



March 2025

# ECONOMIC NEWSLETTER

## for the Construction Industry



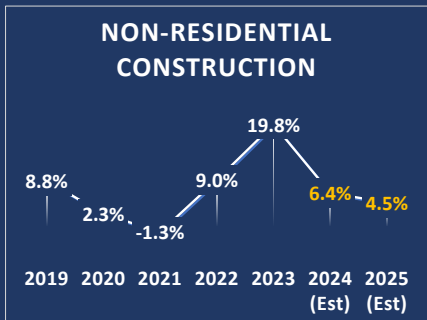
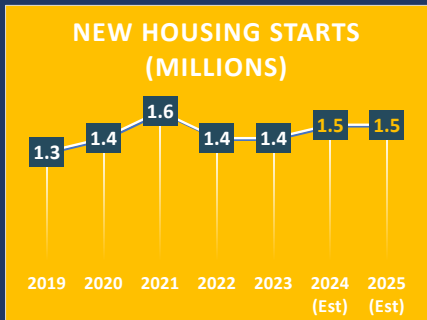
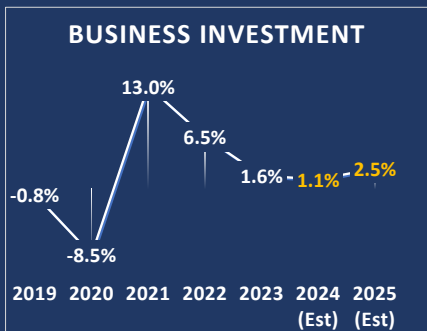
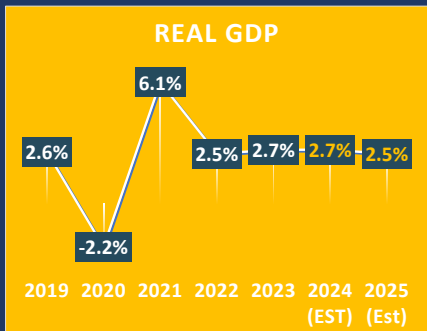
**CPAs** WHO KNOW CONSTRUCTION

Kathleen Baldwin, CPA, CCIFP

[kbaldwin@cicpac.com](mailto:kbaldwin@cicpac.com)

850.723.0372

**Selected Indices**



**Big Items**

**Real GDP:** Q1 GDP is showing some pressure through this “transition” period. There was a significant amount of gold imported into the US in Q1, which is skewing GDP data. Without the adjustment for gold imports, GDP is currently contracting at 1.8%. When adjusting that data, the economy was managing mild growth of 0.4%-0.8%. Consumer spending, residential and corporate investment was still ‘stable’, but were beginning to show some signs of stress.

**Raw Material Prices/Availability:** Amid tariff risk, construction material prices are heavily mixed. Some commodities are seeing price deflation as global demand softens and supply increases (such as nickel and nickel-based commodities). Hot-Rolled Steel prices have also not reacted to 25% tariffs, prices were still down 5.8% Y/Y despite rising by 4% YTD. But other areas are surging. Copper for instance, is up 26.3% YTD and 24.9% Y/Y, pushing prices for copper-based products higher. At the time of writing, tariffs were still being implemented, and exclusion grants were not clear, which could affect prices when the full tariff impact is understood (could push them higher or lower).

**Labor Situation / Labor Costs:** In general, the costs of labor in construction started to ease at the end of 2024. The Labor Cost Index grew at 2.8% through Q4, down for the 5<sup>th</sup> consecutive month. The broader wage measures for the macroeconomic environment were still growing between 3.8% and 4% through February, which is in-line with growth rates over the past two years. There are many questions about the role of deportations (although most estimates suggest that impact to actual workers may be less than expected), government layoffs (and resulting private sector layoffs), and aging demographics and the impact of retirements. There were still 7.7 million jobs open across the country with more than 236,000, which was down 42% from a year ago (but was 15% higher between December and January).

**Manufacturing:** The latest manufacturing data showed some weakness. The Flash PMI report through mid-March came in at 49.8, down from 52.7 last month and in slight contraction. There was a lot of speculation that companies had pre-ordered merchandise to try and get ahead of tariff risk and this helped spur February activity. New orders around the world were generally sluggish in March (based on preliminary reports) and some pullback in investment and spending was taking place elsewhere. But the US is likely to be in a different situation because Federal actions to push US manufacturing is ramping up. Reshoring activity will take time to materialize, and there isn't recognition of this year in measures like the Architectural Billings Index, but that will come.

**Risks**

**Tariffs:** This has been the biggest concern among business owners and one that continues to develop. At the time of writing, reciprocal tariffs had not yet been announced and negotiations between the US and foreign trading partners were still ongoing. Tariffs will obviously work in two directions for the construction industry. Of course, it will spur nonresidential construction activity but could push inflation risk for project costs higher and could lead to some supply chain shortages of certain materials. Some purchasing managers are holding off on new orders for key raw materials and components waiting for tariff decisions, and some have received heavy orders from customers in the interim trying to get ahead of this risk. That is running some supplies low, which is likely a Q2/Q3 concern before the market stabilizes thereafter.

For most new construction projects, despite some new easing of permitting, projects will not likely be shovel ready until 2026 (especially for projects that are new facilities and not add-on expansions to existing facilities). Again, data could show a sharp and rapid change in activity, but for now foot traffic at A&E firms was still muted based on the latest data. After the April 2<sup>nd</sup> deadline for reciprocal tariffs (making tariff policy clearer for all), more firms may move on new reshoring activity.

# Macroeconomic Viewpoints

- Dr. Chris Kuehl

**“Unprecedented” is the word of the day.** Any time the media, economists, or government figures use words like ‘unprecedented’ or ‘historic’, market conditions get hard to predict. Unprecedented tariffs, historic government trimming, “record mass deportations” and other aggressive actions create a lot of uncertainty, and that can create near term implications. In general, most analysts are looking at the current global economic situation and are using phrases like “short term pain for long term gain” and other similar notions.

But the transition period can be a difficult one. There are two assessments of government spending as a percentage of GDP. When we use Total Government Spending, it accounts for 33.9% of total government spending (versus the historical average of 25.7% from 1900-2023). Focusing on just the direct spending that drives GDP, it accounted for 18% of GDP in Q4, and it is this component that the administration wants to try and trim 25% from. The urgency is that the current US debt-to-GDP ratio is 122% and the net interest payments on that debt is more than \$952B (larger than the Department of Defense budget). More importantly, key peers (those that compete for bond investors and foreign direct investments) have lower debt-to-GDP ratios. Among the US’ top 10 trading partners, the US had a higher debt-to-GDP ratio than all but one (Japan at 252% and there is some speculation that China’s is understated at 88%). Transitioning the economy to more private spending can be a lengthy process, and some near term pain can be felt in the interim.

Government incentives (both carrot-philosophy with tax cuts, easing regulation, and speedier permitting and stick-philosophy through tariffs, quotas, and taxes) are going to help drive nonresidential construction in the long-term (12-16 months). Tariffs will also impact construction material costs in the near term, and much will still depend on tariff exclusions, retaliatory actions, and other factors developing out of a volatile global trade environment. But that will sort itself out over time.

For residential construction, much will depend on the labor environment. We know that, historically, adding government jobs was the means to keep unemployment numbers down in the midst of what was a 100-year global crisis event. The big surge in hiring started as part of the pandemic response but too many of these were “make work” jobs. Too many were hired, and it can also be argued that too many are now being fired (granted there is a strong need for trimming and right-sizing). But government efforts can overreach and there are some unintended consequences that can follow from overreaching.

