CONSTRUCTION INSIGHTS

FOR GLOBAL OCCUPIERS

WINTER 2026

Better never settles

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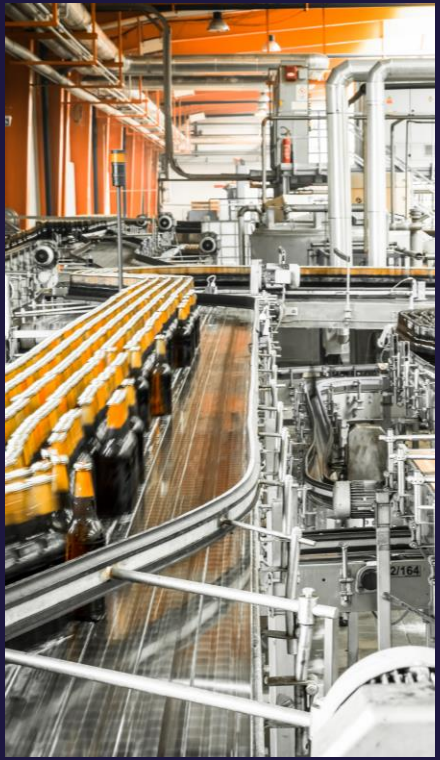
INTRODUCTION

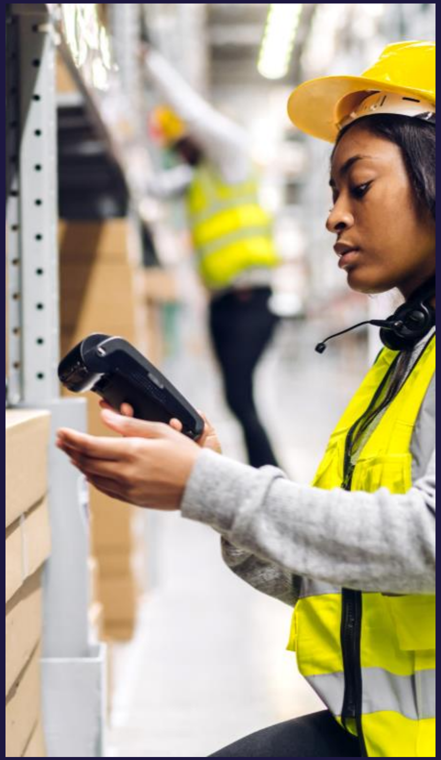
While 2025 was marked by elevated uncertainty and volatility, conditions in 2026 point toward greater operational stability. Some geopolitical and policy risks have moderated, even as construction cost pressures have been slower to ease.

Forward-looking indicators point to strengthening confidence within the construction sector, as firms anticipate higher activity amid gradually easing credit conditions and improved pipeline visibility. Greater clarity around trade policy and input costs is reducing the need for defensive positioning and allowing organizations to focus on execution.

Price pressures and labor tightness persist, but firms have largely adapted through operational and procurement efficiencies.



Supply chain pressures have re-emerged, as the Global Supply Chain Pressure Index (GSCPI) now exceeds its long-run benchmark, signaling continued pressure into 2026 amid policy shifts, geopolitical risk, and fragile shipping networks.



Labor pressures have moderated globally, but regional frictions persist. Limited availability of skilled labor is sustaining upward cost pressure, while weaker construction activity is suppressing hiring and job growth.

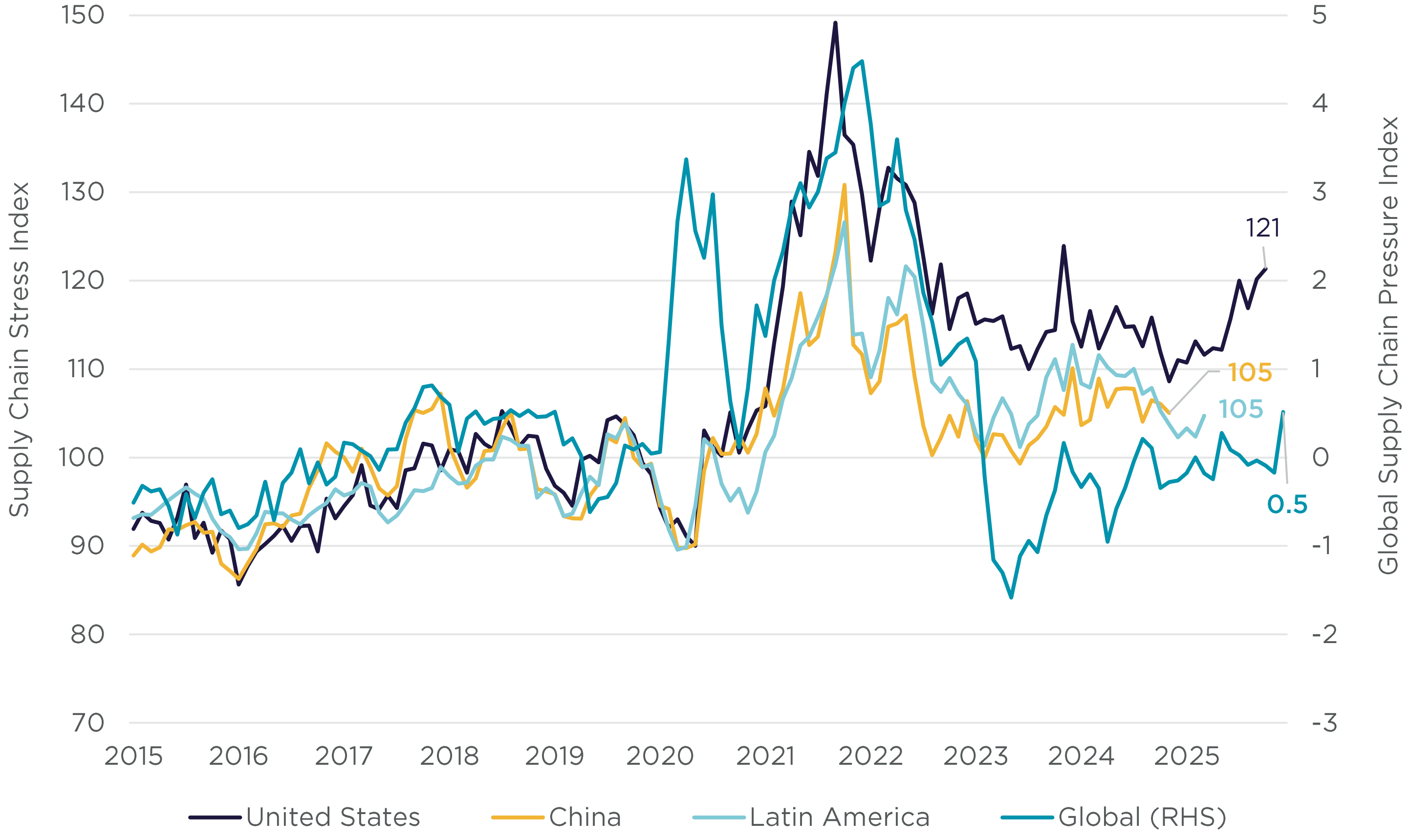
The global construction pipeline continues to soften, as office space under construction declines across regions and industrial activity remains below prior-year levels in the Americas and EMEA.

01

ECONOMIC DRIVERS

SUPPLY CHAIN PRESSURES REMAIN

Global stability largely remains insulated from U.S. strain



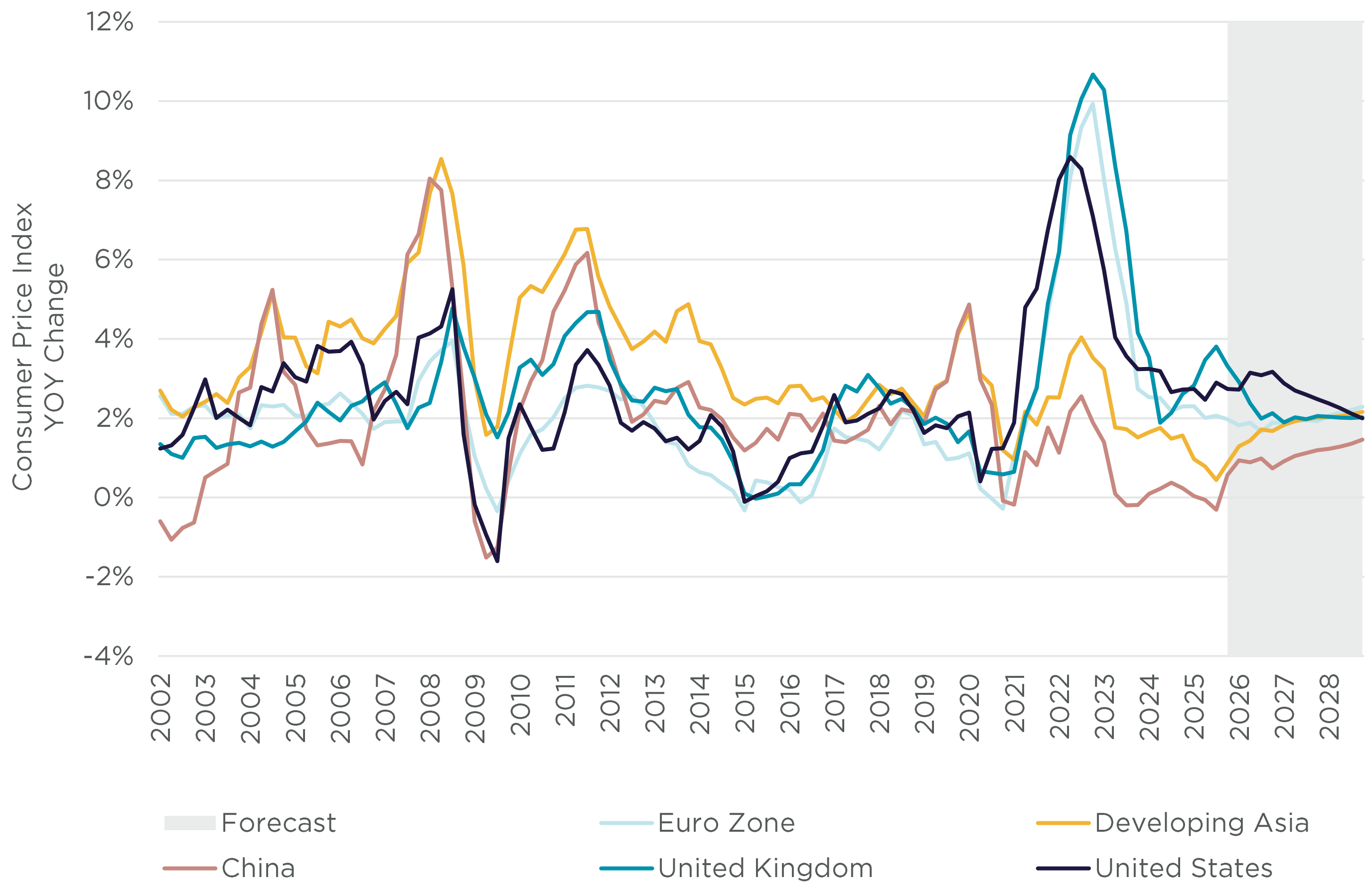
Source: Federal Reserve Bank of New York

Note: Global data is based on the Global Supply Chain Pressure Index while non-global data is based off Supply Chain Stress Indices

- The Global Supply Chain Pressure Index (GSCPI) moved back into positive territory to close 2025. As of December, stress levels are elevated both month-over-month (MOM), and year-over-year (YOY). A GSCPI reading above zero indicates that global supply chain pressures are above their historical average.
- In the U.S., supply chain stress trended higher through much of 2025, reaching its highest level in nearly three years. Contributing factors include tariff-related uncertainty, domestic capacity constraints, and localized port and logistics disruptions. Given current conditions, a near-term easing in supply chain stress appears unlikely.
- **Outlook**: Trade policy uncertainty and tariffs have slowed the normalization of supply chains—particularly in the U.S.—following pandemic-era disruptions. Meanwhile, ongoing geopolitical tensions, especially those affecting major shipping lanes, continue to pose risks that could further elevate global supply chain stress in the months ahead.

INFLATION TRENDING TO TARGET

Yet concerns regarding trade policy persists



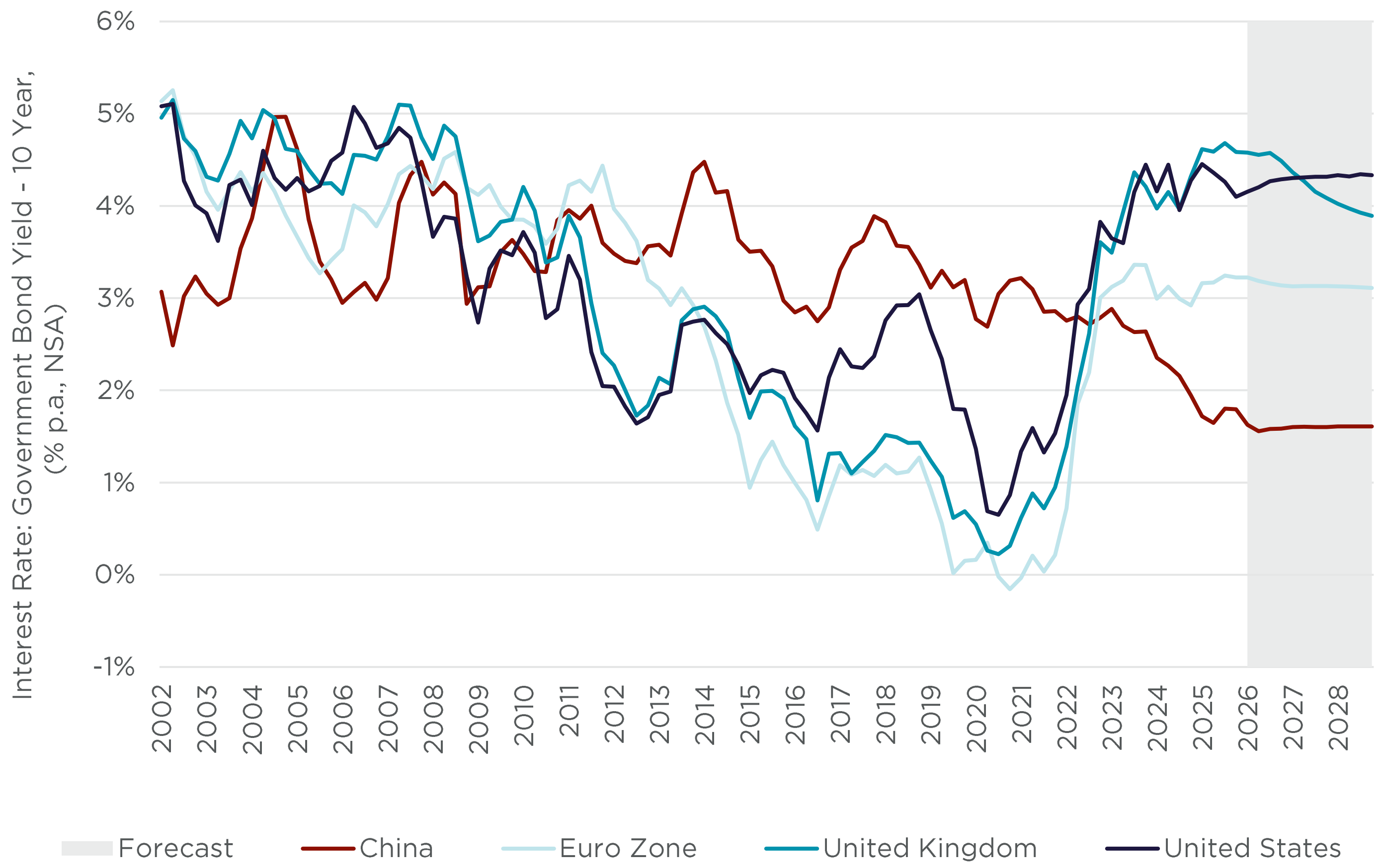
Source: The World Bank; Moody's Analytics

Note: Data for China is based on historical Q4 2025 figures while the remaining regions are based on forecasted Q4 2025 data

- Global inflation continues to ease from earlier highs. Recent disinflation is largely attributed to softer energy prices, normalizing supply chains, and tighter monetary policies working their way through economies. The IMF's January 2026 Outlook projects global inflation to fall to 3.8% in 2026 and 3.4% in 2027.
- Subdued domestic demand and a multi-year downturn in the property sector resulted in China seeing near-zero price growth in 2025.
- Compared to other developed economies, the U.S. is expected to have a more gradual return to target, as pass-through tariff costs funnel their way to consumers.
- **Outlook:** U.S. inflation is generally expected to rise slightly in 2026 before easing in 2027. Meanwhile, soft demand across Developing Asia—particularly in China—continues to weigh on regional growth, with these pressures potentially intensifying amid rising trade tensions and persistent deflationary risks in several economies.

