may affect allocations.

Contractors must adapt to these changes by understanding their impact on operations and crafting strategic responses. They should be nimble, diversify material and labor sources, engage stakeholders early, and prepare contingencies for future uncertainties in the marketplace.

Employment Figures ▼

- As of December 2024, **83.4%** of able-bodied persons aged 25-54 are currently in the workforce, an inconsequential improvement from 83.2% in December of 2023.⁴
- At the end of December 2024, the number of job openings in the U.S. slightly decreased to **7.6 million**. The construction industry accounted for **217,000** or **2.5%** of these open jobs.⁵
- Nonfarm Payroll Employment increased by **256,000** in December 2024. Construction employment trended up in December, adding **8,000** jobs.⁶



Roughly **82%** of states (Including D.C.) have seen an increase in construction employment levels since December 2023.⁷

Similarly, **82%** of metropolitan areas have seen some level of increase since December 2023.⁷

The largest percentage gains were in:

1	Alaska	18.9%
2	Oklahoma	8.6%
3	Ohio	7.6%
4	Hawaii	7.5%
5	Michigan	7.2%

The largest percentage gains were in:

1	Anchorage, AK	18%
2	Fairbanks, AK	15%
3	Kahului-Wailuku-Lahaina, HI	13%
4	Cheyenne, WY	11%
5	Bowling Green, KY Florence-Muscle Shoals, AL Idaho Falls, ID Kennewick-Richland, WA Detroit-Dearborn-Livonia, MI	10%

Sources

- [FMI North American E&C Outlook](#)
- [AIA Architectural Billings Index](#)
- [BLS: Producer Price Indexes](#)
- [BLS: Labor Force Statistics](#)
- [BLS: Job Openings and Labor Turnover](#)
- [BLS: The Employment Situation](#)
- [AGC Construction Data - Employment](#)

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