The wild card in all this remains the chronic worker shortage. Can those leaving their old job find a new one? Is AI appropriate for the companies that need staff? The shortages of workers (estimated job openings were still running more than 7.7 million in the last estimate) are concentrated in sectors like construction, manufacturing, transportation etc. and these are generally not the skill sets possessed by former government workers and these are not jobs that AI can easily do (without reasonable humanoid robotics which are still a year or more away). Retraining and education to move from office-driven jobs to historically blue collar positions can take place, but not all individuals can physically make that transition.

We are not yet convinced that this series of “unprecedented” actions trigger a recession, but we can easily talk ourselves into one. As recession fears grow, consumers and executives make decisions to keep themselves liquid because of the uncertainty, and spending can stall to a degree. For now, credit markets remain conducive to growth and show little signs of strain. For 2025, most forecasts still have the US economy growing, but growth expectations have eased from 2.1% to 1.5-1.7%. – KP

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# Regional MSA Construction Potential Index

The following section shows the Construction Potential Index developed by Armada in conjunction with Pioneer IQ for the largest Metropolitan Statistical Areas (MSAs) in the country. This index measures growth potential and construction spending per capita to create a construction potential index. The score itself is not as important as the index in relation to all other markets, which is important in understanding and the index incorporates both residential and nonresidential construction potential. Q3 data is the latest available.

Rank	MSA	NAED Construction Scoring System	Change in Gross Construction GDP		BEA Region
		Construction Potential Score	Q3 2024 Q/Q Change in Gross Construction GDP	Q3 2024 Y/Y Change in Gross Construction GDP	
1	Dallas-Fort Worth-Arlington, TX	2720.0	1.9%	13.1%	SW
2	Houston-The Woodlands-Sugar Land, TX	2525.6	1.9%	13.1%	SW
3	Chicago-Naperville-Elgin, IL-IN-WI	2500.7	1.5%	7.5%	GL
4	New York-Newark-Jersey City, NY-NJ-PA	2474.9	0.3%	4.2%	ME
5	Washington-Arlington-Alexandria, DC-VA-MD-WV	2341.3	1.1%	4.9%	ME
6	Los Angeles-Long Beach-Anaheim, CA	2154.6	0.1%	5.1%	FW
7	Phoenix-Mesa-Scottsdale, AZ	1886.7	1.3%	14.1%	SW
8	Atlanta-Sandy Springs-Roswell, GA	1689.4	-0.3%	6.2%	SE
9	Miami-Fort Lauderdale-West Palm Beach, FL	1510.0	2.4%	11.4%	SE
10	San Francisco-Oakland-Hayward, CA	1413.2	0.1%	5.1%	FW
11	Seattle-Tacoma-Bellevue, WA	1332.4	0.7%	2.7%	FW
12	Boston-Cambridge-Newton, MA-NH	1230.0	0.9%	7.1%	NE
13	Minneapolis-St. Paul-Bloomington, MN-WI	1215.5	0.4%	5.2%	GL
14	Denver-Aurora-Lakewood, CO	1097.7	1.5%	4.7%	RM
15	Las Vegas-Henderson-Paradise, NV	1080.7	1.3%	1.1%	FW
16	Riverside-San Bernardino-Ontario, CA	1016.1	0.1%	5.1%	FW
17	Baltimore-Columbia-Towson, MD	1008.5	0.3%	-1.1%	ME
18	Austin-Round Rock, TX	972.6	1.9%	13.1%	SW
19	Orlando-Kissimmee-Sanford, FL	971.3	2.4%	11.4%	SE
20	Tampa-St. Petersburg-Clearwater, FL	924.2	2.4%	11.4%	SE
21	Portland-Vancouver-Hillsboro, OR-WA	914.2	0.5%	1.8%	FW
22	Salt Lake City, UT	870.6	2.4%	14.0%	RM
23	Nashville-Davidson-Murfreesboro-Franklin, TN	789.4	1.9%	11.8%	SE
24	Indianapolis-Carmel-Anderson, IN	783.9	1.6%	12.1%	GL
25	Sacramento-Roseville-Arden-Arcade, CA	725.7	0.1%	5.1%	FW
26	Charlotte-Concord-Gastonia, NC-SC	706.4	1.2%	11.2%	SE
27	St. Louis, MO-IL	693.7	1.4%	8.0%	P
28	Detroit-Warren-Dearborn, MI	687.0	-0.1%	12.5%	GL
29	San Diego-Carlsbad, CA	678.6	0.1%	5.1%	FW
30	Raleigh, NC	650.8	1.2%	11.2%	SE
31	San Antonio-New Braunfels, TX	637.3	1.9%	13.1%	SW
32	Columbus, OH	631.8	0.1%	7.4%	GL
33	Kansas City, MO-KS	553.3	0.6%	10.8%	P
34	San Jose-Sunnyvale-Santa Clara, CA	548.0	0.1%	5.1%	FW
35	Cincinnati, OH-KY-IN	542.6	0.8%	9.2%	GL
36	Baton Rouge, LA	542.2	0.1%	17.6%	SE
37	Jacksonville, FL	519.0	2.4%	11.4%	SE
38	Provo-Orem, UT	420.9	2.4%	14.0%	RM
39	Charleston-North Charleston, SC	386.5	0.1%	7.7%	SE