RATES HAVE BEGUN TO EASE

But monetary policy divergence emerges



Source: The World Bank; Moody's Analytics

Note: Data for China is based on forecasted Q4 2025 figures while the remaining regions are based historical Q4 2025 data

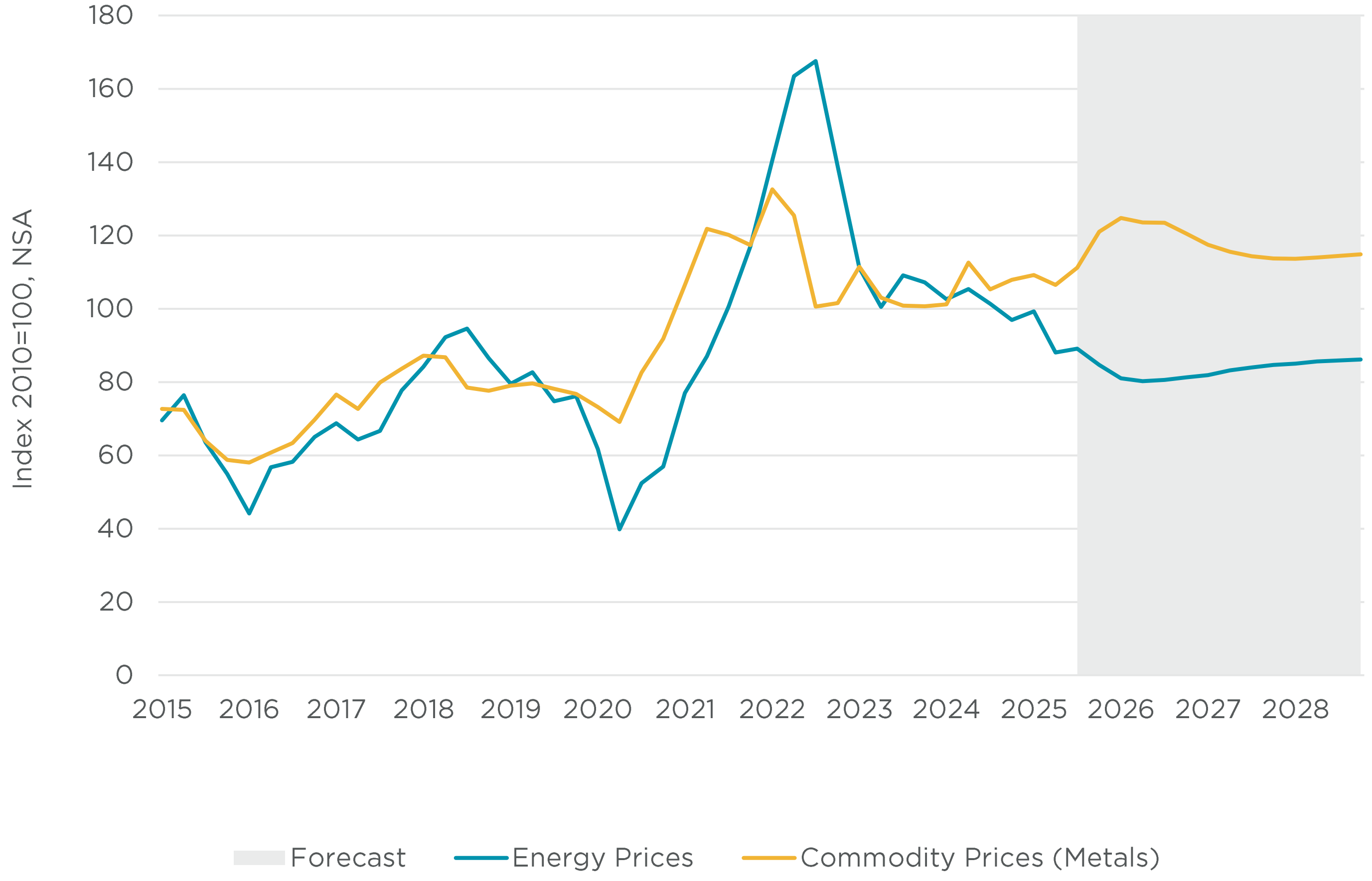
- Most central banks have begun monetary easing as global interest rates retreat from recent peaks, although policy divergence remains in markets that continue to struggle with inflation.
- In North America, both the U.S. and Canada have initiated rate cuts, though expectations for additional easing have become more fragmented. Similarly, mixed economic signals in the U.K. have divided policymakers on the pace and extent of future reductions.
- Absent a material deterioration in economic conditions, further rate cuts in the Eurozone appear unlikely in the near term.
- Persistently high interest rates have created headwinds for the construction sector, increasing project costs and constraining access to capital.
- **Outlook:** Additional rate cuts are expected, though markets with sticky core inflation are likely to be cautious.

02

CONSTRUCTION COSTS

ENERGY AND COMMODITIES

Global energy prices continue to soften

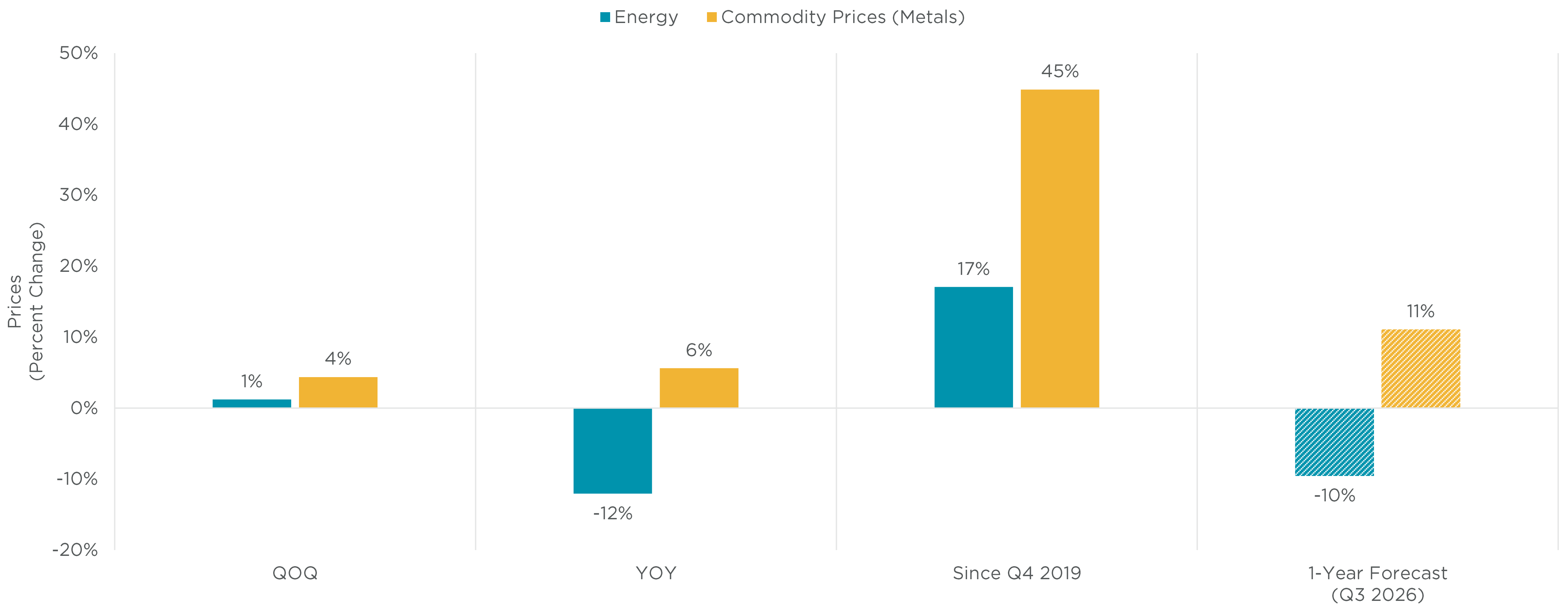


Source: The World Bank; Moody's Analytics

- Global energy prices rose 1.2% in Q3 but were down 12% from a year ago. Energy prices have continued to soften, reflecting easing demand growth, improved supply conditions, and gradual shifts toward renewable energy. Still, geopolitical instability could disrupt oil supplies and alter price projections.
- Global commodity prices climbed 4.4% quarter-over-quarter (QOQ) and 5.6% YOY as demand for metals strengthens. Accelerating electrification and infrastructure investment have supported rising consumption in copper, aluminum, nickel, and tin. Meanwhile, global manufacturing Purchasing Managers' Indexes (PMIs) expanded in October, marking the second highest reading in nearly two years and signaling increased manufacturing activity.
- **Outlook:** Energy prices are expected to decline from current levels and remain stable through 2026, assuming no major economic or geopolitical shocks. Metals are anticipated to remain firm in the near term, before easing as production capacity expands.

ENERGY AND COMMODITIES

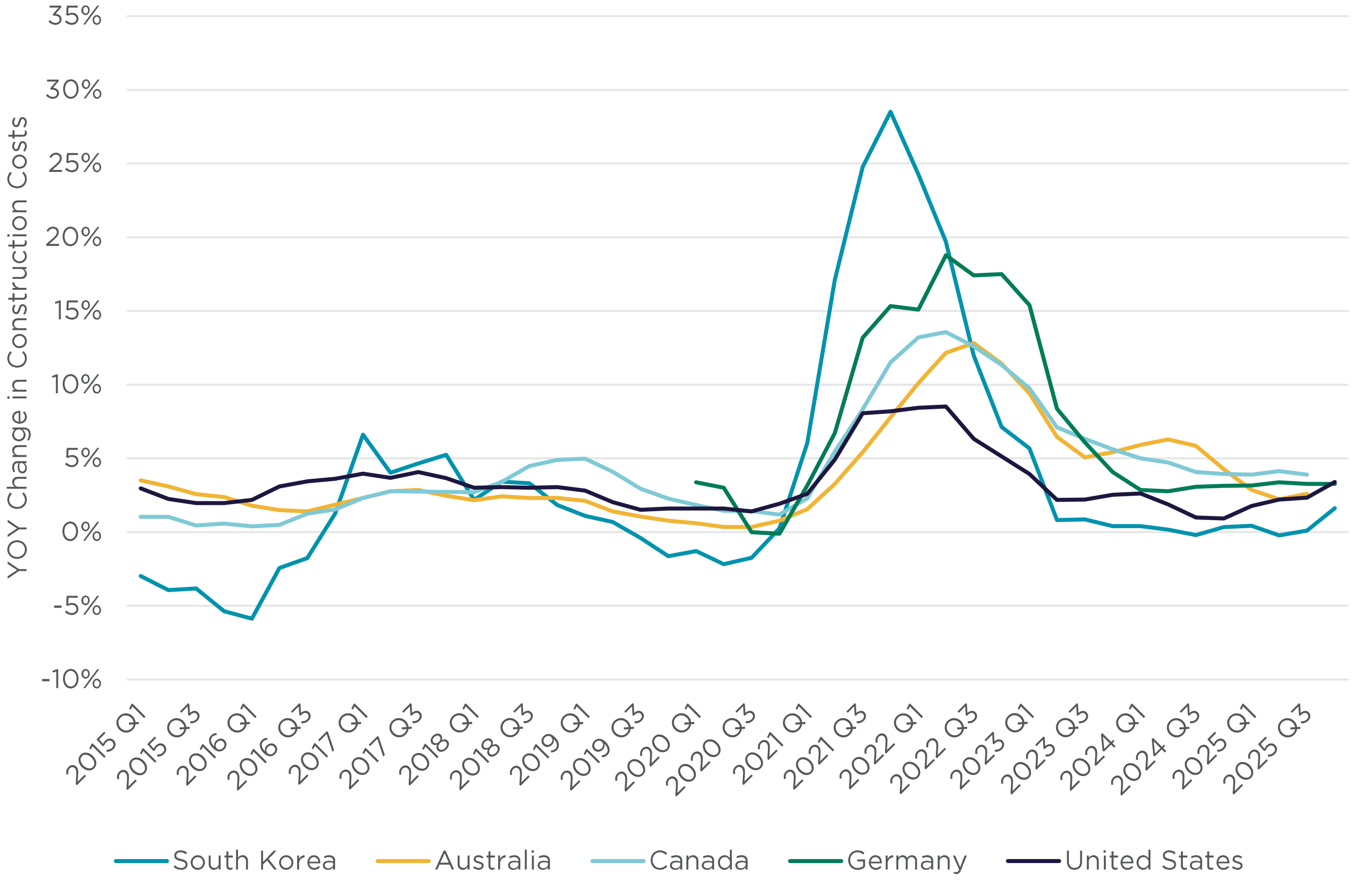
Markets expected to diverge as metals strengthen



Source: The World Bank; Moody's Analytics

REGIONAL CONSTRUCTION COSTS

Slowing demand has tempered price growth in some regions, while others see renewed upward pressure



Source: Moody's Analytics

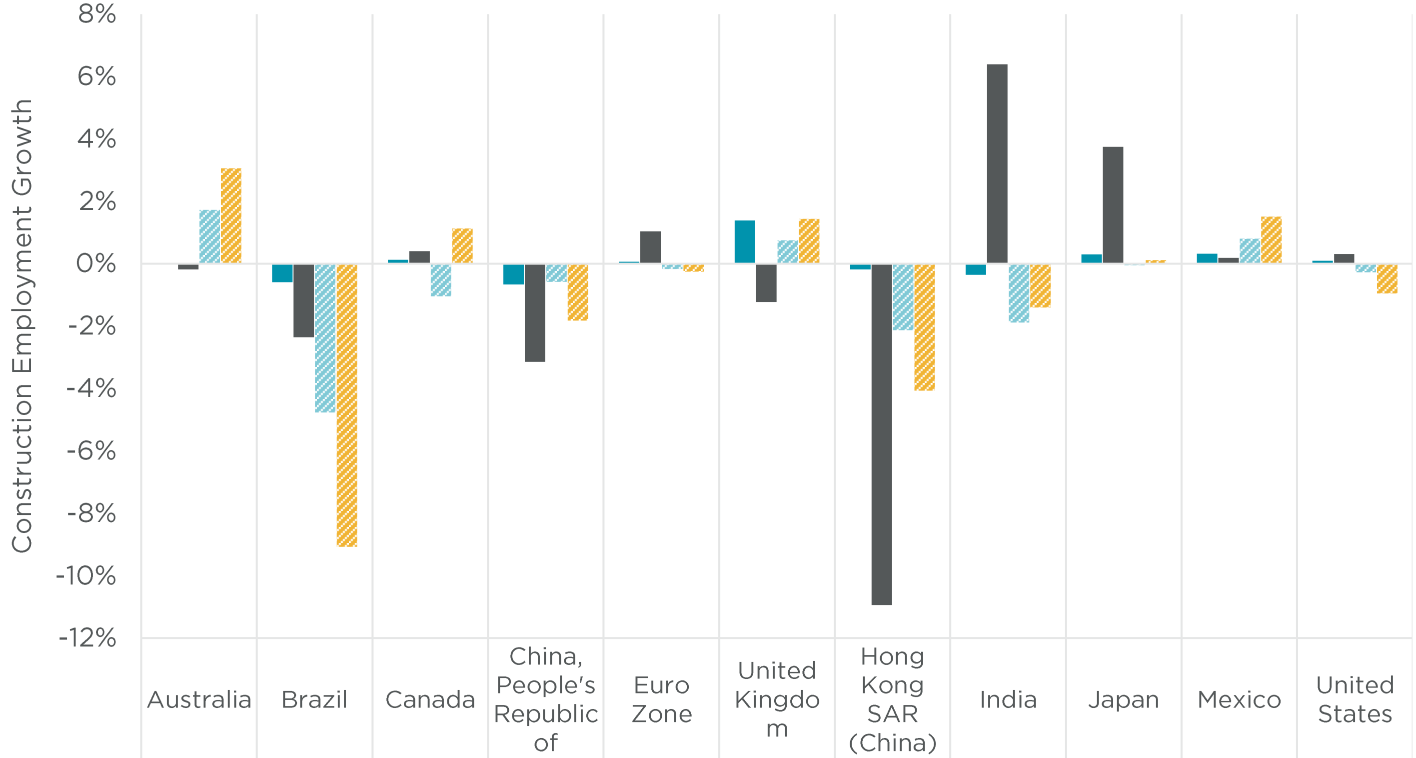
- Globally, construction cost inflation has eased from recent peaks. By year-end 2025, most major economies recorded annual construction cost growth below their respective 10-year averages, with the U.S. being a notable exception. Despite this moderation, construction costs remain elevated worldwide, with certain countries seeing recent upticks.
- South Korea, Germany, and the U.S. each experienced accelerating construction cost growth in 2025 compared with the prior year.
- **Outlook:** Global construction cost growth is expected to remain relatively stable in 2026, barring significant economic disruptions. In the U.S., construction costs are projected to continue rising at a pace similar to the past four quarters, with average quarterly growth of approximately 85 basis points (bps) anticipated over the next year.

