SECOND QUARTER EDITION

2025 NORTH AMERICAN ENGINEERING AND CONSTRUCTION

OUTLOOK

APRIL 2025

EXECUTIVE SUMMARY

After a five-year run of more than 40% cumulative growth, FMI's latest forecast shows construction put-in-place spending increasing just 2% year over year.

Despite ongoing recessionary forces in the broader U.S. economy in 2025, FMI anticipates that construction spending will continue to expand, though at a much more moderate pace over the forecast period. Still, following such strong historical growth, 2% (against potential increases in inflation) may not feel like growth. This underscores the importance of navigating this shift in market dynamics with a deeper understanding of how target clients and competitors in your addressable market are likely to react.

The industry remains resilient long-term, bolstered by federal investments, a measured shift in monetary policy, and tax and international trade policies likely to create new opportunities over the five-year forecast.

The single-family residential sector — the industry's largest segment and a key driver of broader construction demand — is expected to benefit from the recent initiation of a rate-cutting cycle by the Federal Reserve, alongside anticipated political efforts aimed at addressing housing affordability and supply constraints.

Conversely, the multifamily residential sector is projected to contract over the coming years, following the culmination of an intense and rapid development cycle. Vacancy rates remain elevated in several metropolitan markets, and financing for new projects remains tight, further tempering growth. The secondary consequences will impact near-term demand in retail, lodging, amusement and recreation, and office. Meanwhile, the residential improvements sector faces headwinds from economic uncertainty and household budget pressures but is expected to gain momentum as lower interest rates unlock homeowner mobility and refinancing activity.

Most building segments remain stable in 2025, supported by residual momentum from landmark legislation including the Infrastructure Investment and Jobs Act (IIJA), the Inflation Reduction Act (IRA), and the CHIPS and Science Act. However, the pace of growth in these segments is expected to slow gradually, returning to more historically typical rates of expansion, generally between 2% and 3% annually and aligned with near-term inflation expectations. Project pipelines in sectors like health care, education and transportation remain solid, although owners and developers are showing increased caution due to public funding challenges, rising construction costs and uncertainty around longer-term economic policy.

Infrastructure construction remains the brightest area of the forecast. Strong public funding commitments and bipartisan support continue to provide tailwinds for nonbuilding structures. The incoming administration signaled its intent to sustain infrastructure investment, albeit through a different policy lens that emphasizes private sector participation and modernization. Importantly, the reauthorization of major IIJA components set to begin in 2026 is expected to surpass current investment levels with minimal disruption. In the meantime, a clear and stable funding outlook offers continued momentum for infrastructure projects well into the latter half of the decade.

In summary, after expanding by more than 40% cumulatively since 2020, overall industry growth is expected to moderate. Single-family residential construction will play a key role in sustaining broader demand across nonresidential building and infrastructure markets. Additionally, ongoing advances in artificial intelligence and quantum computing are poised to reshape both the U.S. and global economies, offering fresh opportunities for innovation and growth across the engineering and construction landscape. While a broader international and domestic economic slowdown poses challenges in the near-term, the transition to a more sustainable and predictable growth environment presents an important opportunity for stakeholders to recalibrate strategies and address long-term needs within the built environment.

U.S. KEY TAKEAWAYS

- Total U.S. engineering and construction spending is forecast to rise 2% by the end of 2025, a notable slowdown compared to the 7% growth seen in 2024. Despite the deceleration, growth in 2025 is expected to remain strong across most nonresidential nonbuilding segments, driven primarily by water, wastewater and power infrastructure.
- The absence of standout high-performing segments in 2025 compared to prior years suggests the industry is entering late-cycle conditions. Investment growth is expected to be led by residential improvements, religious, amusement and recreation, power, sewage and waste disposal, and water supply segments. Each of these areas is projected to close the year with growth ranging between 5% and 10% over 2024 levels.
- Many segments are projected to finish 2025 with growth rates between 0% and 5%, indicating stability in real terms. These stable segments include single-family residential, office, health care, education, public safety, transportation, communication, and highway and street construction.
- Contracting segments in 2025 are expected to include multifamily residential, lodging, commercial, manufacturing and public safety.
- The second quarter 2025 Nonresidential Construction Index (NRCI) dropped sharply to 43.5 from 56.9, a 24% decline from the previous quarter. This marks a significant reversal from last quarter's optimism and is the lowest index score since 2020. The latest reading indicates that most participants expect deteriorating economic conditions and shrinking near-term opportunities in the industry. Sentiment declined across all economic indicators, backlogs and nonresidential building segments while expectations for material costs rose sharply.