Rank	MSA	NAED Construction Scoring System	Change in Gross Construction GDP		BEA Region
		Construction Potential Score	Q3 2024 Q/Q Change in Gross Construction GDP	Q3 2024 Y/Y Change in Gross Construction GDP	
40	Boise City, ID	382.5	-0.3%	7.5%	RM
41	Richmond, VA	363.2	1.8%	10.8%	SE
42	Louisville-Jefferson County, KY-IN	359.8	1.6%	10.9%	SE
43	Grand Rapids-Wyoming, MI	327.8	-0.1%	12.5%	GL
44	North Port-Sarasota-Bradenton, FL	318.8	2.4%	11.4%	SE
45	Cape Coral-Fort Myers, FL	310.2	2.4%	11.4%	SE
46	Urban Honolulu, HI	310.0	0.3%	10.1%	FW
47	Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	309.9	0.3%	3.0%	ME
48	Ogden-Clearfield, UT	308.8	2.4%	14.0%	RM
49	New Orleans-Metairie, LA	304.6	0.1%	17.6%	SE
50	Reno, NV	303.7	1.3%	1.1%	FW
51	Milwaukee-Waukesha-West Allis, WI	287.1	1.1%	4.7%	GL
52	Des Moines-West Des Moines, IA	278.2	0.7%	12.4%	P
53	Greenville-Anderson-Mauldin, SC	277.6	0.1%	7.7%	SE
54	Oklahoma City, OK	271.3	2.1%	11.5%	SW
55	Colorado Springs, CO	253.8	1.5%	4.7%	RM
56	Omaha-Council Bluffs, NE-IA	231.6	0.8%	10.2%	P
57	Columbia, SC	224.1	0.1%	7.7%	SE
58	Memphis, TN-MS-AR	214.4	1.3%	12.3%	SE
59	Lakeland-Winter Haven, FL	213.7	2.4%	11.4%	SE
60	Tucson, AZ	212.2	1.3%	14.1%	SW
61	Birmingham-Hoover, AL	211.7	1.1%	11.3%	SE
62	Durham-Chapel Hill, NC	202.8	1.2%	11.2%	SE
63	Tulsa, OK	198.1	2.1%	11.5%	SW
64	Myrtle Beach-Conway-North Myrtle Beach, SC-NC	195.5	0.9%	10.1%	SE
65	Madison, WI	185.6	1.1%	4.7%	GL
66	Greensboro-High Point, NC	180.9	1.2%	11.2%	SE
67	Fresno, CA	175.1	0.1%	5.1%	FW
68	Naples-Immokalee-Marco Island, FL	174.7	2.4%	11.4%	SE
69	Deltona-Daytona Beach-Ormond Beach, FL	171.7	2.4%	11.4%	SE
70	Albuquerque, NM	168.5	0.3%	4.7%	SW
71	Palm Bay-Melbourne-Titusville, FL	163.6	2.4%	11.4%	SE
72	Fayetteville-Springdale-Rogers, AR-MO	162.9	0.6%	11.7%	SE
73	Lancaster, PA	161.1	0.7%	6.7%	ME
74	Stockton-Lodi, CA	159.2	0.1%	5.1%	FW
75	Bridgeport-Stamford-Norwalk, CT	158.3	-0.4%	10.3%	NE
76	Albany-Schenectady-Troy, NY	158.3	0.2%	3.7%	ME
77	Knoxville, TN	154.9	1.9%	11.8%	SE
78	Greeley, CO	153.1	1.5%	4.7%	RM
79	Augusta-Richmond County, GA-SC	148.3	-0.2%	6.7%	SE
80	Little Rock-North Little Rock-Conway, AR	147.0	-0.2%	12.1%	SE
81	Santa Rosa, CA	147.0	0.1%	5.1%	FW
82	Rochester, NY	145.2	0.2%	3.7%	ME
83	Corpus Christi, TX	137.3	1.9%	13.1%	SW
84	Lexington-Fayette, KY	136.6	1.4%	8.6%	SE
85	Bakersfield, CA	136.4	0.1%	5.1%	FW
86	Huntsville, AL	135.7	0.1%	17.6%	SE
87	Oxnard-Thousand Oaks-Ventura, CA	127.5	0.1%	5.1%	FW
88	Fort Collins, CO	126.9	1.5%	4.7%	RM
89	Salisbury, MD-DE	123.7	0.2%	-0.1%	ME
90	Pensacola-Ferry Pass-Brent, FL	123.0	2.4%	11.4%	SE
91	Anchorage, AK	119.1	0.2%	20.3%	FW
92	Spokane-Spokane Valley, WA	117.5	0.7%	2.7%	FW
93	Vallejo-Fairfield, CA	117.4	0.1%	5.1%	FW
94	Wichita, KS	113.0	-0.1%	9.1%	P
95	Port St. Lucie, FL	111.7	2.4%	11.4%	SE
96	Killeen-Temple, TX	102.0	1.9%	13.1%	SW
97	Savannah, GA	100.4	-0.3%	6.2%	SE
98	Fargo, ND-MN	99.7	0.1%	5.5%	P
99	Kennewick-Richland, WA	97.0	0.7%	2.7%	FW

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100	McAllen-Edinburg-Mission, TX	95.0	1.9%	13.1%	SW
101	Sioux Falls, SD	93.5	2.8%	7.1%	P
102	Modesto, CA	84.3	0.1%	5.1%	FW
103	Santa Maria-Santa Barbara, CA	74.9	0.1%	5.1%	FW
104	Lafayette, LA	69.6	0.1%	17.6%	SE
105	Visalia-Porterville, CA	48.2	0.1%	5.1%	FW

## Residential Construction

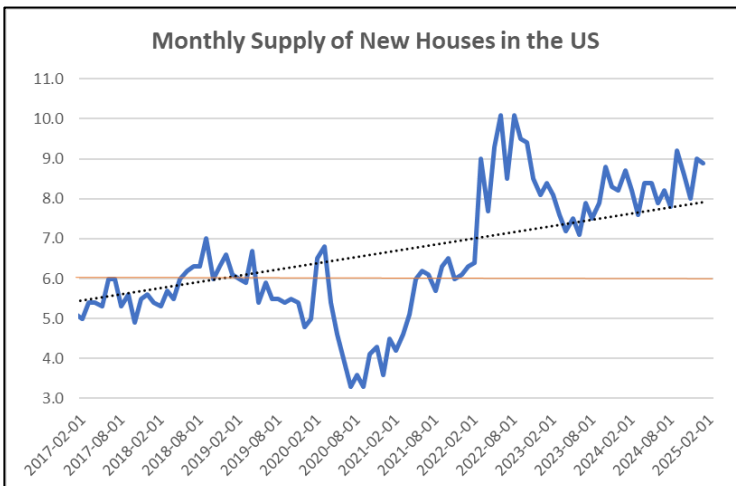
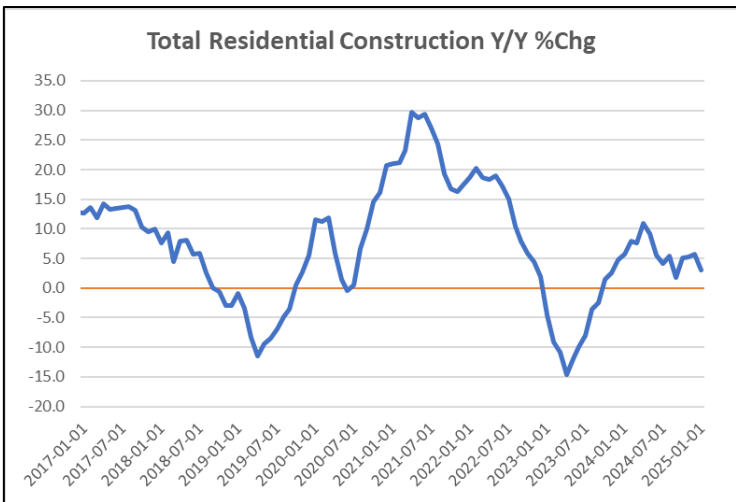
The following section includes viewpoints on factors in the residential construction sector.

### Total Residential Construction (PRRESCONS)

- Total residential construction in January (latest available), was up by 3.1% Y/Y (up 5.7% last month). It was down 0.4% M/M (1.3% higher last month).
- Outlook:** Bond rates are still experiencing pressure, the 10 year Treasury (which is what most mortgage rates are anchored to), inched up of late to 4.375%, up from 4.2% at the beginning of March. Inflation fears were driving most of this increase in the bond rate, coming on the heels of tariff increases. There is also some concern that the unemployment rate could increase to 4.6%-4.8%, up from 4.3% as government layoffs and budget trimming begin to ripple through the economy. Most forecasts show the residential housing market flattening out across the rest of the year at approximately 1.4 million units.

### Monthly Supply of Homes (MSACSR)

- The monthly supply of homes came in at 8.9, which is down slightly from the 9.0 registered last month. But it is nearly in-line with the 8.7 months registered a year ago. A balanced market would be roughly 6 months of inventory on hand.
- Outlook:** 6 months of inventory on hand is considered to be "normal", and inventories are somewhat elevated. But note that the housing industry is highly regionalized. There will be pockets of the country that undergo significant impacts from government layoffs (at least three primary markets with dense government worker populations), but other markets in the south and Midwest could see a tighter home environment.