03

CONSTRUCTION EMPLOYMENT

CONSTRUCTION EMPLOYMENT

Momentum fades, with isolated areas of strength



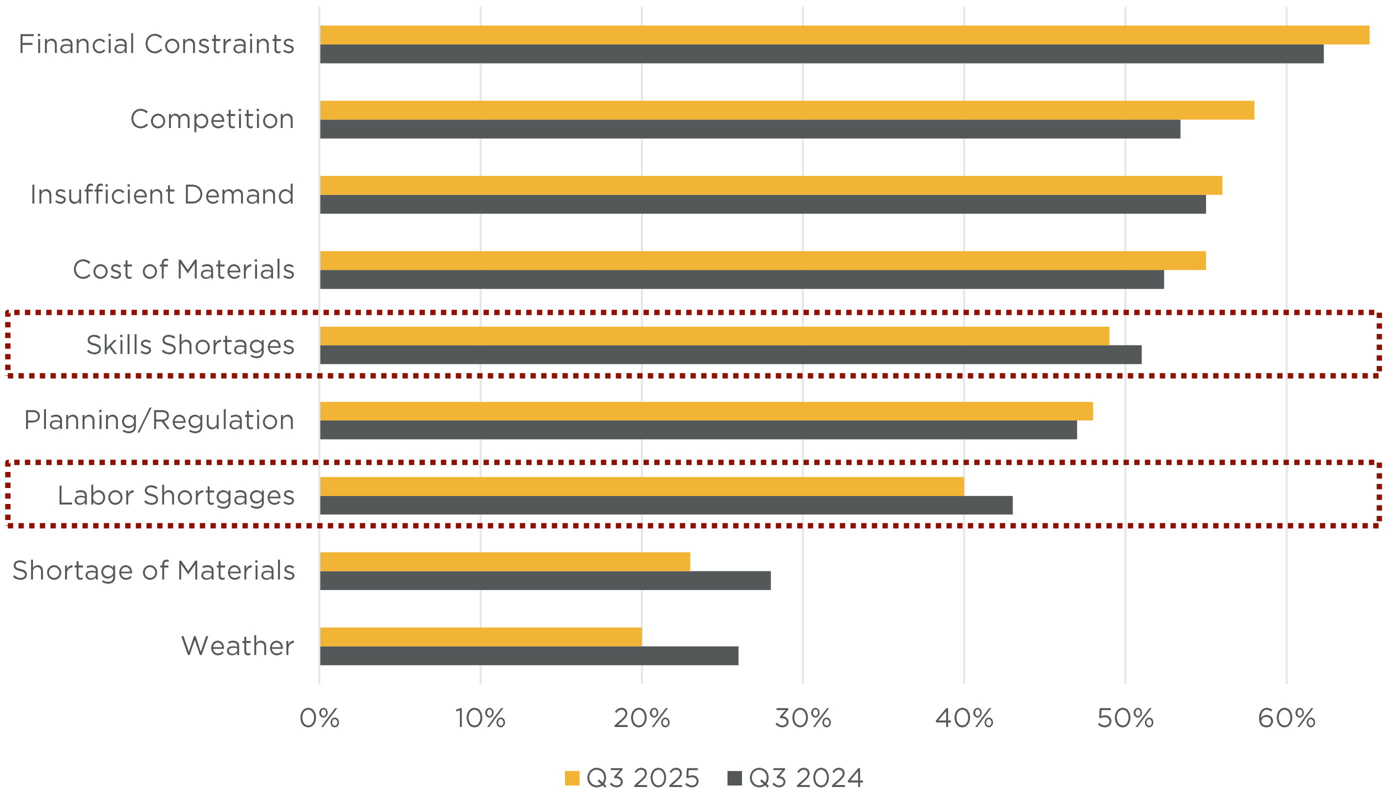
	Australia	Brazil	Canada	China, People's Republic of	Euro Zone	United Kingdo m	Hong Kong SAR (China)	India	Japan	Mexico	United States
QOQ	0.0%	-0.6%	0.1%	-0.7%	0.1%	1.4%	-0.2%	-0.4%	0.3%	0.3%	0.1%
YOY	-0.2%	-2.4%	0.4%	-3.1%	1.0%	-1.2%	-10.9%	6.4%	3.7%	0.2%	0.3%
1-yr F	1.7%	-4.8%	-1.0%	-0.6%	-0.2%	0.8%	-2.1%	-1.9%	-0.1%	0.8%	-0.3%
2-yr F	3.1%	-9.1%	1.1%	-1.8%	-0.3%	1.4%	-4.1%	-1.4%	0.1%	1.5%	-1.0%

Source: Moody's Analytics
Note: Data Australia and U.S. data is based on historical Q4 2025 figures, remaining regions are based on forecasted Q4 2025 data

- Through the fourth quarter of 2025, employment growth diverged across markets, averaging a modest +5 bps QOQ while declining 0.5% YOY. Annual growth was strongest in India and Japan.
- Brazil, China, Hong Kong, and the U.K. recorded the steepest construction job losses since 2024. Elevated household debt and tight credit conditions have weighed on housing activity in Brazil. Weak demand alongside rising labor costs has constrained hiring in the U.K. while China's construction employment has been pressured by a prolonged property downturn and excess real estate supply.
- In the U.S., labor market growth slowed amid softer economic activity and more restrictive immigration policies, which have tightened the available talent pool.
- **Outlook:** Moody's projects construction employment to decline by 0.7% in 2026 and a further 0.2% in 2027, though localized growth is expected in Australia, the U.K., and Mexico.

GLOBAL LABOR CONCERNS EASE

Regional challenges remain



Source: Royal Institution of Chartered Surveyors (RICS) Q3 2025 Global Construction Monitor

- According to the Royal Institution of Chartered Surveyors (RICS) third-quarter 2025 survey of more than 2,300 companies worldwide, concerns about labor challenges have eased globally. While 49% of respondents cited skills shortages as a major impediment and 40% viewed labor shortages as challenging, sentiment has improved compared with the same period in 2024.
- This trend holds in Europe and Asia, but North America remains more labor constrained. In Canada and the U.S., respondents ranked both skills and labor shortages among the top reasons for slower construction activity, pointing to more restrictive labor dynamics in these markets.
- **Outlook:** RICS survey data suggests global skills and labor shortages will continue easing in 2026.

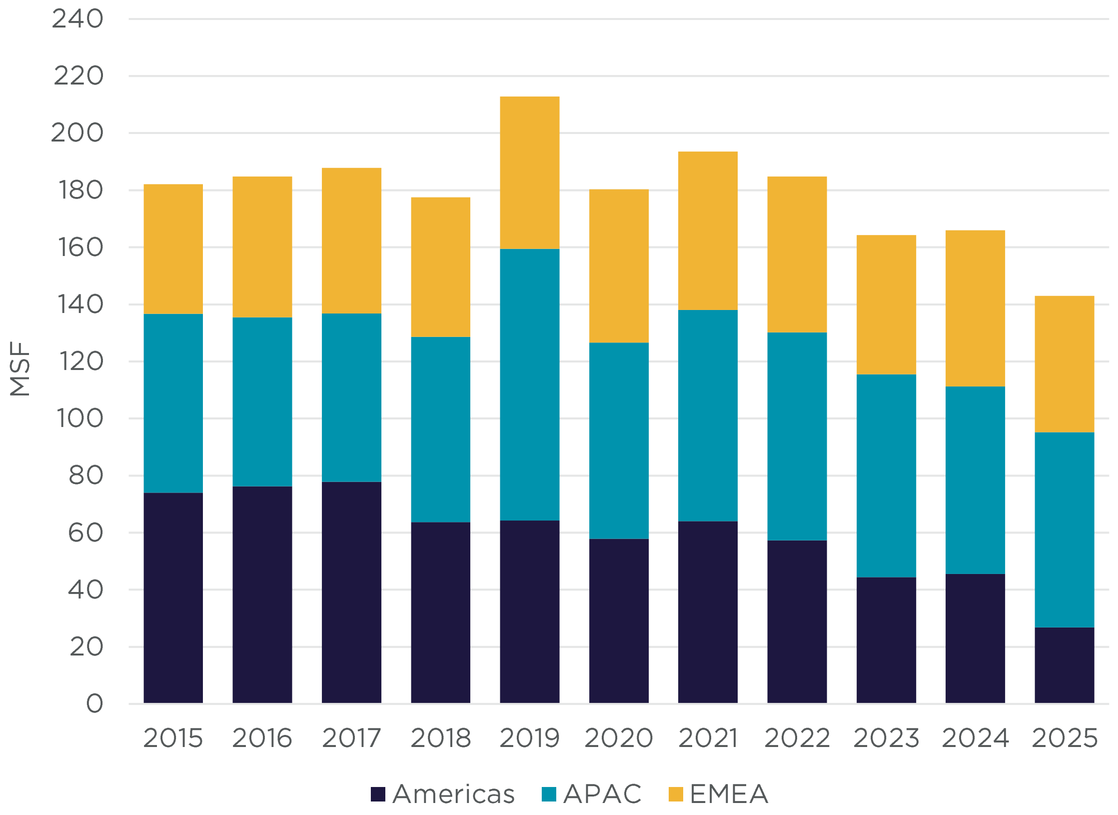
04

SECTOR SPOTLIGHTS

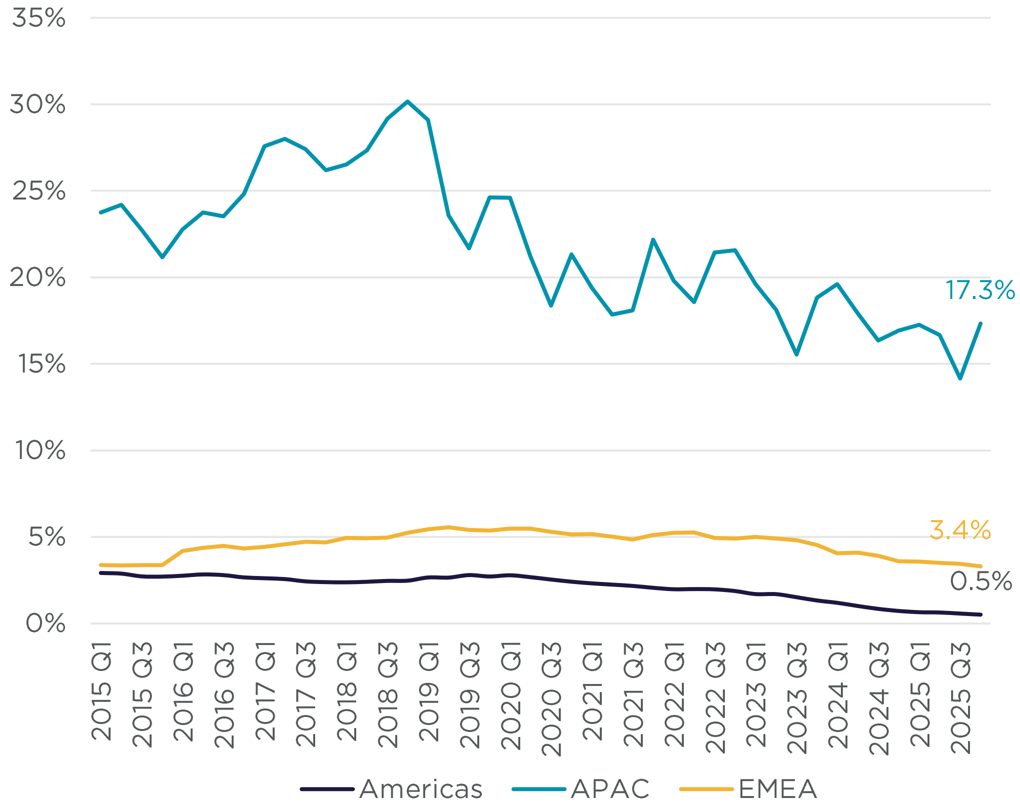
GLOBAL OFFICE PIPELINE CONTINUES DOWNWARD TREND

With square feet under construction falling below 2024 levels across regions

Office Deliveries by Region



Under Construction as a % of Inventory

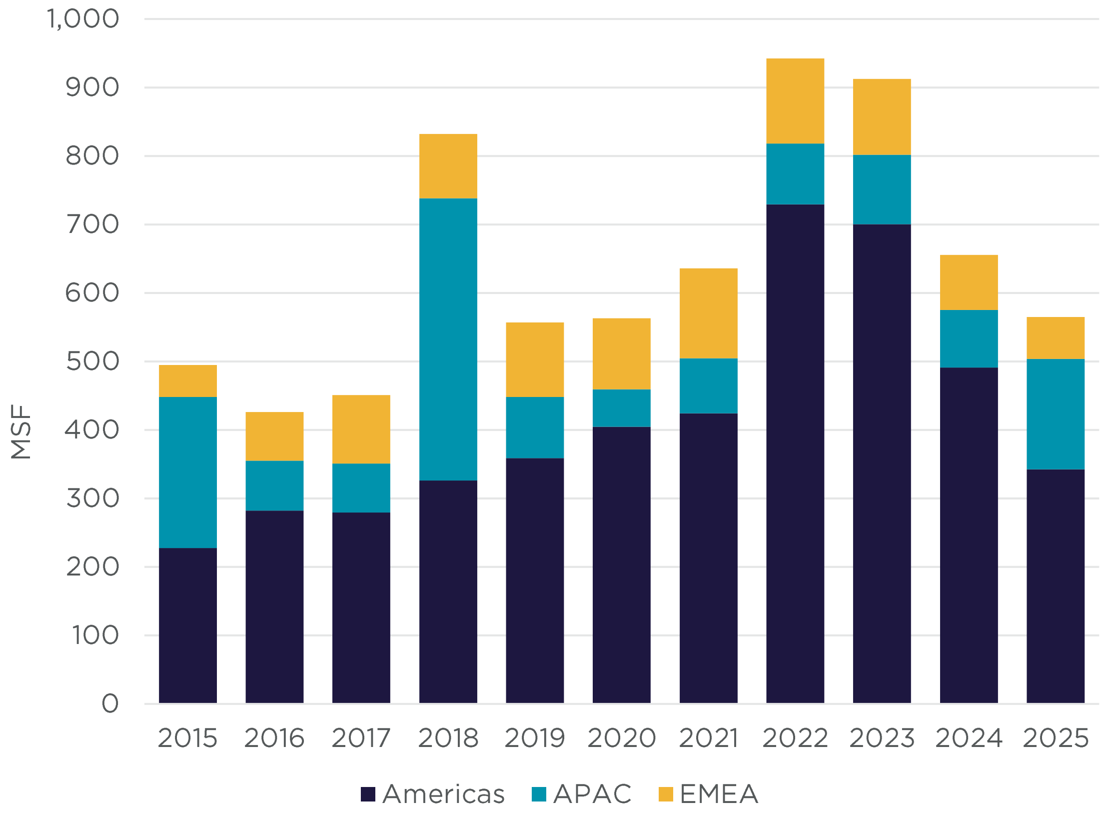


Source: Cushman & Wakefield Research

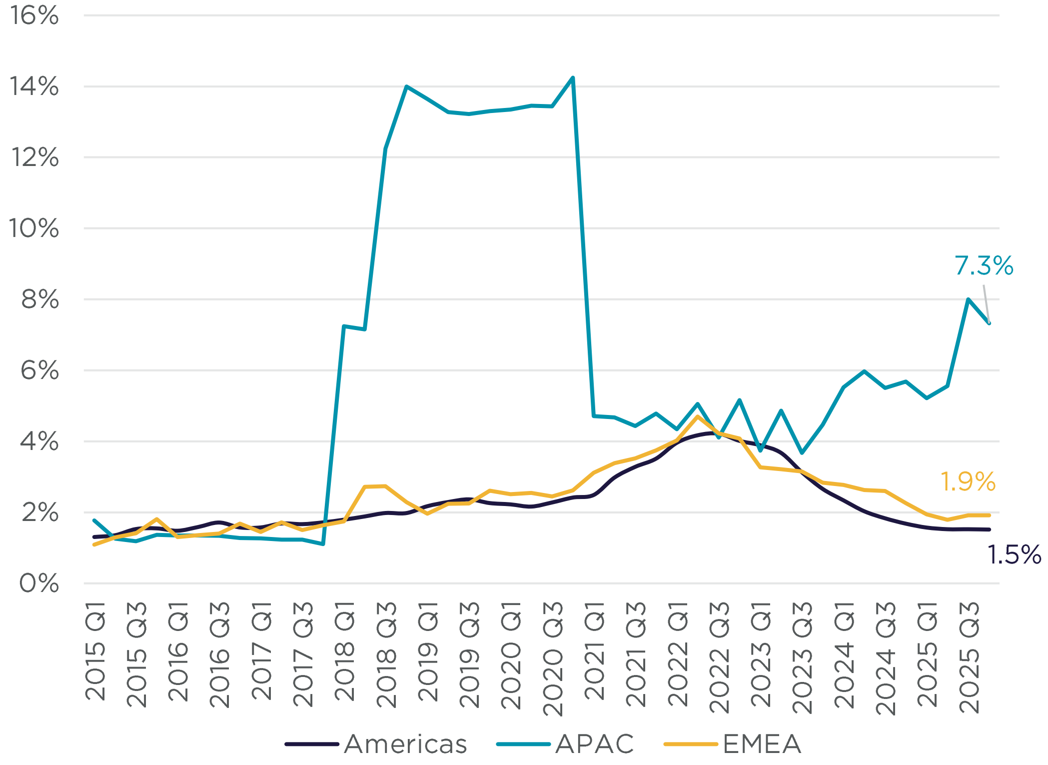
APAC INDUSTRIAL DELIVERIES CLIMB IN 2025