UNITED STATES 2025 SEGMENT PERFORMANCE

2024/2025 COMPARISON

UP
5% or more

- Residential Improvements
- Religious
- Amusement and Recreation
- Power
- Sewage and Waste Disposal
- Water Supply

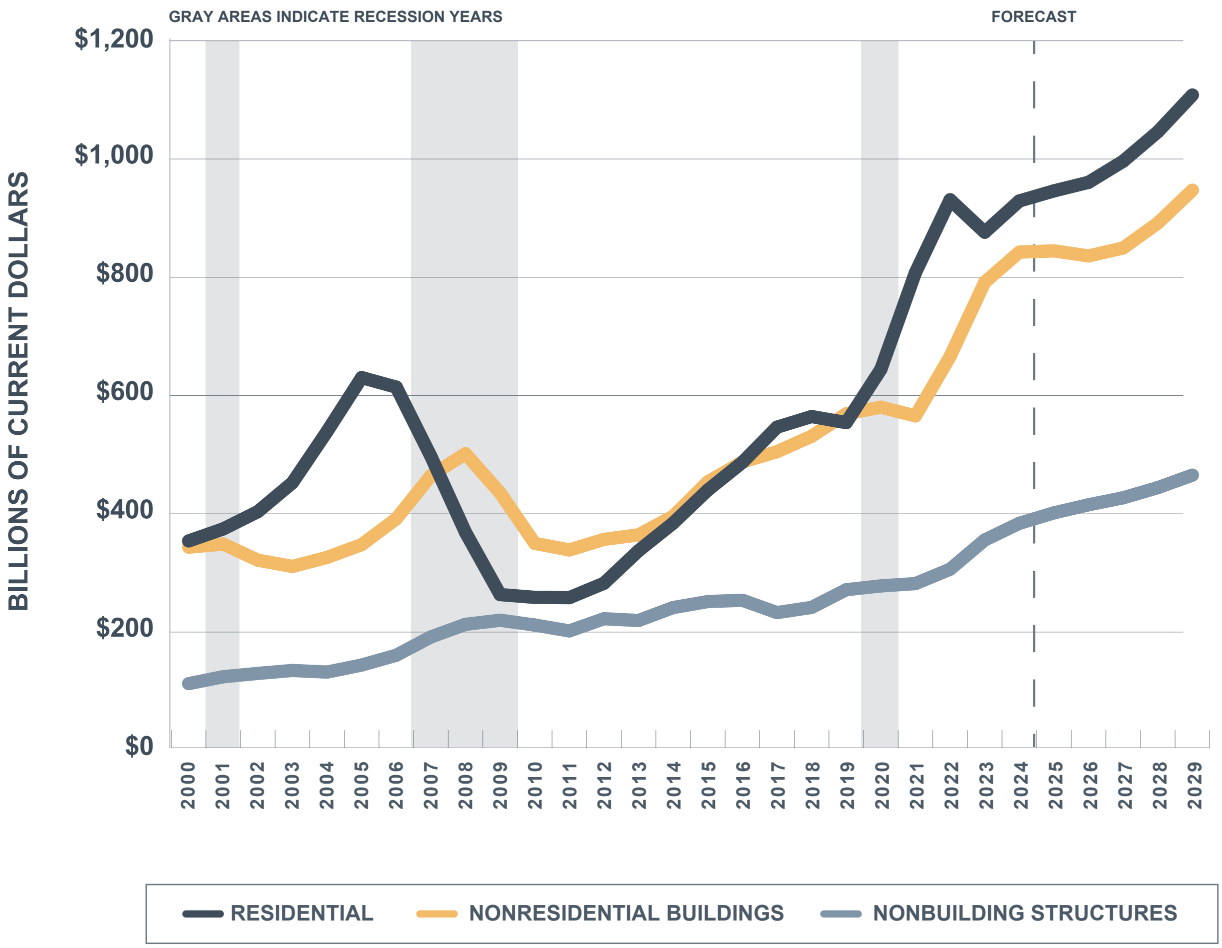
STABLE
0% to 4%

- Single-family
- Office
- Health Care
- Educational
- Public Safety
- Transportation
- Communication
- Highway and Street