Month	United States				
	Total	1 unit	2 units	3 to 4 units	5 units or more
Jan 2024	114.8	75.9	2.1	1.7	35.1
Feb 2024	119.1	79.4	2.5	1.6	35.6
Mar 2024	124.3	85.2	2.8	1.5	34.8
Apr 2024	132.3	93.6	3.5	1.6	33.7
May 2024	132.4	94.1	3.5	1.7	33.1
Jun 2024	125.7	83.7	2.6	1.5	37.8
Jul 2024	126.5	85.8	2.8	1.7	36.1
Aug 2024	131.9	86.1	3.4	1.9	40.5
Sep 2024	113.5	76.7	3.3	1.5	32.1
Oct 2024	125.1	84.4	3.2	1.8	35.8
Nov 2024	107.3	66.6	2.4	1.5	36.8
Dec 2024	112.6	68.3	2.4	1.6	40.3
Jan 2025	111.5	73.1	2.7	1.5	34.2

## Housing Permits

(<https://www.census.gov/construction/bps/>)

- Housing Permits were down 0.6% M/M in January (latest available) vs. December and were 2.3% lower year-over-year. Single-family permits were down 0.2% M/M and were 3.6% lower vs. Jan of last year. Multi-family was a bigger story, permits were down 2.5% M/M in Jan and were down just 0.9% Y/Y.
- Looking Ahead:** Permits are our best gauge looking forward into the future. The 10Y Treasury rate is finally starting to ease, but higher yields on the key US bond have kept mortgage rates at 6.6% or higher. Treasuries were not responding to Federal Reserve rate trimming activity in 2024 (shaving 100 basis points off of the Effective Fed Funds Rate) because of higher US deficit and inflation risks. The US Treasury is changing its bond issuance strategy, which should help lower rates more aggressively by this summer.

The following section shows housing permits authorized by region for total, single-family, and multi-family.

Month	Northeast											
	Total	Y/Y	3-Month Moving Avg.	M/M	1 unit	Y/Y	3-Month Moving Avg.	M/M	5 unit	Y/Y	3-Month Moving Avg.	M/M
Jan 2024	10.7	42.7%	4.6%	32.1%	4.4	18.9%	-1.7%	25.7%	6.3	65.8%	17.1%	37.0%
Feb 2024	14.3	95.9%	26.6%	33.6%	4.2	27.3%	0.9%	-4.5%	10.1	152.5%	53.9%	60.3%
Mar 2024	12.4	-1.6%	17.5%	-13.3%	4.4	-2.2%	8.6%	4.8%	8.0	-1.2%	25.5%	-20.8%
Apr 2024	12.1	42.4%	6.0%	-2.4%	5.6	19.1%	9.2%	27.3%	6.5	71.1%	6.9%	-18.8%
May 2024	10.9	-11.4%	-8.5%	-9.9%	5.8	5.5%	11.9%	3.6%	5.1	-25.0%	-20.4%	-21.5%
Jun 2024	11.8	12.4%	-1.4%	8.3%	5.7	-1.7%	9.7%	-1.7%	6.1	29.8%	-6.9%	19.6%
Jul 2024	12.3	38.2%	0.9%	4.2%	5.4	20.0%	-1.1%	-5.3%	6.9	56.8%	3.7%	13.1%
Aug 2024	12.6	14.5%	5.0%	2.4%	6.0	15.4%	1.4%	11.1%	6.6	13.8%	9.5%	-4.3%
Sep 2024	10.1	20.2%	-4.4%	-19.8%	5.1	10.9%	-3.1%	-15.0%	5.0	31.6%	-5.2%	-24.2%
Oct 2024	11.1	5.7%	-2.5%	9.9%	5.8	18.4%	3.3%	13.7%	5.3	-5.4%	-7.5%	6.0%
Nov 2024	11.0	54.9%	-3.6%	-0.9%	4.3	0.0%	-9.0%	-25.9%	6.7	139.3%	2.7%	26.4%
Dec 2024	13.9	71.6%	11.8%	26.4%	4.4	25.7%	-3.3%	2.3%	9.5	106.5%	24.7%	41.8%
Jan 2025	9.8	-8.4%	-1.3%	-29.5%	4.4	0.0%	-7.8%	0.0%	5.4	-14.3%	8.3%	-43.2%

Month	Midwest											
	Total	Y/Y	3-Month Moving Avg.	M/M	1 unit	Y/Y	3-Month Moving Avg.	M/M	5 unit	Y/Y	3-Month Moving Avg.	M/M
Jan 2024	12.3	25.5%	-8.9%	4.2%	6.6	37.5%	-14.3%	-4.3%	5.7	14.0%	-0.3%	16.3%
Feb 2024	14.3	34.9%	-0.1%	16.3%	8.8	49.2%	3.1%	33.3%	5.5	17.0%	-3.1%	-3.5%
Mar 2024	15.9	-9.7%	10.6%	11.2%	10.6	14.0%	16.5%	20.5%	5.3	-36.1%	3.1%	-3.6%
Apr 2024	16.2	6.6%	9.8%	1.9%	12.2	22.0%	23.0%	15.1%	4.0	-23.1%	-10.6%	-24.5%
May 2024	18.3	-3.7%	8.7%	13.0%	11.8	3.5%	10.8%	-3.3%	6.5	-14.5%	11.4%	62.5%
Jun 2024	18.1	-4.2%	4.6%	-1.1%	11.2	-2.6%	2.2%	-5.1%	6.9	-6.8%	14.7%	6.2%
Jul 2024	17.3	12.3%	2.5%	-4.4%	11.3	10.8%	-2.5%	0.9%	6.0	15.4%	18.5%	-13.0%
Aug 2024	19.8	-2.9%	3.0%	14.5%	11.6	0.0%	-0.5%	2.7%	8.2	-6.8%	9.9%	36.7%
Sep 2024	18.3	6.4%	0.8%	-7.6%	11.6	10.5%	1.2%	0.0%	6.7	0.0%	1.8%	-18.3%
Oct 2024	20.5	23.5%	6.3%	12.0%	12.6	18.9%	3.8%	8.6%	7.9	31.7%	12.1%	17.9%
Nov 2024	16.6	11.4%	-4.9%	-19.0%	8.9	3.5%	-6.9%	-29.4%	7.7	22.2%	-1.0%	-2.5%
Dec 2024	14.2	20.3%	-7.2%	-14.5%	7.6	10.1%	-11.8%	-14.6%	6.6	34.7%	0.4%	-14.3%
Jan 2025	12.9	4.9%	-14.2%	-9.2%	7.3	10.6%	-16.0%	-3.9%	5.6	-1.8%	-10.7%	-15.2%