As construction activity in other regions lag

Industrial Deliveries by Region



Under Construction as a % of Inventory

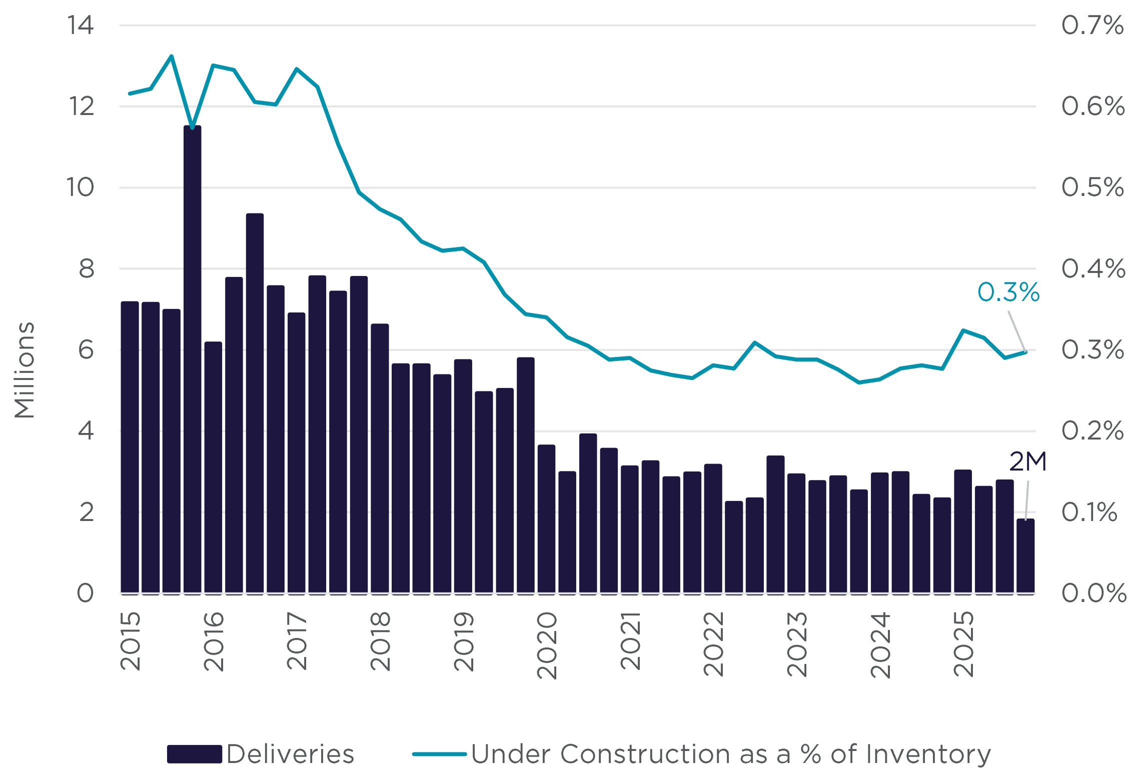


Source: Cushman & Wakefield Research

MULTIFAMILY DELIVERIES REBALANCE AFTER '23 PEAK

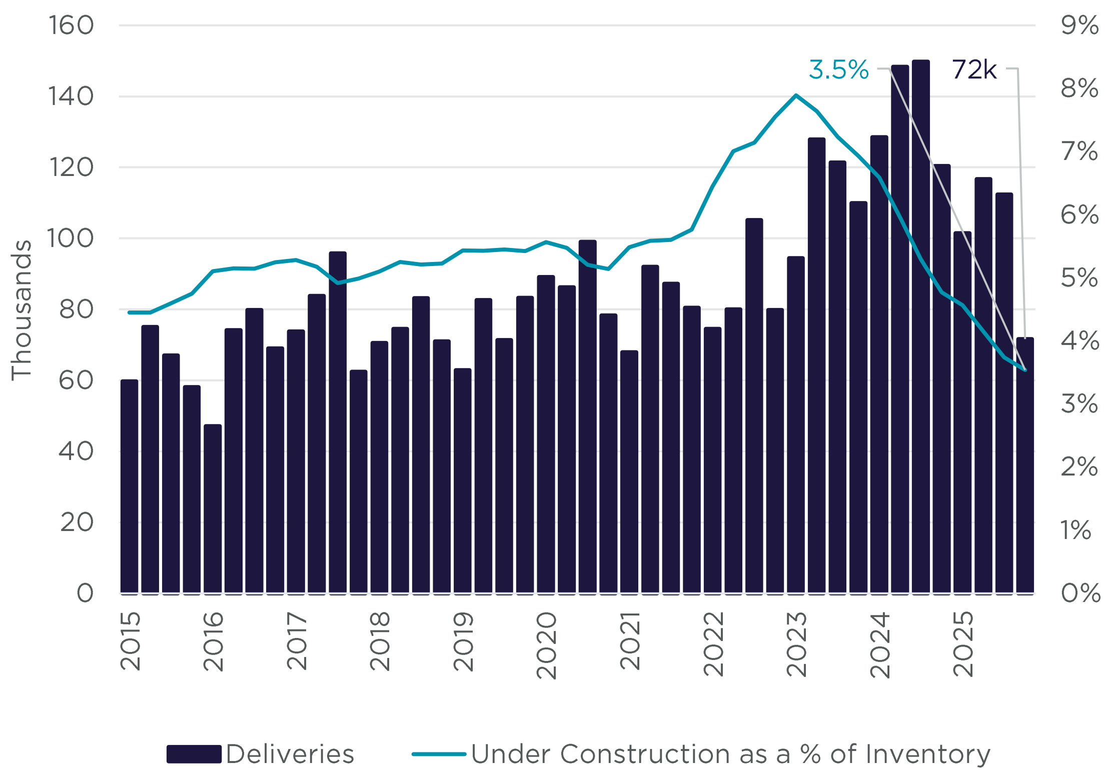
Limited availabilities drive modest uptick in retail construction activity

United States Retail Pipeline



Source: Cushman & Wakefield Research

United States Multifamily Pipeline



Source: Cushman & Wakefield Research

05

COUNTRY DEEP DIVE

UNITED STATES

CONSTRUCTION COSTS

After a challenging year, the U.S. construction industry is expected to stabilize in 2026. While some tariff-related uncertainty has eased, elevated input costs are likely to persist as upstream commodity pressures continue to flow through supply chains. Improving financing conditions should support project viability, but ongoing skilled-labor shortages—particularly in specialized and high-demand segments—are expected to keep upward pressure on costs and slow normalization.

ANNUAL COST INCREASES ACCELERATE

With service-related expenses leading the escalation

In 2021, input prices for nonresidential construction rose rapidly, outpacing contractor bids. Firms were left operating on ultra tight margins. Fast forward a few years, in a climate of economic and geopolitical volatility, construction firms are erring on the side of caution—increasing prices across major services in preparation for a costlier operating landscape.

As of November 2025, nonresidential structural prices rose 2.7% YOY, in line with overall structural cost growth. Industrial structures recorded the largest gain at 3.6%, followed by office at 3.2%.

Contractor pricing rose 4.0% YOY, driven largely by continued hikes in concrete and roofing. Service-related costs outpaced other segments, rising 6.2% YOY.

Pricing growth has accelerated over the past year. Annual cost increases for structures, contractor services, and labor-related services exceeded 2024 levels by approximately 2.77x, 2.0x, and 1.91x, respectively.

	1-Month % Change	YOY % Change	Prior Year* % Change	% Change Jan-2020
STRUCTURES				
Nonresidential	0.0%	2.7%	1.4%	41.3%
Office	0.0%	3.2%	2.9%	48.6%
Industrial	0.1%	3.6%	-0.2%	43.9%
Warehouse	-0.2%	1.9%	0.3%	45.9%
Healthcare	0.1%	2.2%	0.5%	36.3%
Average Change	**0.0%**	**2.7%**	**1.0%**	**43.2%**
CONTRACTORS				
Concrete Contractors	0.1%	4.4%	2.9%	37.3%
Roofing Contractors	1.5%	6.3%	3.1%	62.3%
Electrical Contractors	-0.2%	3.3%	2.2%	35.5%
Plumbing; HVAC Contractors	0.1%	2.0%	-0.2%	29.4%
Average Change	**0.4%**	**4.0%**	**2.0%**	**41.1%**
SERVICES				
Utilities	0.5%	9.5%	-3.0%	37.8%
Janitorial	0.0%	5.4%	6.1%	22.6%
Waste Collection	2.3%	4.8%	5.3%	39.4%
Nonresidential Bldg. Maintenance & Repair	0.4%	5.2%	4.5%	32.8%
Average Change	**0.8%**	**6.2%**	**3.2%**	**33.1%**

*Source(s): United States Bureau of Labor Statistics (www.bls.giv/ppis); *Prior year represents November 2024 YOY price change*

COMMODITY PRICE REDUCTIONS ARE SPARSE

With continued pressure on domestic production amid tariffs

Although the Producer Price Index (PPI) measures prices received by U.S. producers, recent increases in PPI for aluminum, nonferrous metals, and copper reflect indirect tariff-related pressures rather than the tariffs themselves.

Higher costs for imported metal inputs, reduced foreign competition, and tighter domestic supply conditions have allowed U.S. producers to reprice toward higher import-parity levels. These effects have been amplified by elevated demand from electrification and infrastructure investment, resulting in outsized producer price increases.

As of November 2025, construction related commodity prices rose 7.4% YOY, nearly doubling the prior year's 3.8% annual increase. Aluminum base scrap saw its largest YOY gain (+23.2%), while lumber fell 0.3% amid waning U.S. housing production.

On average, costs are projected to be:

- 1.8% from current prices to February 2026
- 2.8% from current prices to May 2026

	1-Month % Change	YOY % Change	Prior Year % Change	3-Month Forecast* (Feb-2026)	6-Month Forecast* (May-2026)
Lumber	0.1%	-0.3%	1.5%	1.7%	3.1%
Hot rolled bars; plates & structural	1.0%	7.9%	-6.5%	1.0%	1.8%
Steel pipe and tube	0.2%	5.5%	-6.0%	5.7%	6.7%
Nonferrous metals	2.6%	22.2%	9.9%	-2.2%	-1.5%
Nonferrous wire and cable	0.2%	9.5%	6.7%	4.1%	5.0%
Fabricated structural metal	0.8%	9.7%	-8.5%	0.6%	1.2%
Fabricated steel plate	0.0%	1.1%	12.7%	2.4%	3.0%
Prefabricated metal buildings	0.6%	5.4%	-1.2%	0.6%	1.4%
Miscellaneous metal products	0.2%	3.3%	2.9%	2.4%	3.8%
Glass	-0.1%	2.6%	1.9%	1.8%	2.5%
Concrete and related products	-0.2%	4.6%	7.0%	3.3%	4.7%
Concrete products	0.1%	1.7%	3.5%	2.8%	4.4%
Asphalt felts and coatings	-0.1%	1.3%	1.3%	0.5%	1.7%
Other nonmetallic minerals	0.3%	3.3%	2.9%	1.7%	2.8%
Copper Base Scrap	2.3%	17.2%	9.7%	0.2%	0.6%
Aluminum Base Scrap	2.1%	23.2%	23.7%	2.4%	3.0%
Average Change	**0.6%**	**7.4%**	**3.8%**	**1.8%**	**2.8%**

Source(s): United States Bureau of Labor Statistics (www.bls.giv/ppis); Prior year represents November 2024 YOY price change

EQUIPMENT PRICES CONTINUE UPWARD MOMENTUM

Amid data center boom and grid modernization push

Equipment prices continue to climb, with November 2025 marking a 6.0% annual increase, up from 4.1% in 2024.

Switchgear prices have seen the sharpest rise, up over 17% from two years ago, reflecting broader inflationary pressures on electrical equipment. This trend is driven in part by the component's critical role in the expanding infrastructure that supports high-demand facilities such as data centers, as well as utilities' investments in grid modernization and renewable integration to meet growing electricity demand.

At the same time, material cost volatility—especially for copper, steel and other inputs—and extended manufacturing lead times continue to strain supply chains and elevate procurement costs for utilities and construction projects.

On average, equipment prices are projected to be:

- 1.7% from current prices to February 2026
- 3.0% from current prices to May 2026

	1-Month % Change	YOY % Change	Prior Year % Change	3-Month Forecast* (Feb-2026)	6-Month Forecast* (May-2026)
Switchgear; switchboard; etc. equipment	0.0%	11.1%	5.4%	2.7%	3.9%
Metalworking machinery and equipment	0.0%	4.8%	3.4%	1.4%	2.5%
Pumps; compressors; and equipment	0.7%	8.1%	4.6%	2.0%	3.3%
Fans and blowers; except portable	0.0%	2.2%	1.2%	2.5%	3.9%
Electrical machinery and equipment	0.4%	4.7%	2.8%	0.8%	1.6%
Motors; generators; motor generator sets	0.1%	4.9%	6.6%	2.8%	3.9%
Transformers and power regulators	0.0%	5.7%	3.2%	1.2%	3.0%
Process control instruments	0.6%	6.6%	5.4%	0.6%	1.6%
Average Change	**0.2%**	**6.0%**	**4.1%**	**1.7%**	**3.0%**

Source(s): United States Bureau of Labor Statistics (www.bls.giv/ppis); Prior year represents November 2024 YOY price change

MATERIAL PRICE INCREASES STABILIZE

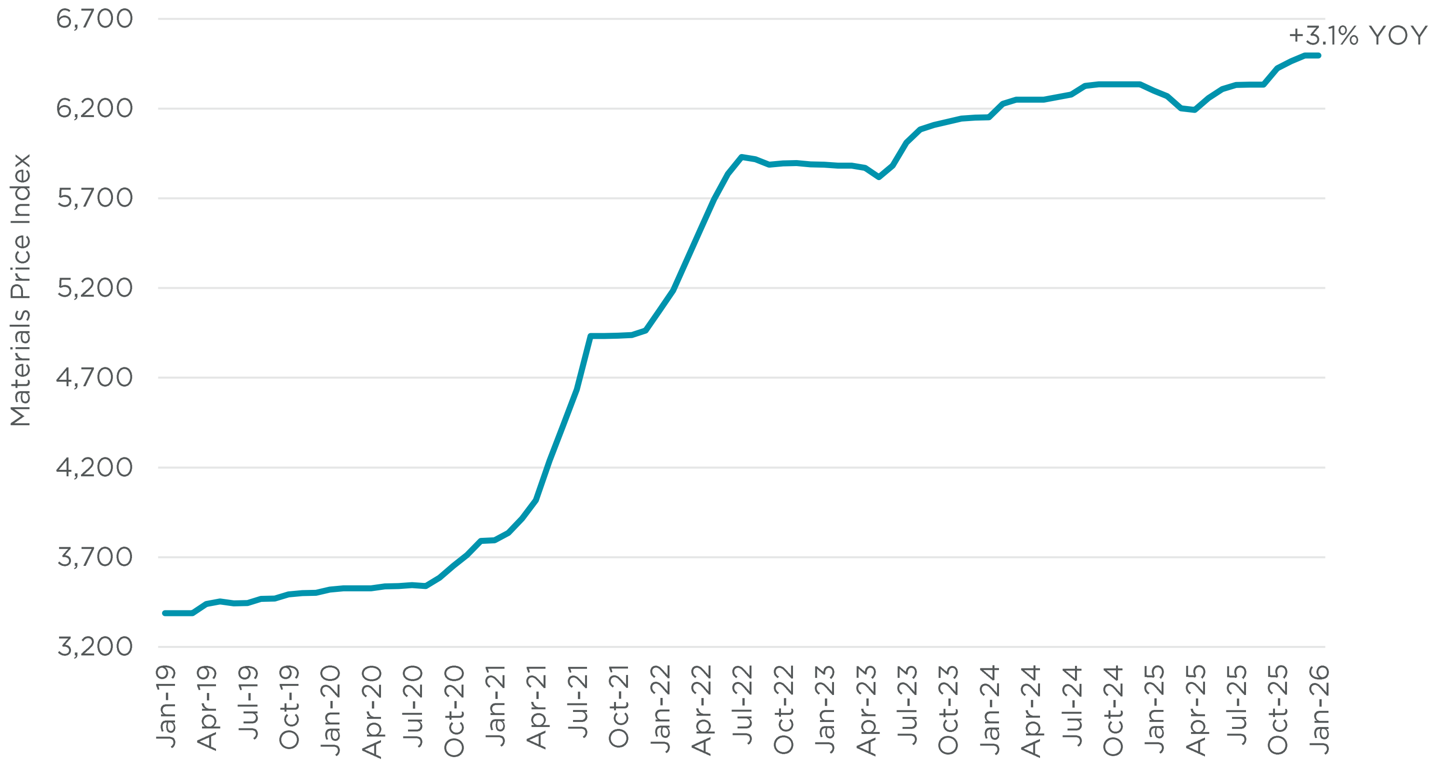
But face upward pressure as elevated commodity prices gradually flow through supply chains

Despite the uncertainty created by tariff announcements in 2025, delivered materials prices rose a more modest 2.5% YOY at year-end 2025. This increase remains below the 3.8% average annual increase over the last three years and lower than the 3.9% increase in 2019, prior to the pandemic surge in prices.

The more muted response reflects pricing lags, existing supply contracts, inventory buffers, and limited pass-through from upstream commodity markets to finished construction materials.

More recently, material costs experienced an uptick with prices increasing 3.1% YOY as of January 2026 but remaining stable QOQ.

Outlook: Material prices are expected to rise at or near the long-term average in 2026 as tariff pressures materialize and construction activity strengthens. Even so, price increases are projected to remain more stable and significantly less volatile than those seen during the pandemic.