DOWN
Under 0%

- Multifamily
- Lodging
- Commercial
- Manufacturing
- Conservation and Development

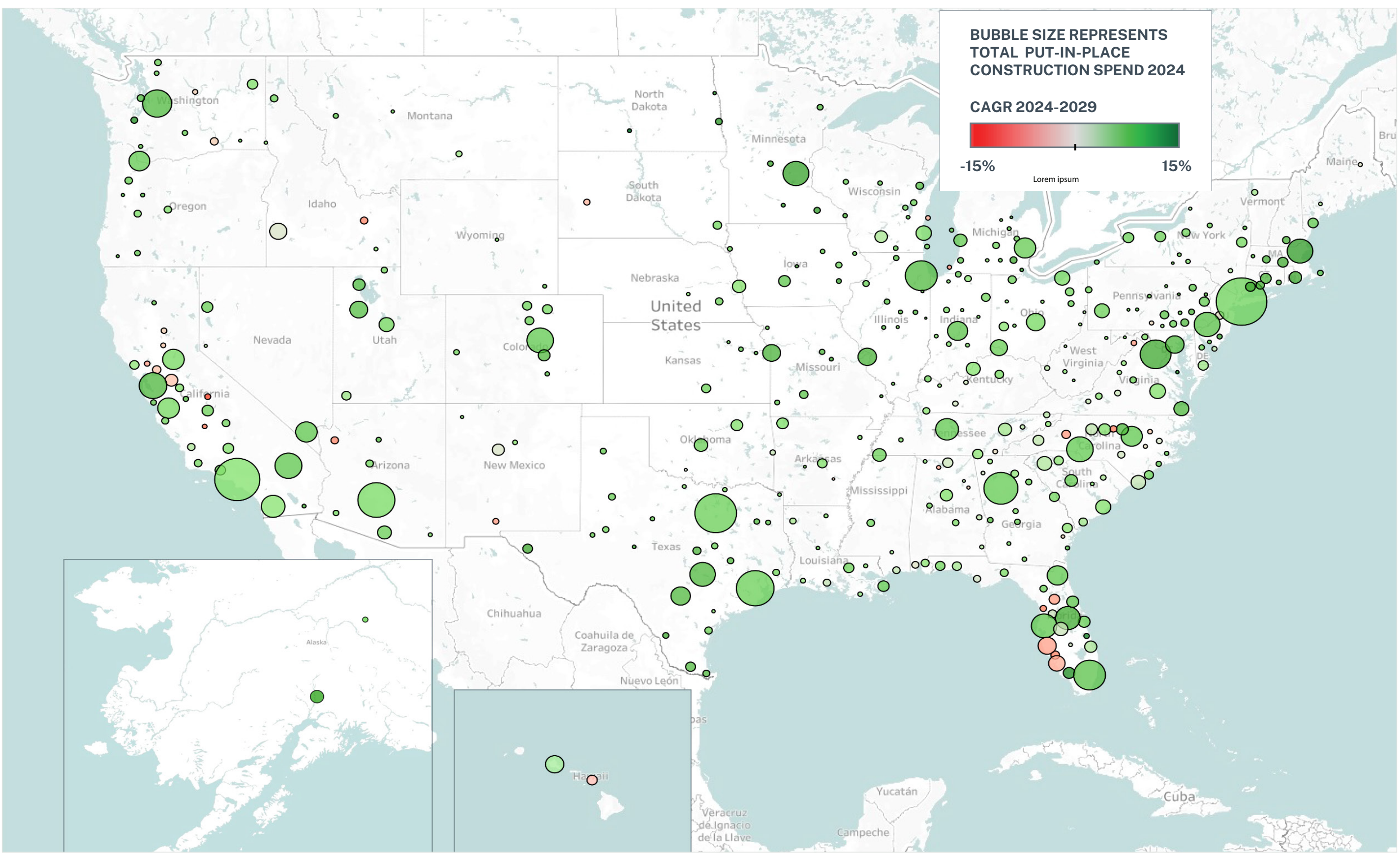
CONSTRUCTION SPENDING PUT IN PLACE
ESTIMATED FOR THE UNITED STATES



SOURCE: FMI FORECAST Q2 2025

Second quarter forecast based on fourth quarter 2024 actuals and first quarter assumptions.