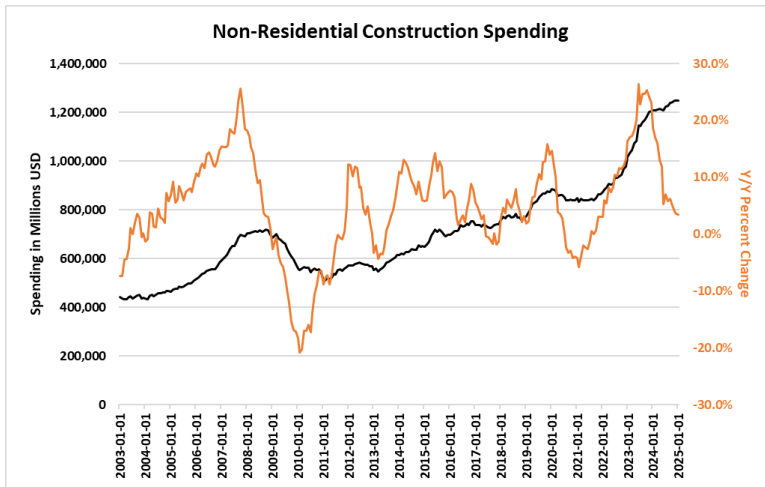
Month	South											
	3-Month Moving				1 unit	Y/Y	3-Month Moving		5 unit	Y/Y	3-Month Moving	
	Total	Y/Y	Avg.	M/M			Avg.	M/M			Avg.	M/M
Jan 2024	66.7	7.2%	-0.8%	12.9%	48.0	39.5%	1.2%	21.8%	18.7	-32.7%	-2.8%	-5.1%
Feb 2024	64.9	-0.9%	5.1%	-2.7%	49.5	31.0%	6.9%	3.1%	15.4	-44.4%	2.6%	-17.6%
Mar 2024	67.2	-6.4%	4.6%	3.5%	51.2	4.5%	9.5%	3.4%	16.0	-29.8%	-6.3%	3.9%
Apr 2024	77.5	17.6%	5.4%	15.3%	56.0	23.6%	5.3%	9.4%	21.5	4.4%	6.9%	34.4%
May 2024	73.2	-3.7%	4.4%	-5.5%	55.8	6.1%	4.2%	-0.4%	17.4	-25.6%	6.4%	-19.1%
Jun 2024	67.2	-8.3%	0.5%	-8.2%	48.3	-9.7%	-1.5%	-13.4%	18.9	-4.5%	8.0%	8.6%
Jul 2024	69.9	5.1%	-3.2%	4.0%	50.7	9.5%	-2.9%	5.0%	19.2	-5.0%	-3.0%	1.6%
Aug 2024	72.6	-5.1%	-0.1%	3.9%	50.1	-4.6%	-3.2%	-1.2%	22.5	-6.3%	9.1%	17.2%
Sep 2024	59.1	-7.8%	-3.6%	-18.6%	43.0	-5.9%	-3.5%	-14.2%	16.1	-12.5%	-3.2%	-28.4%
Oct 2024	65.6	-7.1%	-1.2%	11.0%	47.9	0.2%	-1.3%	11.4%	17.7	-22.4%	-0.4%	9.9%
Nov 2024	54.7	-2.7%	-8.1%	-16.6%	38.9	-5.4%	-7.2%	-18.8%	15.8	4.6%	-9.7%	-10.7%
Dec 2024	59.9	1.4%	1.3%	9.5%	41.3	4.8%	-0.4%	6.2%	18.6	-5.6%	5.6%	17.7%
Jan 2025	66.0	-1.0%	1.0%	10.2%	44.8	-6.7%	-1.4%	8.5%	21.2	13.4%	7.0%	14.0%

Month	West											
	3-Month Moving				1 unit	Y/Y	3-Month Moving		5 unit	Y/Y	3-Month Moving	
	Total	Y/Y	Avg.	M/M			Avg.	M/M			Avg.	M/M
Jan 2024	25.1	16.7%	-2.5%	-3.5%	17.0	66.7%	1.3%	12.6%	8.1	-28.3%	-6.0%	-25.7%
Feb 2024	25.6	-6.6%	-5.5%	2.0%	16.9	45.7%	2.9%	-0.6%	8.7	-44.9%	-15.2%	7.4%
Mar 2024	28.8	-1.7%	3.7%	12.5%	18.9	13.9%	7.9%	11.8%	9.9	-22.0%	-1.5%	13.8%
Apr 2024	26.5	-5.4%	2.2%	-8.0%	19.8	30.3%	5.3%	4.8%	6.7	-47.7%	-3.7%	-32.3%
May 2024	30.0	-6.8%	5.9%	13.2%	20.6	5.6%	6.9%	4.0%	9.4	-26.0%	7.3%	40.3%
Jun 2024	28.6	-13.1%	0.2%	-4.7%	18.5	-8.4%	-0.5%	-10.2%	10.1	-20.5%	5.1%	7.4%
Jul 2024	27.1	-2.5%	1.1%	-5.2%	18.5	10.1%	-2.1%	0.0%	8.6	-21.8%	11.0%	-14.9%
Aug 2024	26.9	-20.6%	-3.5%	-0.7%	18.3	-3.7%	-3.8%	-1.1%	8.6	-42.3%	-2.5%	0.0%
Sep 2024	25.9	-4.4%	-3.2%	-3.7%	17.0	8.3%	-2.7%	-7.1%	8.9	-21.9%	-3.8%	3.5%
Oct 2024	27.8	0.7%	1.0%	7.3%	18.1	9.7%	-0.6%	6.5%	9.7	-12.6%	4.2%	9.0%
Nov 2024	25.0	-18.3%	-2.2%	-10.1%	14.5	-7.1%	-6.8%	-19.9%	10.5	-30.0%	6.9%	8.2%
Dec 2024	24.6	-5.4%	-1.4%	-1.6%	15.0	-0.7%	-3.3%	3.4%	9.6	-11.9%	2.9%	-8.6%
Jan 2025	22.8	-9.2%	-6.3%	-7.3%	16.6	-2.4%	-1.9%	10.7%	6.2	-23.5%	-11.9%	-35.4%

Housing and Interest Rate Forecast, 03/06/2025							
	2020	2021	2022	2023	2024	2025	2026
<b>Housing Activity (000)</b>							
Total Housing Starts	1,394	1,605	1,552	1,421	1,367	1,353	1,393
Single Family	1,000	1,131	1,006	949	1,013	1,021	1,051
Multifamily	393	474	546	473	354	333	342
New Single Family Sales	831	770	637	666	686	697	743
Existing Single-Family Home Sales	5,057	5,425	4,533	3,674	3,673	3,735	4,310
<b>Interest Rates</b>							
Federal Funds Rate	0.36%	0.08%	1.68%	5.03%	5.15%	4.22%	3.90%
US Ten Year Bond Maturity	0.89%	1.44%	2.95%	3.96%	4.21%	4.36%	4.10%
Fixed Rate Mortgages	3.11%	2.96%	5.34%	6.81%	6.72%	6.65%	6.19%
Prime Rate	3.54%	3.25%	4.85%	8.19%	8.31%	7.36%	7.03%

For more forecast details, visit [www.nahb.org](http://www.nahb.org).

# Nonresidential Construction



## Total Non-Residential Construction (TLNRESCONS)

- Total Non-Residential Construction activity in January (latest available) was 3.4% higher than it was a year ago (3.6% higher last month) and was 0.1% higher M/M (-0.1% in the last report). Overall spending was still near all-time highs at \$1.248T (the prior annualized run rate peak of \$900B was in September of 2022).
- Outlook:** The nonresidential construction sector continues to grow at a moderate rate at 3.4% Y/Y, but when adjusted for inflation it comes across flat. The sub-sectors are mixed (shown in detail below), many of them are waiting for private spending to take off (so-called animal spirits). But many private firms are moving back into a conservative stance and are sitting on cash at the moment. Architectural Billings data shows that foot traffic and activity are still in contraction.

Table 1. Value of Construction Put in Place in the United States, Seasonally Adjusted Annual Rate (Millions of dollars. Details may not add to totals due to rounding.)