Source: Engineering News Record (ENR) (McGraw-Hill); structural steel, portland cement and two-by-four lumber

LABOR PRESSURES CONTINUE TO DRIVE COSTS HIGHER

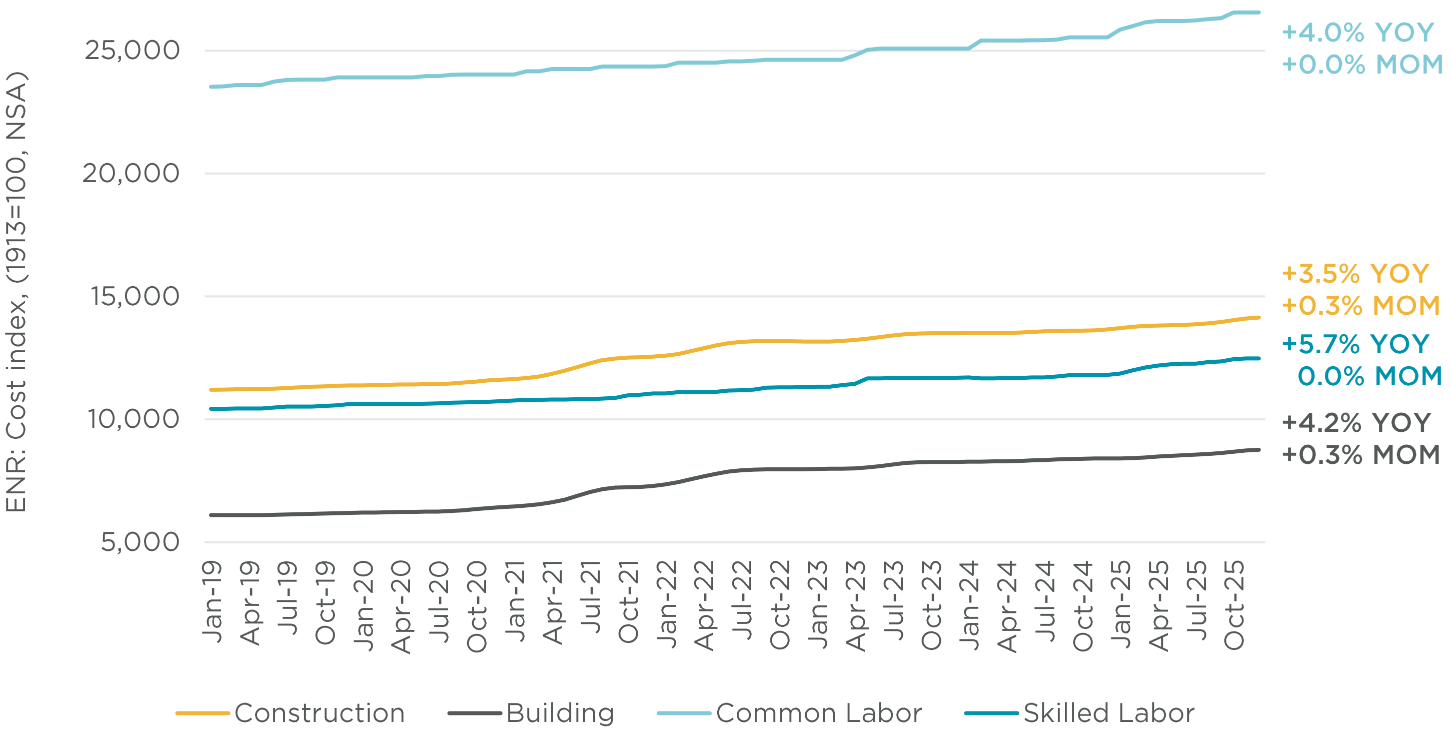
Skilled and common labor costs remain elevated

Labor constraints continue to exert upward pressure on construction costs. According to ENR's December 2025 Indices, labor-related cost increases remain elevated across the industry.

The Construction Cost Index, which reflects common labor, rose 0.3% MOM and 3.5% YOY, notably higher than the 1.1% YOY increase recorded a year earlier. The acceleration is driven largely by common labor costs, which grew 4.0% YOY, despite no change MOM.

The Building Cost Index, which incorporates skilled labor, also increased 0.3% MOM and 4.2% YOY, well above last year's 1.7% YOY rise. Skilled labor costs continue to be a major contributor, climbing 5.7% YOY to a new high, though flat MOM.

Outlook: Construction costs are expected to track near long-term growth trends, with labor remaining the primary factor pushing costs higher.



Source: Engineering News-Record (ENR) (McGraw-Hill)

NEW CONSTRUCTION STARTS RETURN TO TREND

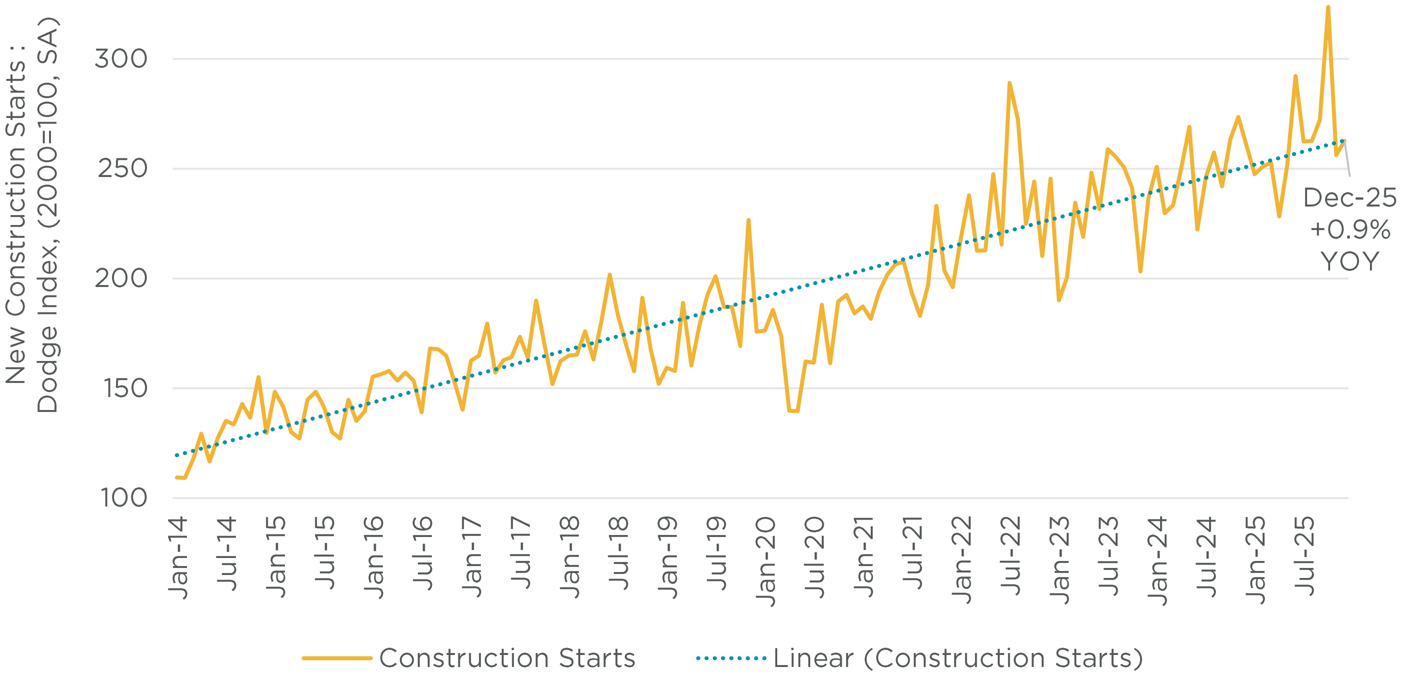
After November contraction

New construction starts rose 2.6% MOM in December 2025. Increased activity was the most prevalent in the South Central and Northeast regions with monthly increases of 15.6% and 12.1%, respectively. Meanwhile, new starts in the Midwest contracted 19% MOM. Overall, total construction starts for the year grew 5.5% from 2024, in line with the long-term trend.

Nonresidential building starts declined 6.6% MOM but totaled an annual gain of 4.5% in 2025. Commercial starts—a subset of nonresidential—jumped 10.9% this year and 9.8% MOM. Hotels, parking garages, and office/data centers all contributed to the monthly gain, increasing approximately 74%, 39%, and 7.0% respectively.

Nonbuilding construction starts had a monthly increase of 16.3%, driven by strong growth in highways and bridges (+85%).

Outlook: Dodge Construction anticipates nonresidential building starts to grow by 3.0% in 2026, with commercial starts expected to rise by 7.0%.



Source: Dodge Data & Analytics

METRO-LEVEL COSTS CONTINUE TO DECELERATE

Localized pressure drives costs higher in some markets

Metro-level construction cost growth continued to slow overall, rising 1.01% QOQ and 4.42% YOY, according to the latest data from Rider Levett Bucknall (RLB). Across the 16 U.S. markets tracked by RLB, 2025 costs grew at a more moderate pace than a year ago, when they increased 4.69% YOY.

Cost trends varied by metro. Honolulu posted the largest annual gain at 5.7%, followed by Dallas at 5.0%. Washington D.C. recorded the smallest YOY increase at 3.6%, followed by Los Angeles and Boston who both saw escalations near 4.0%. On a quarterly basis, Honolulu recorded the largest jump at 1.7%, while Dallas had the smallest at 0.4%.

Outlook: Labor costs are expected to keep upward pressure on overall construction costs, particularly in areas with concentrated demand for mega-projects such as data center hotspots Dallas, Phoenix, and Las Vegas.

Metro	QOQ % Change	YOY % Change (Q4 2025 vs. Q4 2024)	Prior Year % Change (Q4 2024 vs. Q4 2023)
Austin	0.52%	4.18%	---
Boston	1.00%	4.02%	5.40%
Chicago	0.48%	4.17%	6.25%
Dallas	0.36%	5.00%	---
Denver	1.08%	4.63%	4.46%
Honolulu	1.66%	5.69%	5.32%
Las Vegas	1.28%	4.96%	4.31%
Los Angeles	0.82%	4.01%	4.32%
Miami	0.97%	4.55%	---
Minneapolis	1.37%	4.09%	---
Nashville	1.05%	4.50%	---
New York	1.07%	4.03%	4.13%
Phoenix	1.23%	4.76%	4.12%
Portland	1.07%	4.34%	4.57%
San Francisco	0.83%	4.04%	3.84%
Seattle	1.22%	4.58%	4.47%
Washington D.C.	1.10%	3.64%	5.06%
Average	**1.01%**	**4.42%**	**4.69%**

Source: Rider Levett Bucknall

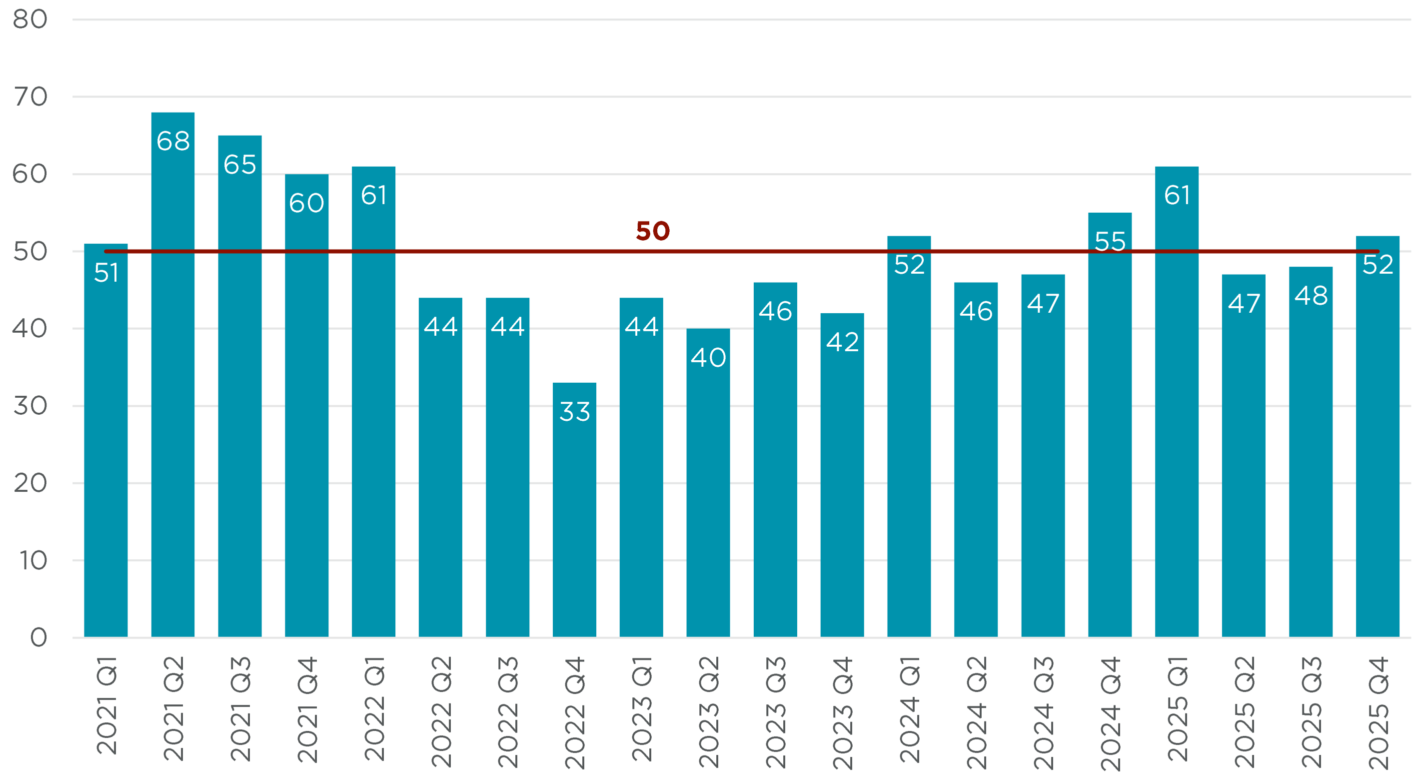
CONSTRUCTION INDUSTRY SENTIMENT NOW POSITIVE

However, optimism for long-term growth remains more robust

ENR's latest sentiment survey reflected a four-point rise in Q4, indicating slight optimism for near-term growth. In a reversal from the previous quarter, 28% of construction executives now anticipate improvement within 3 to 6 months, while 22% expect a contraction. When broken out, subcontractors had the highest confidence ratings with a score of 66.

The data center and power sectors have sustained their momentum entering 2026 with the power sector receiving a confidence rating of 93, the highest level ever recorded by a market according to ENR.

Outlook: Executive sentiment is more positive over the longer term, particularly for the next 12 to 18 months. However, this optimism hinges on expected interest rate cuts and hopes for economic stability.



Source: ENR/BNP MEDIA

LABOR

Labor costs continue to rise as structural workforce constraints persist. More restrictive immigration policies have further tightened labor supply in an industry heavily reliant on immigrant workers, with some subcontractors reporting workforce losses. While construction hiring has softened, wage growth is expected to remain elevated in 2026 as firms compete for a limited pool of skilled labor.

HIRING HITS STAND STILL

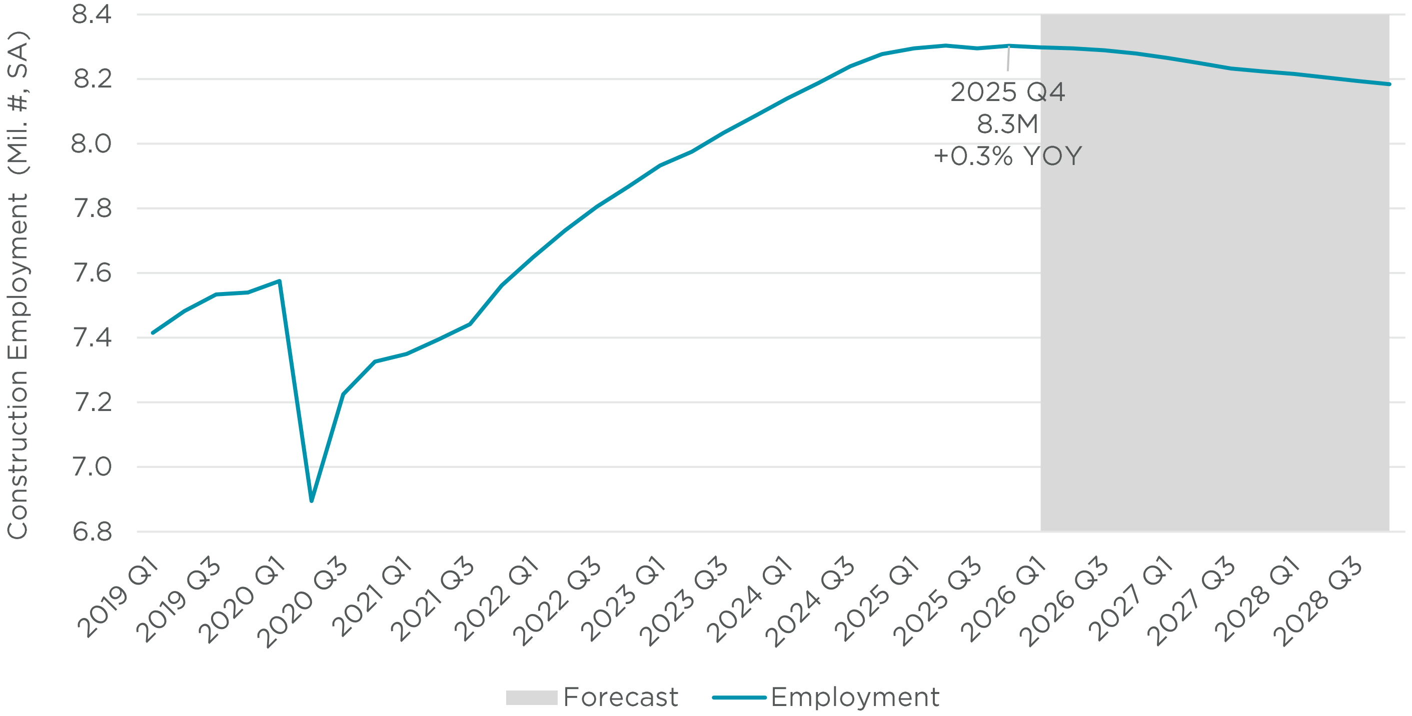
Lower construction activity and skilled labor shortages led to slower hiring in 2025

Construction employment continues to stagnate, adding only about 8,000 jobs from Q3 to Q4. Based on Q4 2025 data, annual growth totaled just 0.31%, marking 2025 as the weakest year for construction employment growth since 2020. By comparison, total nonfarm and total private employment rose 0.53% and 0.71%, respectively, both outpacing construction.

Nonresidential construction employment declined at year-end, shedding roughly 570 jobs from Q3, while annual growth sat at just 0.31%.

Slower hiring reflects a combination of softer project activity and persistent structural labor constraints, particularly among skilled workers.

Outlook: Although interest rates are expected to ease, Moody's forecasts construction employment will decline by 0.3% YOY in 2026 and a further 0.7% in 2027, as a thinning project pipeline weighs on labor demand. Slower project starts in recent years and the drawdown of existing backlogs are expected to limit hiring.



Source: U.S. Bureau of Labor Statistics (BLS); Moody's Analytics Forecast

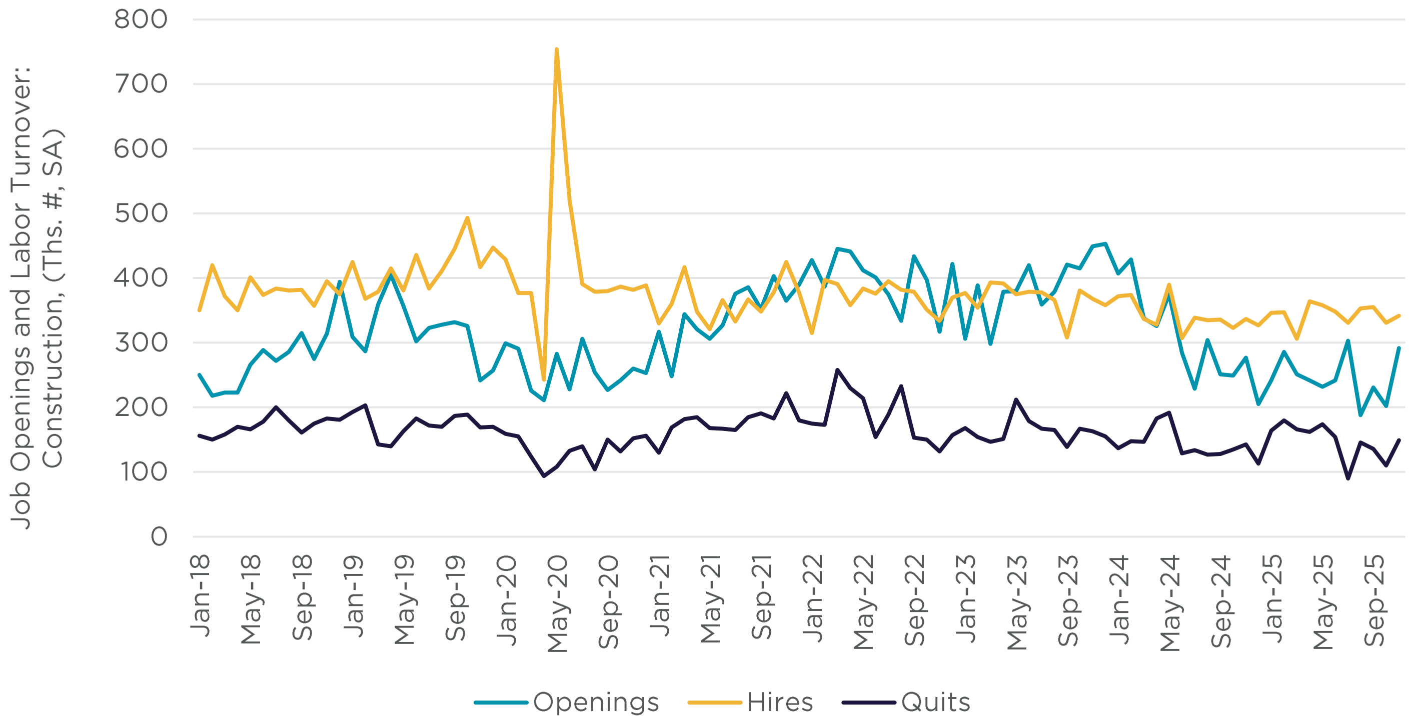
WORKFORCE TURNOVER STABILIZING

Hiring trend remains flat

As of November 2025, construction job openings have edged higher alongside a modest uptick in quit rates. Meanwhile, employment growth remains subdued, reflected in flat hiring trends driven in part by persistent shortages of skilled workers—particularly in high-demand power and data center markets.

Against a backdrop of tariff uncertainty and volatile material costs, construction firms are focused on stabilizing labor expenses and minimizing workforce turnover. Key market indicators reflect this shift: through November 2025, construction openings, hires, and quits have all declined compared to the same January–November periods in 2021 through 2024—with quits and hires in 2024 being the lone exceptions.

Outlook: Construction hiring is likely to remain subdued as skilled labor shortages—especially in power and data center markets—continue to constrain workforce growth. Ongoing tariff uncertainty and material cost volatility are keeping firms focused on labor stability and retention.



Source: U.S. Bureau of Labor Statistics (BLS)

CONSTRUCTION WAGE GROWTH REACCELERATES

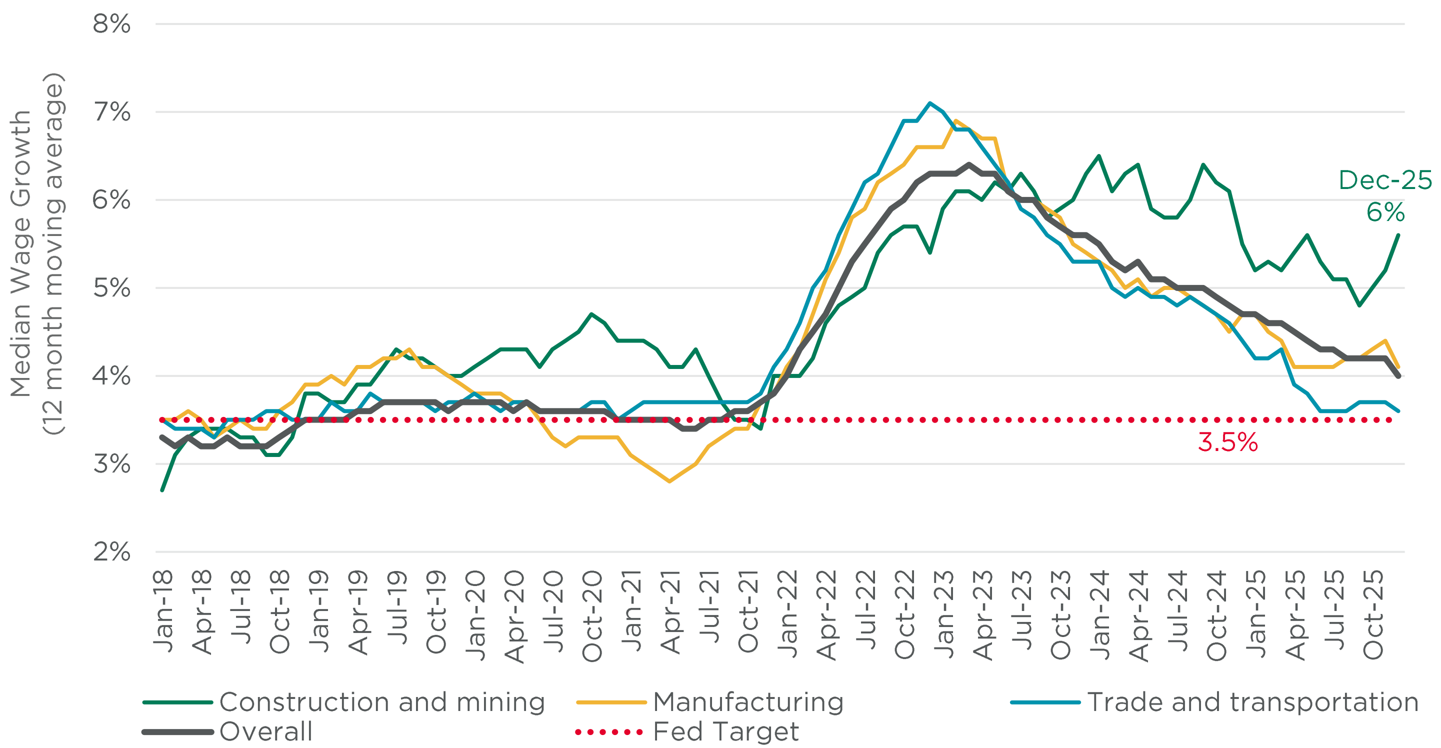
Amid labor constraints

Persistent labor constraints in the construction industry have continued to exert upward pressure on wages. Over the past 12 months, median wage growth in construction and mining has outpaced manufacturing, trade and transportation, and overall employment. These wage increases have been a key driver of price escalations in construction projects.

While momentum looked to have waned, with increases in construction, mining, and other sectors beginning to trend back toward pre-pandemic averages, wage growth for construction and mining hit a 13-month high in December 2025.

More stringent immigration policies likely contributed to renewed wage pressures in construction by tightening labor supply in an industry already facing structural workforce shortages.

Outlook: Ongoing labor shortages are expected to sustain upward pressure on construction wages, reinforcing cost escalation.



Source: Federal Reserve of Atlanta; Note: October 2025 data is based on an average of recent data points

CONSTRUCTION ACTIVITY

A slowdown in construction activity has shortened backlogs and slowed billing processes. As uncertainty in the construction sector eases, backlog and billing are expected to recover. Further interest rate cuts by the Federal Reserve are also likely to boost construction activity.

CONSTRUCTION BACKLOGS DIVERGES

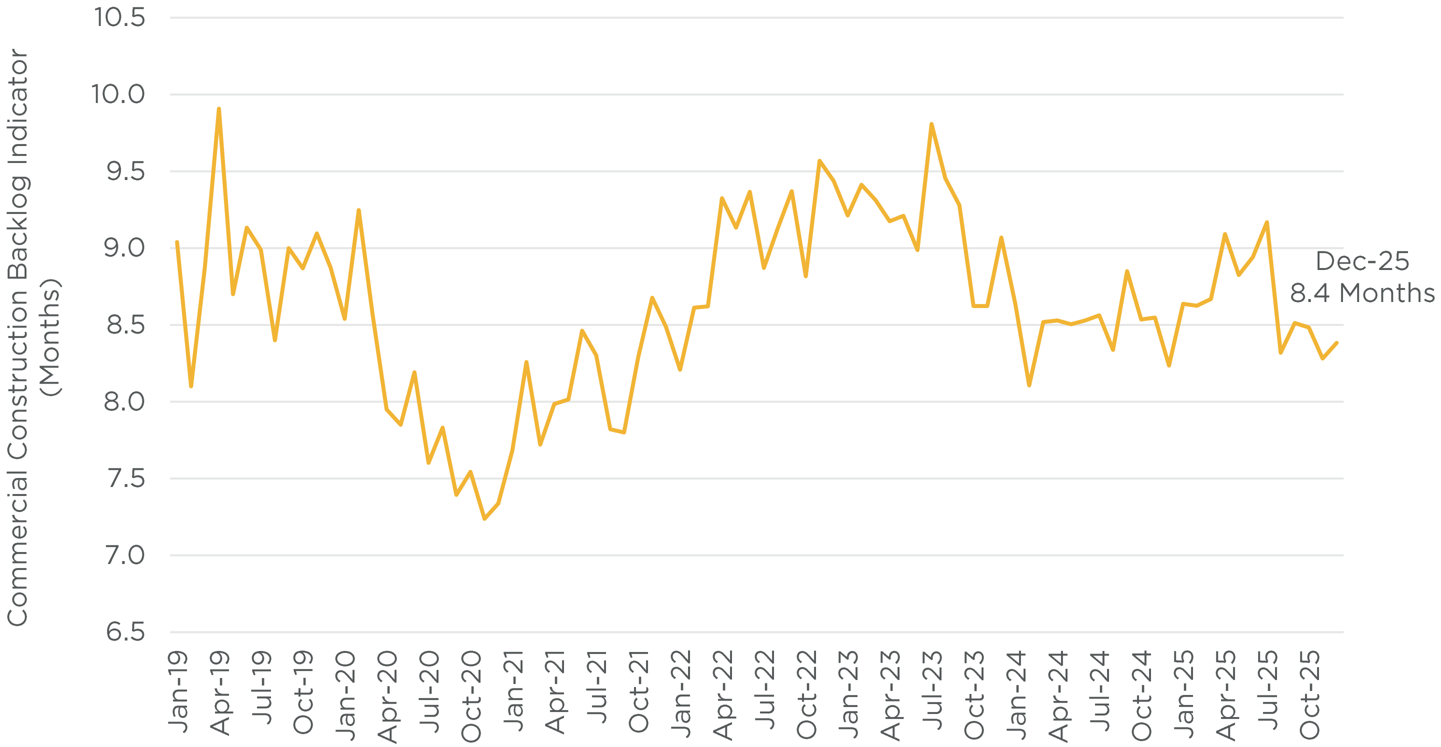
With smaller contractors experiencing declining backlogs

The Associated Builders and Contractors (ABC) construction backlog for commercial and institutional projects reached 8.4 months in December 2025—up 0.1 months from November and 0.2 months higher than December 2024.

The Southern U.S. continues to hold the largest backlog at 9.8 months, while the West region hosts the shortest at 7.2 months.

Data center construction continues to drive national construction activity. ABC Chief Economist Anirban Basu noted that smaller contractors experienced the sharpest backlog declines in 2025, largely because robust data center development disproportionately favors larger firms. Contractors with annual revenue under $30 million reported average backlogs of 6.7 months, compared with 14.2 months for firms generating more than $100 million in revenue.

Outlook: Backlogs could improve in 2026 as uncertainty eases and interest rates decline, however large contractors with exposure to data center work may see stronger backlog growth.



Source: Associated Builders and Contractors

Backlog is defined as "the amount of work, measured in dollars, that construction companies are contracted to do in the future."

ARCHITECTURAL BILLINGS REBOUND

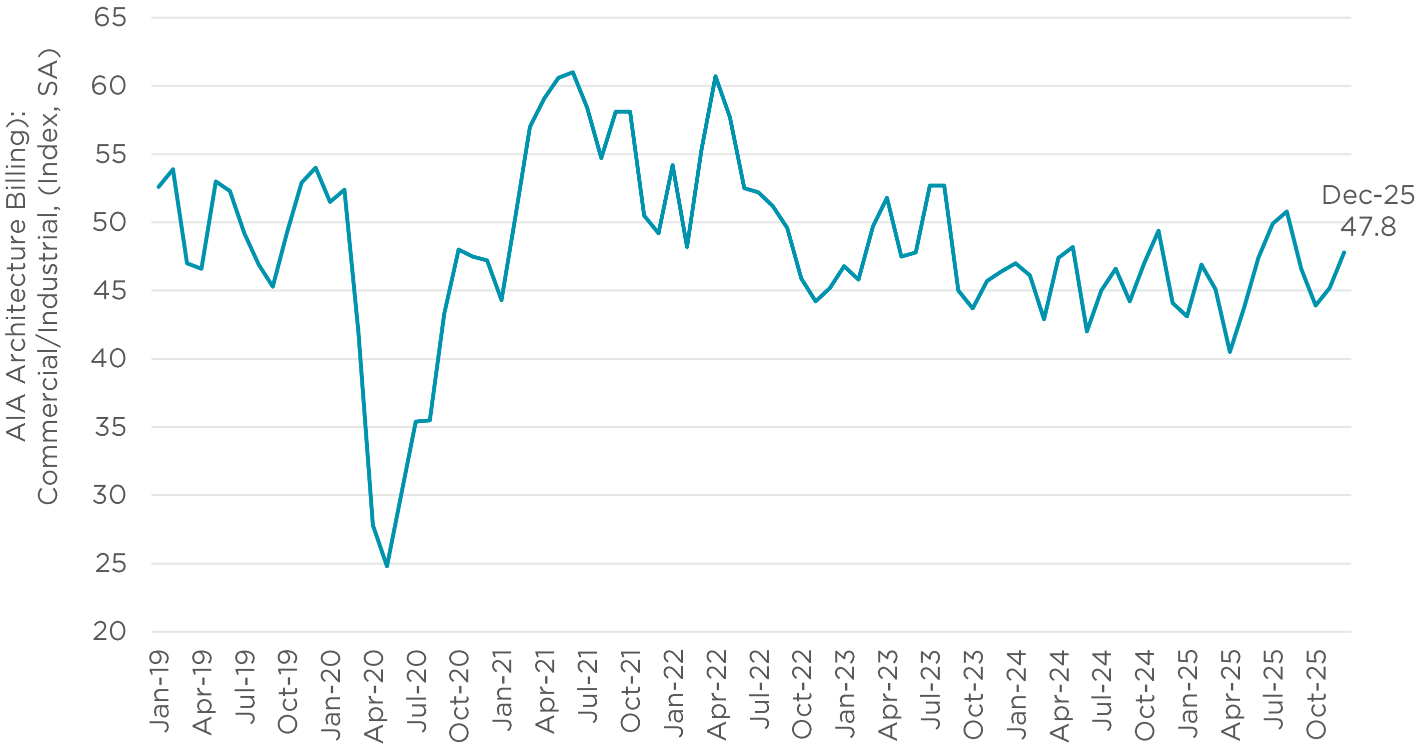
But remain below the growth threshold

Commercial and industrial architectural billings have rebounded following a sharp drop in August. As of December, the Architecture Billings Index (ABI) rose to 47.8, up 5.8% MOM and 8.4% YOY. Despite the improvement, the index remains below the 50 threshold, indicating continued contraction in firm billings.