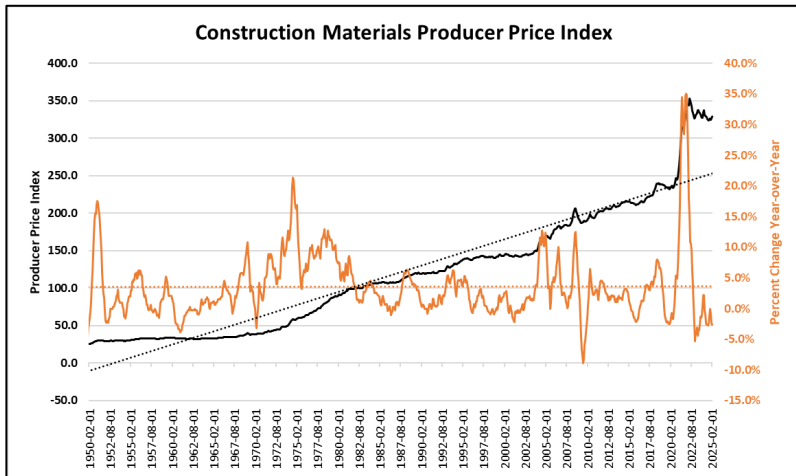
Type of Construction	Jan 2025 <sup>p</sup>	Dec 2024 <sup>f</sup>	Nov 2024 <sup>f</sup>	Oct 2024	Sep 2024	Jan 2024	Percent change Jan 2025 from -	
							Dec 2024	Jan 2024
<b>Total Construction</b>	<b>2,192,540</b>	<b>2,195,985</b>	<b>2,184,796</b>	<b>2,176,627</b>	<b>2,142,427</b>	<b>2,122,229</b>	<b>-0.2</b>	<b>3.3</b>
<b>Residential</b>	<b>944,481</b>	<b>948,762</b>	<b>936,848</b>	<b>934,237</b>	<b>903,941</b>	<b>915,398</b>	<b>-0.5</b>	<b>3.2</b>
New single family	431,246	428,545	423,953	422,628	419,907	435,000	0.6	-0.9
New multifamily	116,932	117,809	118,561	121,279	123,277	132,883	-0.7	-12.0
<b>Nonresidential</b>	<b>1,248,058</b>	<b>1,247,223</b>	<b>1,247,949</b>	<b>1,242,391</b>	<b>1,238,485</b>	<b>1,206,831</b>	<b>0.1</b>	<b>3.4</b>
Water supply	34,334	34,243	35,095	35,354	35,367	29,614	0.3	15.9
Amusement and recreation	41,363	41,327	41,886	41,873	41,506	36,446	0.1	13.5
Public safety	19,096	19,139	19,391	19,567	19,237	17,411	-0.2	9.7
Sewage and waste disposal	47,015	46,835	47,135	47,404	47,242	43,120	0.4	9.0
Transportation	70,093	70,013	69,684	69,926	70,018	65,448	0.1	7.1
Educational	134,701	135,553	136,434	135,250	133,151	126,055	-0.6	6.9
Religious	4,662	4,590	4,603	4,339	4,067	4,399	1.6	6.0
Manufacturing	235,749	236,535	236,377	236,777	236,805	223,104	-0.3	5.7
Office	104,781	104,317	103,308	103,455	100,602	100,928	0.4	3.8
Power	151,842	151,329	151,098	148,803	148,438	146,801	0.3	3.4
Communication	29,139	29,071	29,093	28,858	28,760	28,595	0.2	1.9
Lodging	23,494	23,330	23,298	23,404	23,479	23,576	0.7	-0.3
Health care	69,339	68,944	70,163	68,523	68,454	69,830	0.6	-0.7
Conservation and development	11,431	11,360	11,498	11,459	11,584	11,593	0.6	-1.4
Highway and street	146,064	145,172	143,616	143,019	144,168	149,196	0.6	-2.1
Commercial	124,956	125,467	125,270	124,379	125,608	130,717	-0.4	-4.4

## Non-Residential Spending by Sector

(<https://www.census.gov/construction/c30/c30index.html>)

- The fastest growing non-residential construction sector has continued to be connected to manufacturing. It is still growing at a 5.7% pace year over year against difficult comparisons on (more importantly) \$236 billion in spending. Inflation has played a role in this growth rate, but actual spending is still nearly 4 times higher than at any time in the decade prior to the pandemic. These new facilities are landing in broad swaths of the country, largely in areas with inexpensive electricity, ample labor supply, good distribution systems, and available water (among other factors). How the new energy policy and location of new power plants will drive site selection for industrial facilities is still yet to be seen. But many believe that they will be located on/near large natural gas deposits.
- Lodging, health care, conservation and development, highways and street, and commercial are all contracting year-over-year. But just as in the industrial sector, many of these sectors are still experiencing construction spending that is 2-4 times higher than it was in 2019.
- Some of the strongest sectors for current spending are still coming out of infrastructure projects, many of which were funded under the Infrastructure Bill. That funding will begin to run thin next year and into 2027, but much of the 10-year bill was front-loaded into the first 5 years.
- Looking forward, spending across most of these sectors is expected to continue to be trending near historically high levels. Industrial/manufacturing and energy should see above average growth in 2025 and over the next three years based on Trump Administration support. Health care, transportation, water supply, and commercial are likely to see some moderate growth rates. Office construction activity is also likely to pick up in some regions with more stringent back-to-office programs and corporate relocation activities.

# Raw Materials



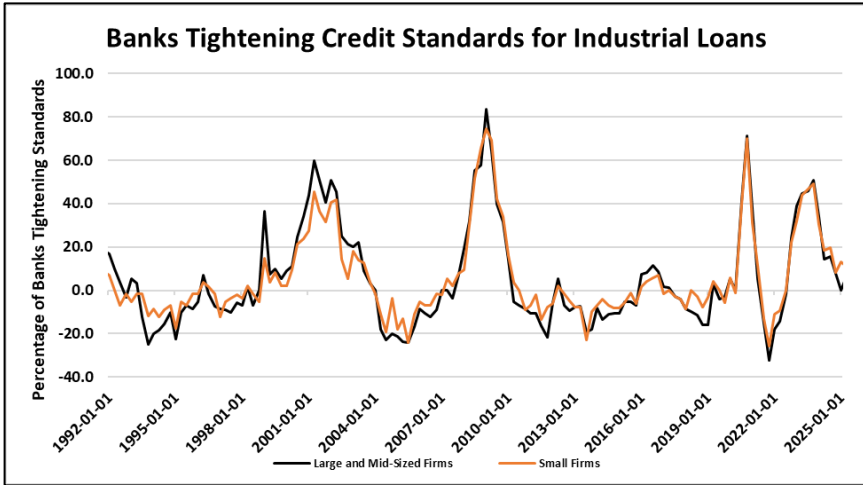
## Construction Materials Price Index (WPUSI012011)

- The Producer Price Index for Construction Materials rose by 0.8% M/M and were down 2.6% Y/Y through February (latest available). The current index is at 329.0 points; the peak in the index was 349 in May of 2022.
- **Outlook:** Copper prices continue to surge on supply and tariff concerns. Other materials remain mixed as demand concerns have started to seep into the outlooks. Tariff threats are still a concern for many purchasing managers, and some are stockpiling resources to get ahead of that risk. That near term overstocking of resources is tightening global supply and pushing transportation costs higher (maritime firms are instituting general rate increases before the May 1<sup>st</sup> contract deadlines and air cargo rates have surged by 8% Y/Y).