The commercial/industrial ABI trails institutional project billings but remains above multifamily residential, which currently stands at 45.5. All three sectors remain below equilibrium levels.

According to the AIA, client indecision, insufficient project budgets, and financing constraints continue to represent the most significant headwinds.

Outlook: According to AIA's latest survey, most architectural firms expect revenues to remain flat or decline in 2026. Among firms anticipating growth, stronger backlogs, the restart of previously delayed projects, and increased inquiries are cited as key support factors.



Source: The American Institute of Architects (AIA)

06

COUNTRY DEEP DIVE

CANADA

CONSTRUCTION COSTS

Canada's construction industry faces headwinds, with elevated construction costs, including raw materials, industrial products and structural skilled labor shortages in the construction industry.

BUILDING CONSTRUCTION PRICE INDEX

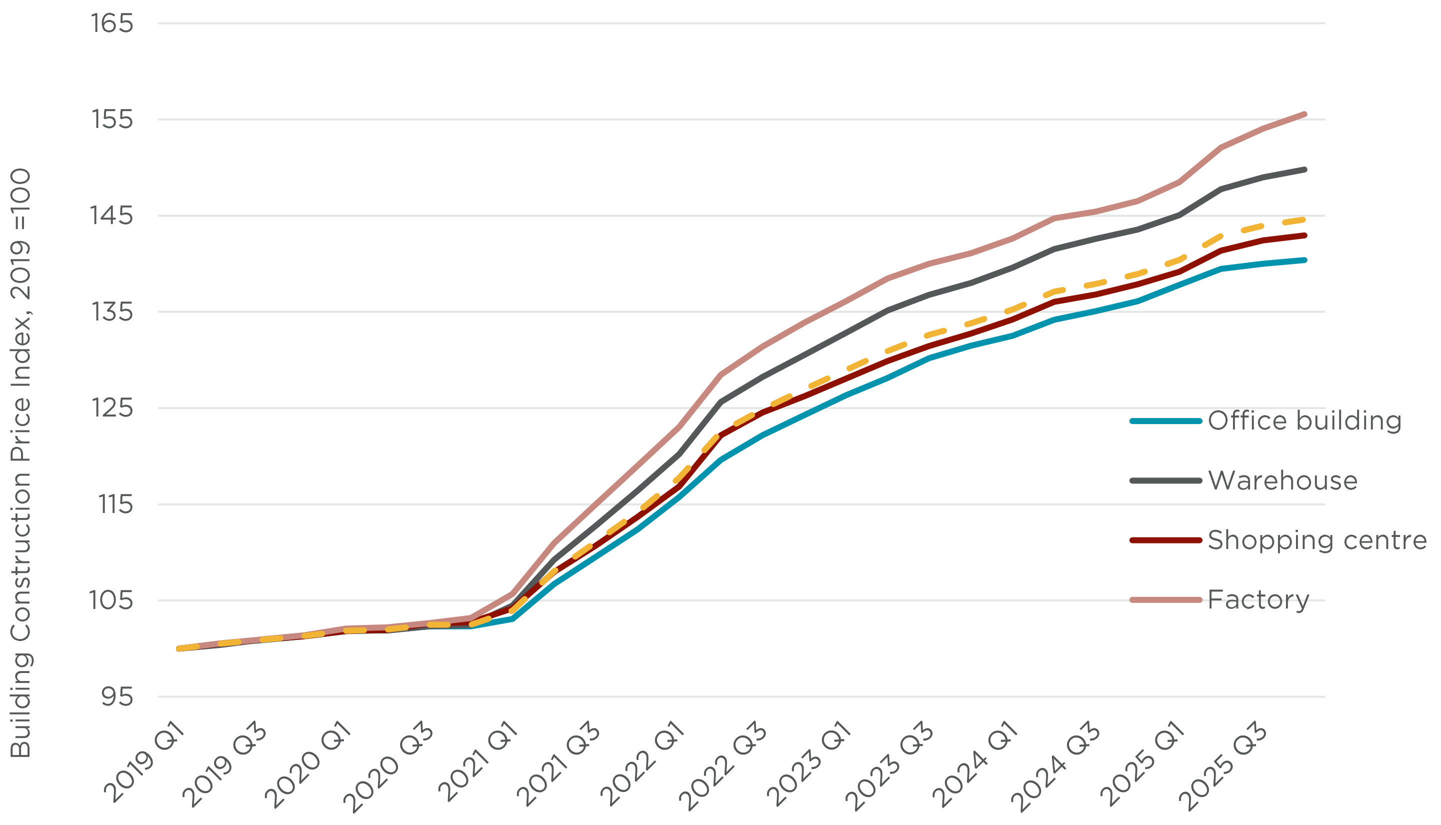
Construction material price growth slows

After experiencing a strong start to the year, building construction costs across commercial, industrial have leveled out in Q4 2025.

Industrial factories (6.16%) and warehouses (4.35%) remain above total non-residential buildings (4.07%) YOY, with office buildings (3.13%) and shopping centers (3.69%) tracking below the total-non-residential YOY increase.

Industrial building construction costs remain elevated in late 2025, as tariffs on metal-related materials have added to the overall cost challenges experienced in the sector.

Outlook: Macro impacts including trade pressures as well as a shortage in skilled labor and rising wages are expected to continue to drive costs up for all asset classes in 2026.



Source: Statistics Canada

BUILDING CONSTRUCTION PRICE INDEX

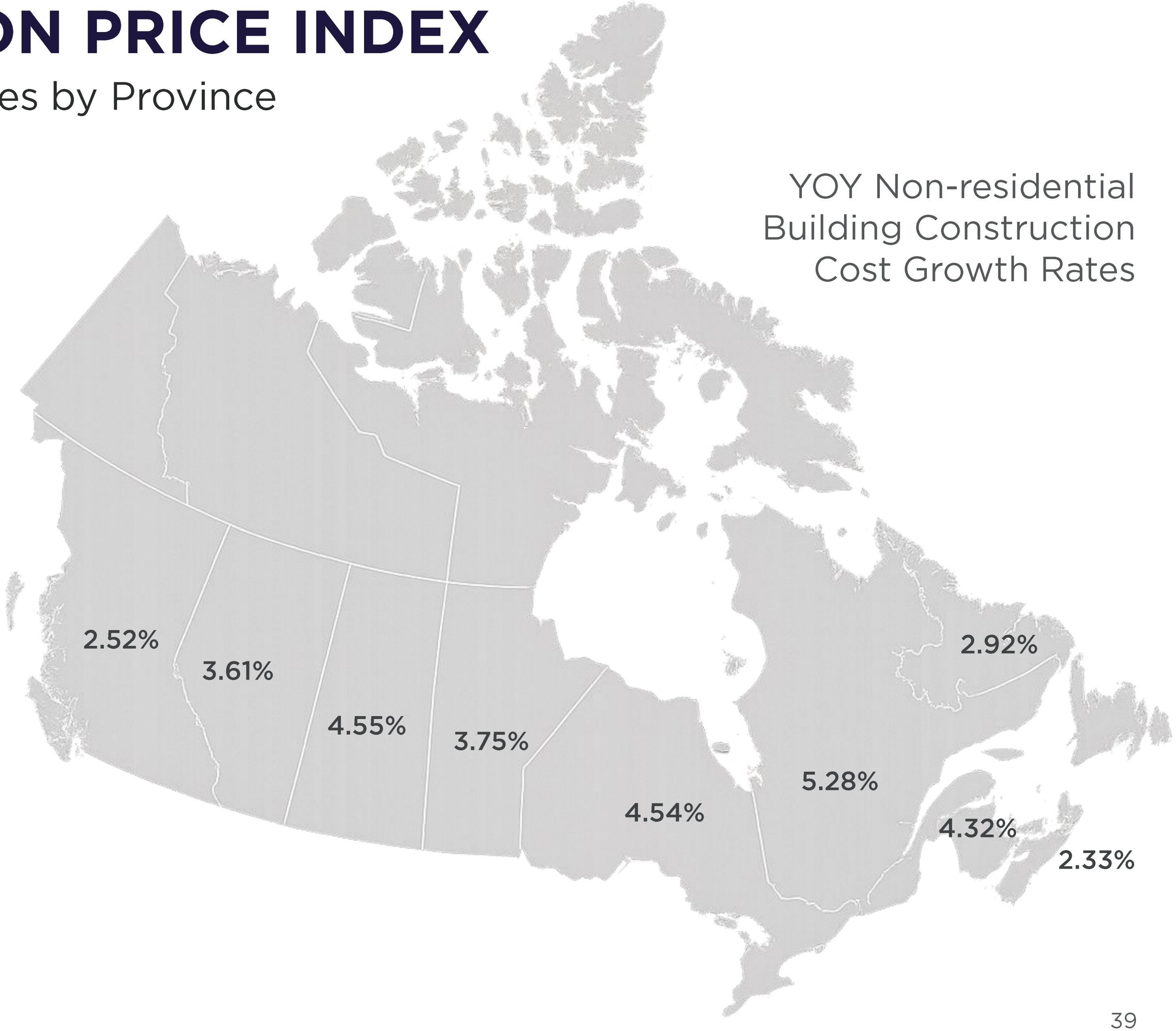
YOY Building Construction Price Increases by Province

Following the exceptionally high-cost escalation experienced in 2021 and 2022, with values in the low two-digit rates, construction costs have moderated to low-to-mid single-digit rates across all major Canadian markets.

Regional variation remains evident, with Quebec, Saskatchewan and Ontario between 4-5% YOY and between 2-3% YOY in Atlantic Canada and British Columbia, reflecting differences in labor market tightness and exposure to industrial and infrastructure related demand.

Outlook: While current construction cost escalation is well below the post-pandemic highs, upward pressure on costs is expected to persist into 2026. Trade uncertainty and ongoing skills shortages are anticipated to limit the potential for further normalization.

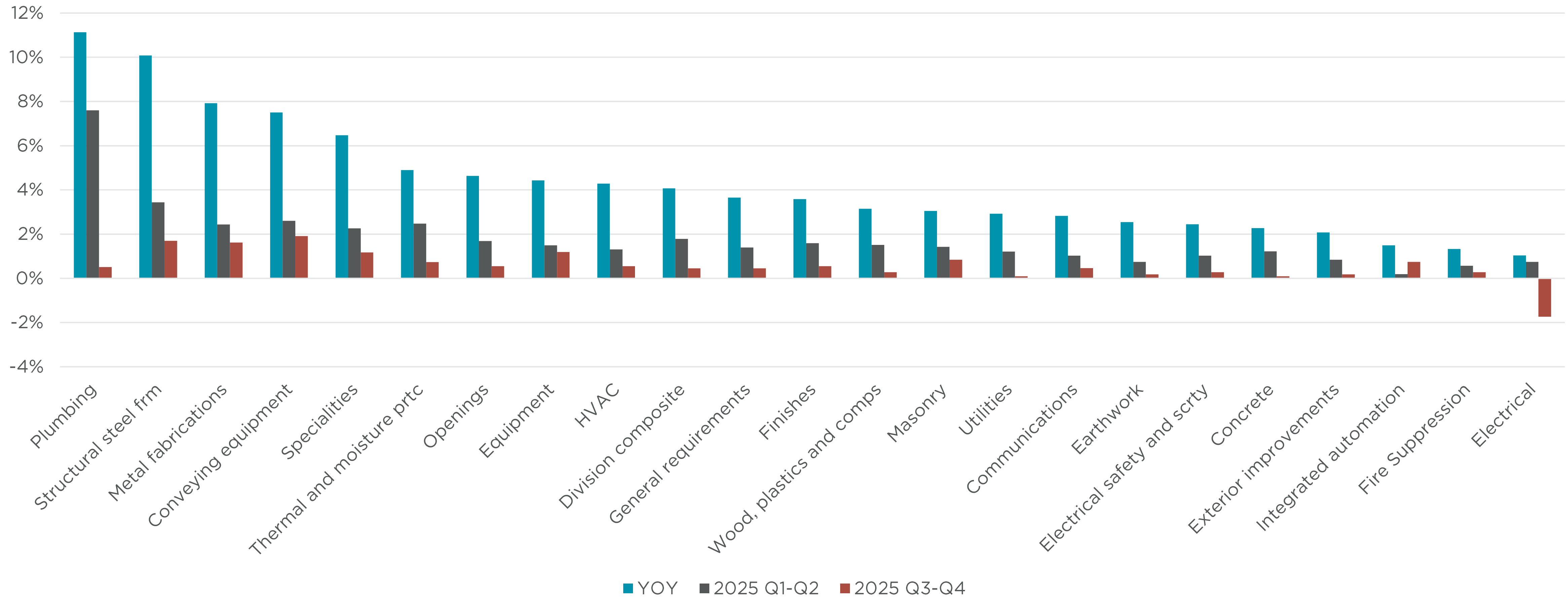
YOY Non-residential Building Construction Cost Growth Rates



Source: Statistics Canada

COMPONENTS OF CONSTRUCTION PRICE INDEX

Composite index of 15-CMAs in Canada



Source: Statistics Canada

INDUSTRIAL PRODUCTS PRICE INDEX

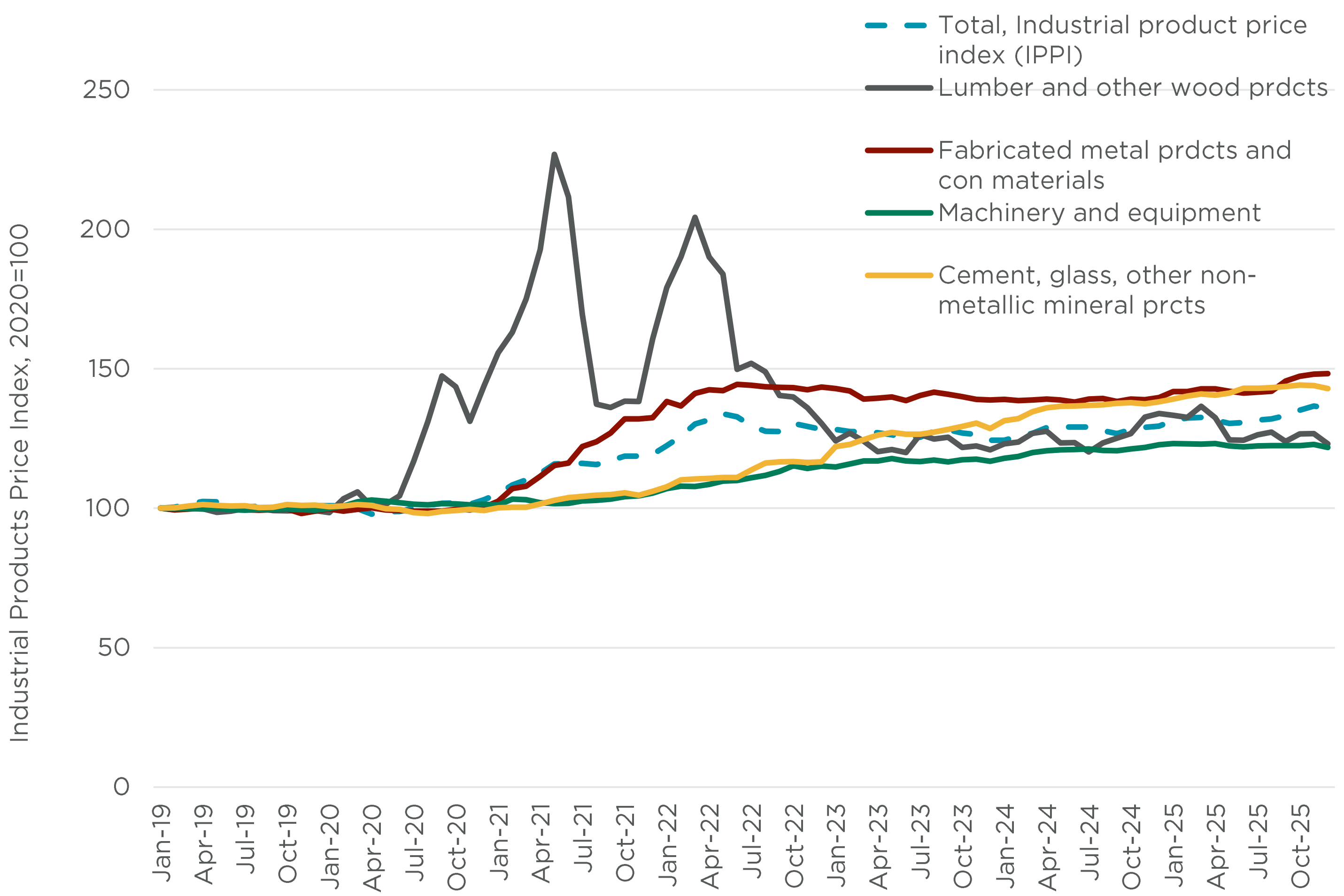
Industrial products prices rise in Canada

As of December 2025, the Industrial Products Price Index (IPPI) increased by -0.6% MOM, marking first month in the past six that the index has experienced a decrease MOM.