Producer Price Index - Key Industry Products						
Category	PPI Code	Feb-25	Jan-25	M/M% Chg	Feb-24	Y/Y % Chg
<b>Core Materials</b>						
Copper	WPUSI019011	572.3	561.5	1.9%	507.8	12.7%
Lumber	WPU081	268.3	264.0	1.6%	248.6	7.9%
Nickel	WPU102504	205.0	207.9	-1.4%	211.3	-3.0%
Cement	PCU32732032732	397.0	396.8	0.0%	387.4	2.5%
<b>Pipe, Valves and Fittings</b>						
Metal valves, except fluid power	WPU114902	456.3	453.1	0.7%	440.3	3.6%
Gates, globes, angles and check valves	WPU114902011	176.1	174.9	0.7%	169.8	3.7%
Ball valves	WPU11490202	593.4	576.0	3.0%	557.3	6.5%
Butterfly valves (formerly W2421490203)	WPU11490203	336.5	326.0	3.2%	319.8	5.2%
Industrial plug valves	WPU11490204	332.5	332.8	-0.1%	325.4	2.2%
Plumbing and heating valves (low pressure)	WPU11490205	389.8	389.8	0.0%	389.8	0.0%
Solenoid valves	WPU11490208	372.2	372.2	0.0%	372.2	0.0%
Other industrial valves, including nuclear	WPU11490209	410.4	410.4	0.0%	401.1	2.3%
Automatic valves	WPU11490211	272.5	271.9	0.2%	261.3	4.3%
Metal pipe fittings, flanges and unions	WPU11490301	497.2	497.2	0.0%	475.8	4.5%
Steel pipe and tube	WPU101706	350.7	353.3	-0.7%	394.1	-11.0%
Steel pipe and tube, alloy	WPU10170673	109.5	109.5	0.0%	109.5	0.0%
Steel pipe and tube, stainless	WPU10170674	133.0	131.5	1.2%	139.5	-4.7%
Copper & copper-base alloy pipe and tube	WPU10250239	412.3	412.3	0.0%	352.1	17.1%
Plastic pipe	WPU07210603	174.9	184.0	-4.9%	189.8	-7.8%
Plastic pipe fittings and unions	WPU07210604	319.3	319.7	-0.1%	318.6	0.2%
<b>Plumbing Fixtures, Fittings and Trim</b>	WPU105402	410.5	410.5	0.0%	400.0	2.6%
Bath and shower fittings	WPU10540211	286.7	286.7	0.0%	286.7	0.0%
Lavatory and sink fittings	WPU10540218	208.6	208.6	0.0%	207.7	0.4%
Enameled iron and metal sanitary ware	WPU1056	284.5	284.5	0.0%	284.5	0.0%
<b>Steam and Hot Water Equipment</b>	WPU1061	457.9	457.6	0.1%	428.5	6.9%
Cast iron heating boilers, radiators and convectors	WPU10610106	311.2	310.9	0.1%	289.7	7.4%
Domestic water heaters	WPU106601	591.4	591.4	0.0%	570.9	3.6%
Electric water heaters	WPU10660101	587.0	587.0	0.0%	564.5	4.0%
Non-electric water heaters	WPU10660114	359.7	359.7	0.0%	347.9	3.4%
<b>Warehousing, Storage and Related Services</b>	WPU321	145.8	144.0	1.3%	141.1	3.3%

**Overall Observations:** The Federal Reserve has cut interest rates 100 basis points in 2024, and new estimates suggest that there could be as many as 3, quarter-point cuts in 2025. The Fed's long-term target rate is currently 3.0%, but that could adjust higher if conditions warrant. Most anticipate hitting that target rate now by the end of 2026. But again, long-term borrowing is being driven more by the 10Year US Treasury rate and longer term bonds.

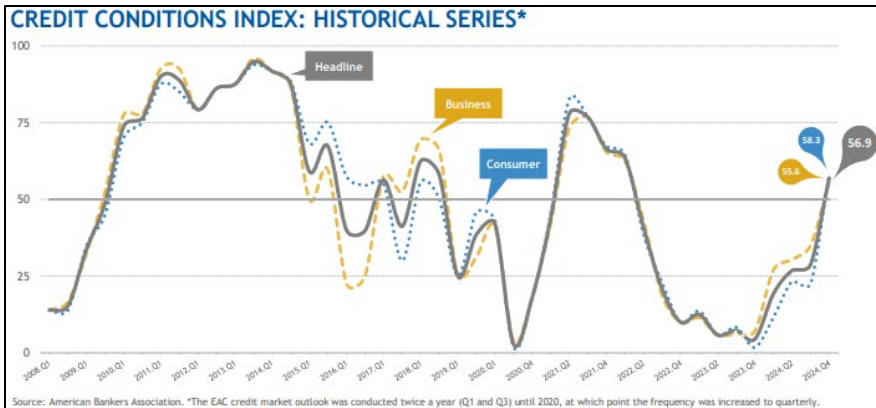
# Banking Credit and Finance



## Percent of Banks Tightening Conditions

(DRTSCILM; DRTSCIS)

- Fewer banks were tightening credit standards through Q1 2025, only 6.2% of banks were tightening for large and medium-sized firms and 11.1% of smaller firms were seeing tightening. This compares to -2.8% and -5.8% in 2019 respectively. Note that this is down from levels of 14.5% and 18.6% a year ago.
- **Outlook:** Although some concerns still exist, the credit markets have started to loosen up recently. Whereas many commercial projects were not even being entertained by many traditional banks, surveys suggest that many banking executives are now looking for some opportunities. The percentage of banks tightening for a wide variety of lending (not just industrial construction) is easing.

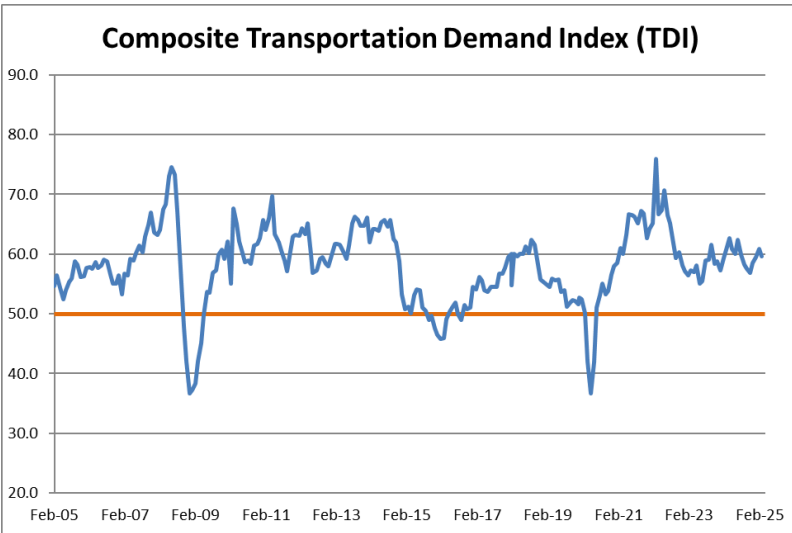


## ABA Credit Conditions

(ABA)

- The American Bankers Association's Credit Conditions Index for business credit increased by 28.2 points to 56.9 in early Q4. This was the highest reading since 2022 according to the ABA and since it is above the 50 level, it suggests that bankers believe credit conditions will improve over the next 6 months.
- **Outlook:** Credit conditions for consumers and consumer loans are also above 50 early in Q4, posting 58.3 and a sharp improvement over a reading of 35.8 points in Q3. Less than half of the respondents in the survey thought that credit conditions would deteriorate in the next six months. The ABA mentioned that this was the second fastest jump in the index in more than 20 years. Business Credit also surged to 55.6 and positive sentiment concerning business access to credit improved. Conversations with credit managers suggest that there are some renewed mid-term concerns over recession amid trimmed government spending and tariff risk. But the longer-term risks are lower, and credit conditions are still expected to ease in the coming quarters.

# Supply Chain and Transportation Situation



## Transportation Demand Normalizing

- The Transportation Demand Index shows the current demand environment for freight services, and it has slipped again in the last 30 days. But it continued to show demand in a range commensurate with the ten-year trend prior to the pandemic.
- The composite TDI index came in 2.0% lower M/M (-2.2% last month) and was 1.8% lower Y/Y (+2.4% last month).
- **Outlook:** This month there was a tremendous amount of “noise” in the index. It was hit by winter weather and the timing of the Lunar New Year. But global supply chain activity was still sluggish because of slowing global manufacturing activity in 2024. Most estimates show a more optimistic outlook for 2025 despite this sluggish start to the year, and construction firms need to keep an eye on budgets for changes in shipping costs. More on that below, but **this year will be more mode specific** with more changes in pricing than in prior years.

	25-Feb	25-Jan	24-Feb	Y/Y Change %	M/M Change %
<b>Composite</b>	59.6	60.8	60.7	-1.8%	-2.0%
<b>Rail</b>	57.8	58.1	58.8	-1.7%	-0.5%
<b>Trucking</b>	59.4	60.7	60.7	-2.1%	-2.1%
<b>Air</b>	70.3	72.0	68.3	2.9%	-2.4%
<b>Maritime</b>	68.6	70.0	66.8	2.7%	-2.0%

## Mode Demand Sluggish

- Each mode of transportation was mixed at the end of the first quarter. This index measures demand but does not have a capacity component to it. Air cargo and maritime were still giving some higher signals in February, largely as foreign sourcing firms tried to get ahead of tariff risk and the interruption stemming from the Lunar New Year celebration. US rail and trucking sectors were still sluggish in February but are expected to improve in the coming months.

## What we are Watching in Transportation

**Monitor Trucking Cost Budgets in 2025.** This year will feel quite different from the past 24 months. A global destocking period between 2023 and 2024 kept trucking and domestic transportation activity lower than expected. Despite strong retail and consumer spending and GDP growing at nearly 2.7%, shipment activity was sluggish because inventories were overstocked. The upper end of the supply chain (inbound activity into manufacturing assembly line activity) was weaker, shutting off a significant portion of freight movement. But that is over, the destocking process is complete and less than 14% of supply chain managers believe that they are overstocked.

**Impact:** Trucking has been depressed, and the closure of Yellow Transportation has been largely masked by the secular recession in trucking. In past bankruptcies of that size (\$5 billion in annual transportation under management), price increases averaged 6-8% in the two years following the bankruptcy. The bankruptcy was in July of 2023, but the market has not yet felt the full impact of that exit. Prices for less-than-truckload shipping was nearly 7% higher year-over-year in January.

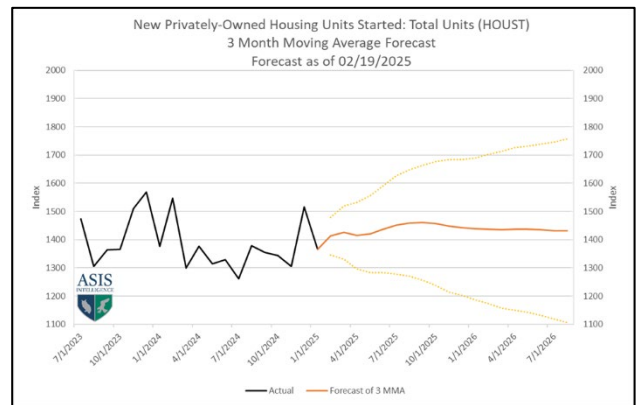
Truckload rates have not been impacted as heavily, but they are also poised to be impacted. Through the end of February, truckload capacity appeared to be as much as 35.9% lower than it was a year ago. Load-to-truck-ratios (which show how many loads are available for every available truck) surged in February amid difficult winter weather conditions. National data showed that there were nearly 7 loads for every available truck (the strongest in more than three years) – when 3.5 loads would be a normal ratio.

# Construction Industry Outlook

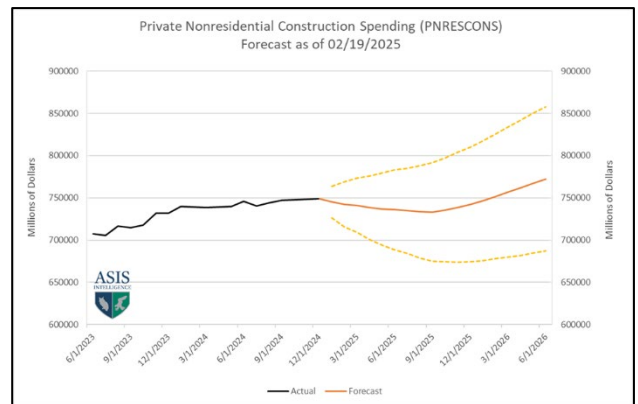
	2024				2025				2019	2020	2021	2022	2023	2024	2025	2026
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4								
Real GDP	1.6	3.0	3.1	2.3	1.8	1.5	1.3	1.4	2.3	-2.8	5.9	2.1	2.9	2.7	1.7	2.0
Unemployment rate (%)	3.8	4.0	4.2	4.2	4.2	4.3	4.3	4.4	3.7	8.1	5.4	3.6	3.6	4.2	4.3	4.2
PCE Inflation (%Y/Y)	2.7	2.6	2.3	2.5	2.5	2.5	2.5	2.4	1.5	1.1	4.0	5.6	3.7	2.5	2.5	2.5
Core PCE Inflation (%Y/Y)	3.0	2.7	2.6	2.8	2.6	2.7	2.6	2.4	1.7	1.3	3.5	4.8	4.1	2.5	2.5	2.5
Fed Funds Rate	5.4	5.2	4.8	4.3	4.3	4.1	3.8	3.8	1.6	0.1	0.1	4.4	5.4	4.3	3.8	3.0
Canada Real GDP	0.6	0.9	1.0	1.6	0.6	0.9	1.0	1.6	1.8	-5.2	4.5	3.4	1.1	1.6	1.8	1.8
Unemployment rate (%)	6.1	6.4	6.5	6.6	6.7	6.5	6.5	6.5	5.8	9.7	7.5	5.3	5.8	6.5	6.5	6.3
Mexico Real GDP	1.8	1.0	1.0	2.1	1.8	1.0	1.0	2.1	-1.8	-8.2	5.0	2.7	1.6	1.3	1.4	1.8
Unemployment rate (%)	2.3	2.9	3.0	3.2	3.2	3.4	3.3	3.2	5.0	7.9	7.1	4.1	2.6	3.2	3.2	3.2

The current US economic environment could be described as going through a “Black Swan Event”. Although most of us knew that the incoming administration would usher in change, the speed and depth of the change is coming so fast that industries are having a difficult time keeping pace with it. And that uncertainty can lead to a pause in spending, as executives try to figure out what these changes mean for their operating environment. Tariffs, trimmed government spending, changes in the geopolitical environment all create a “wall of worry”.

Total construction activity is still moving at a good pace, but residential construction may face some near-term slowing. The model at right shows the next 18 months of outlook for the residential construction market. It shows some slight improvement in the front end of the outlook before flattening mid-year. Many buyers will wait until the full impact of government trimming is understood. Weakness is expected in heavy government-worker metropolitan areas, but growth elsewhere is likely as the economy builds momentum in the second half of the year.



Nonresidential construction is still holding its own and growth in the sector is up 3.4% year-over-year. The chart at left is our forecast for nonresidential construction based on data algorithms and it shows mild downside risk in the outlook over the next 6 months before accelerating late in 2025 and throughout 2026 (solid orange line). The key in the forecast is that this keeps spending at all-time highs. Finding the pockets of growth is the key, and a rapid growth rate is expected across the industrial complex.



Manufacturing and industrial construction is going to continue to experience the best momentum, and the industries experiencing this expansion will remain diverse. The growth continues to be broad-based and stretches well beyond the data center industry (which will see more than \$1 trillion in new investments over the next several years). Food and beverage, durable goods manufacturing capacity expansion, consumer staples, defense, aerospace, and many other sectors will see growth. As the administration eases permitting processes on new natural gas plants, many of these facilities will be located next to those facilities. Finding pockets of heavy natural gas production will help understand where much of it will land.

Material prices have been mixed. Macro level construction material price indexes still show prices remaining near all-time highs – but they are flattening and could continue to improve with a strong US dollar and slowing of global activity elsewhere. Tariffs remain the wildcard, and will likely add to construction material prices in the near term (at least throughout 2025) before domestic production can catch up.