Components directly related to the construction and infrastructure sectors including lumber (-3.0%), cement (-0.8%), machinery and equipment (-0.9%) all experienced MOM declines, while fabricated metal products and construction products (0.1%) experienced an increase.

Annual growth for the IPPI has accelerated in 2025, rising to 4.9% YOY, compared to 4.1% in 2024.

Outlook: Looking forward to 2026, wider market volatility is expected to remain a prevalent force influencing industrial products, with trade/tariffs playing a significant role in influencing demand for industrial products.



Source: Statistics Canada

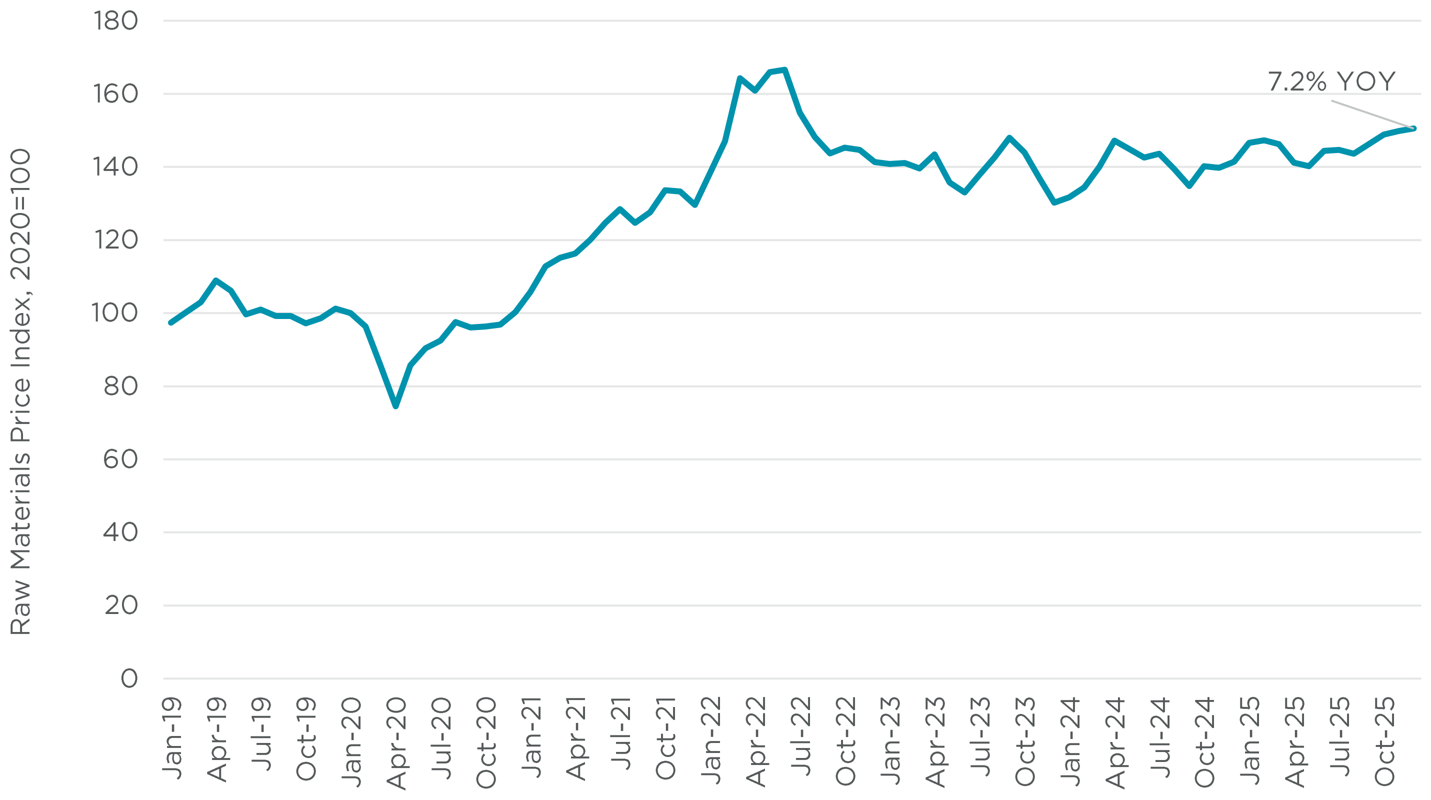
MATERIAL PRICES CONTINUE TO RISE

Material prices facing continued headwinds

As of November 2025, the Raw Material Price Index (RMPI) increased by 0.5% MOM, moderating slightly compared to the 0.6% MOM increase experienced in November 2025.

Annual growth has accelerated in 2025, rising to 6.4% YOY, compared to 8.6% in 2024. Growth has been driven by strong global demand in metal ores, concentrates, and scrap, which experienced a 37% increase YOY.

Outlook: Raw material prices are expected to face continued upward pressure from both global demand for metal ores and concentrates and international trade pressures. Although YOY material prices have slowed, costs are expected to remain elevated relative to historical averages.



Source: Statistics Canada

CONSTRUCTION INDUSTRY SENTIMENT SOFTENS

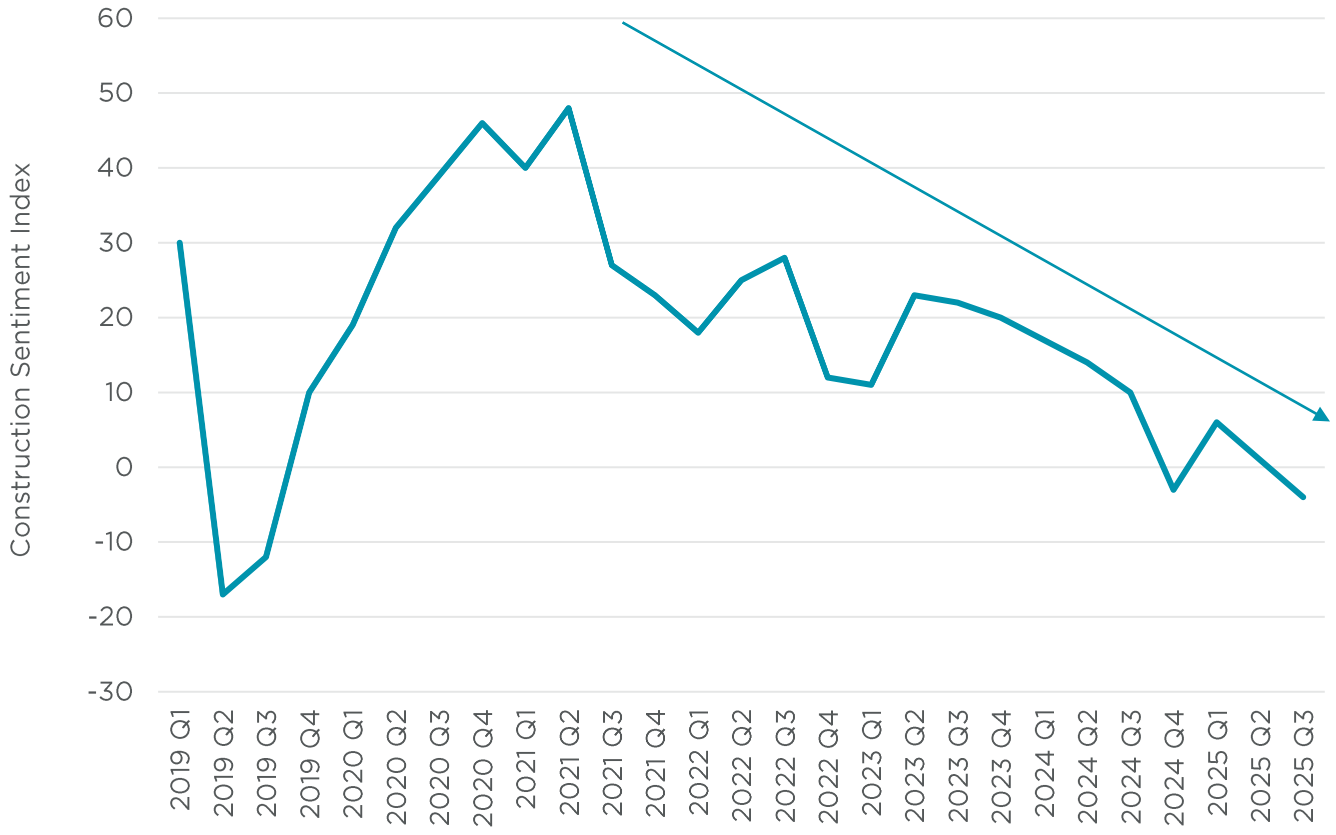
Sentiment expected to remain weaker into 2026

RICS and the Canadian Institute of Quantity Surveyors (CIQS) together produce the Canada Construction Monitor which tracks the Construction Sentiment Index (CSI).

The report indicates that momentum is slowing across the industry with the CSI turning negative at -3, down from +6 in Q2 2025. Key factors influencing this sentiment include:

- Elevated material costs;
- Financial constraints;
- Labor shortages; and
- Private sector workloads.

Outlook: Expectations looking into 2026 remain cautious, as elevated material costs, tighter margins, and persistent labor shortages suggest a restrained start to 2026. While the private sector is relatively flat, construction sentiment is brought up by larger nations building projects in transport and energy.



Note: The construction sentiment index is a composite measure encompassing variables on current and expected market activity as well as margin pressures.

Source: RICS and CIQS

LABOR

The market for skilled labor continues to tighten, and at the policy level, a reduction in immigration levels should contribute to the difficulties facing the construction sector in 2026.

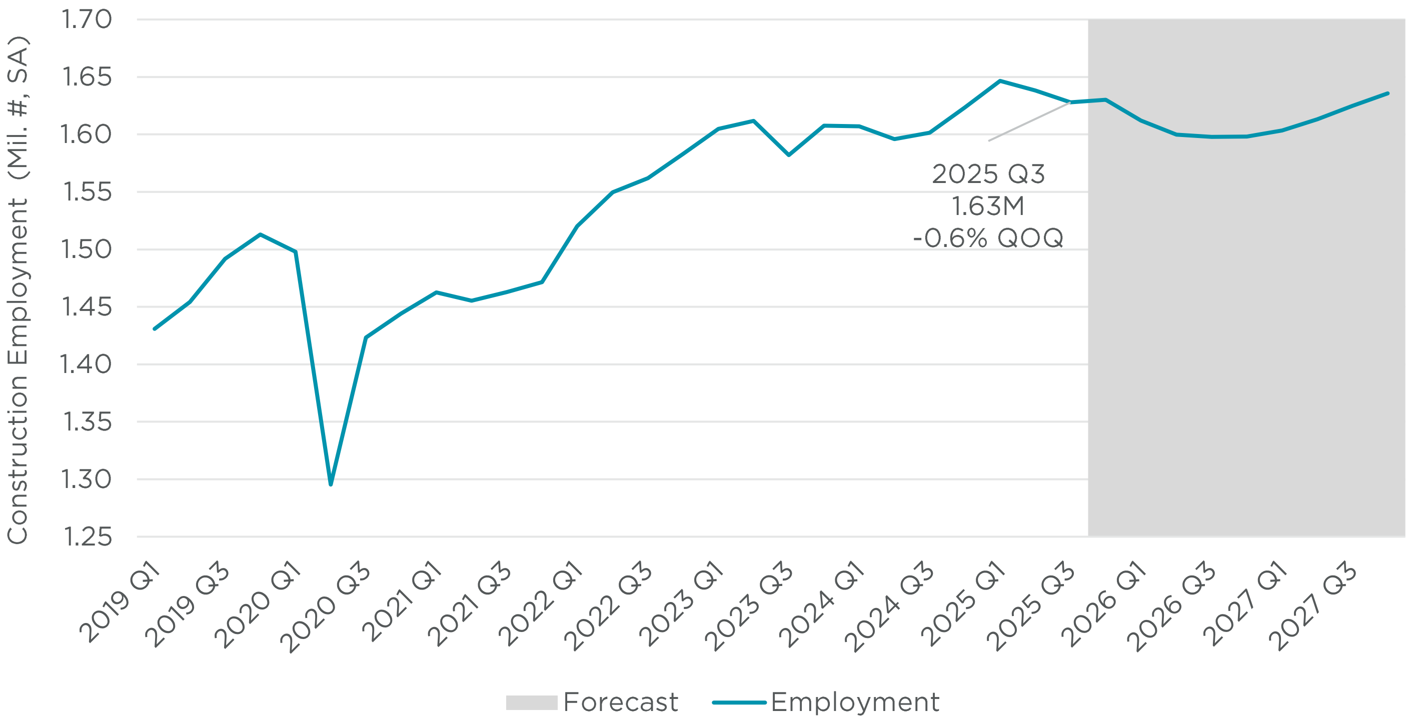
CONSTRUCTION LABOR SHORTAGE

Persistent skilled labor shortages impacting ability to build

Without enough skilled workers in Canada, construction projects face delays, increased costs, and reduced overall output on projects. It is estimated that this recruiting gap could persist through 2033 where a gap of approximately 85,000 would exist.

A combination of an aging nation, a general lack of interest in skilled trades amongst the younger generation, and immigration issues has led to a structural bottleneck and labor shortage in the construction sector.

Outlook: Moody's forecasts construction employment will decline in 2026, declining 1.8% YOY. The structural gap in skilled construction labor is expected to have an impact on the nation's ability to build both residential and non-residential in the short-term medium term.



Source: Statistics Canada; Moody's Analytics Forecast; and BuildForce Canada

CONSTRUCTION ACTIVITY

A slowdown in construction activity amidst wavering demand. Construction spending driven by housing demand on the multifamily side.

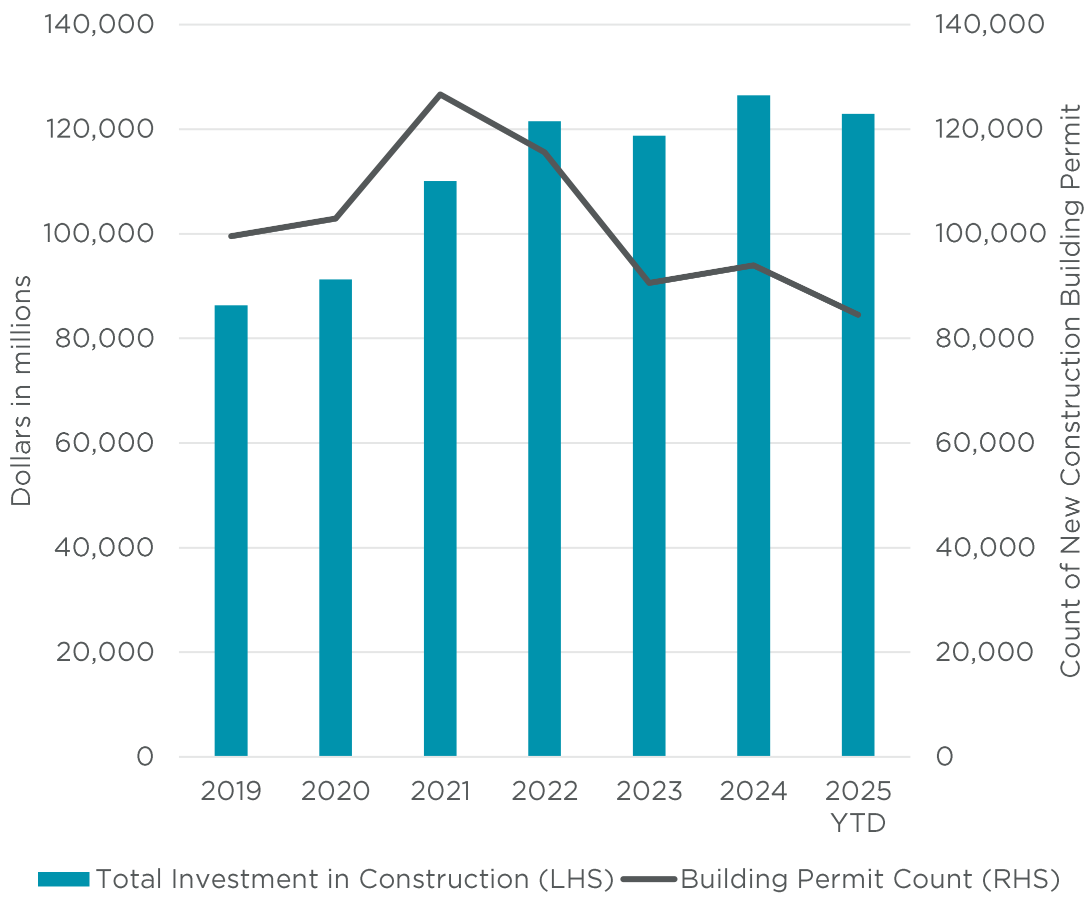
NEW CONSTRUCTION STARTS DOWN SINCE 2021

Office and Multifamily building permits up YOY

New construction building permits are down 4.1% relative to 2024 figures through November, while investment in new construction is down approximately 2.8%, relative to 2024 figures. New construction building permits are down YOY for YTD totals for industrial (12.8%) with multifamily residential buildings (0.3%) and commercial (0.7%) both positive YOY.

This indicates that the oversupply in industrial buildings, particularly in core markets such as the GTHA, has led capital to other asset classes such as multifamily and office.

Outlook: Macro factors shaping demand are playing a role in what has been built over the past year, with industrial space leading in 2025, leveling off into final Q4 2025 numbers. As demographic trends shift, and return to office mandates are initiated, multifamily rentals and office space are expected to rebound, as indicated by the number of building permits within these asset classes and their YOY growth.



Notes: Total residential and non-residential buildings

Source: Statistics Canada

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