HISTORICAL CONSTRUCTION SPENDING PUT IN PLACE
FORECAST GROWTH ACROSS METROPOLITAN STATISTICAL AREAS



SOURCE: FMI FORECAST Q2 2025

RESIDENTIAL CONSTRUCTION PUT IN PLACE

SINGLE-FAMILY RESIDENTIAL

3%

$444 BILLION
2025/2024 Comparison

DRIVERS:
- Unemployment rates
- Core CPI
- Income
- Mortgage rates
- Home prices
- Housing starts
- Housing permits

2026	STA	3%	$457 B
2027	STA	4%	$475 B
2028	UP	5%	$498 B
2029	UP	6%	$528 B

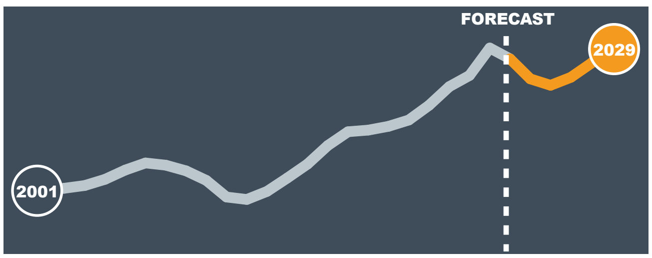
- Monetary policy guidance indicates borrowing rates are expected to remain relatively stable over the next several years, with 30-year mortgage rates projected to stay between 6% and 7% through at least 2026.
- Tariffs on construction materials and stricter immigration rules are likely to sustain elevated construction and replacement costs for the foreseeable future.
- Housing affordability remains historically low, with median home prices now exceeding 7.3 times the median household income and continuing to rise.
- Builders are managing an inventory of new homes equal to nearly nine months of supply, significantly above historically balanced levels. In February, the median new home sale price declined 1.5% year over year to $414,500, while the average sale price fell 4.4% to $487,100.
- Homebuilder sentiment declined throughout the first quarter and is now in line with levels seen in late 2023.

MULTIFAMILY RESIDENTIAL

-12%

$121 BILLION
2025/2024 Comparison

DRIVERS:
- Unemployment rates
- Core CPI
- Income
- Mortgage rates
- Home prices
- Housing starts
- Housing permits



2026	DWN	-4%	$116 B
2027	UP	5%	$122 B
2028	UP	9%	$133 B
2029	UP	10%	$147 B

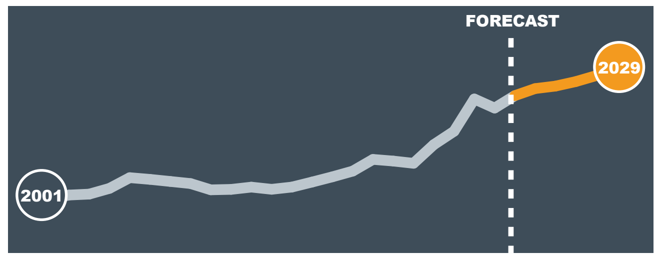
- According to the National Association of Home Builders (NAHB), multifamily starts declined by more than 25% in 2024 and are projected to fall an additional 6% in 2025 before rebounding in 2026.
- Cyclical market conditions are anticipated to create mid- and long-term opportunities beginning in late 2026, as rent growth stabilizes and multifamily starts recover.
- Healthy rental demand has been supported by the substantial cost gap between average mortgage payments (greater than $2,300) and monthly rents (slightly more than $2,000).
- According to Zillow, the average rent across all property types and bedroom counts in the U.S. is $2,078, down just over 1% from the same time last year. Average rent for apartments and condos stands at $1,500, up less than 1% year over year.
- Modular construction is expected to gain traction as developers pursue faster, more cost-effective delivery methods in response to labor shortages and rising material costs.

IMPROVEMENTS

5%

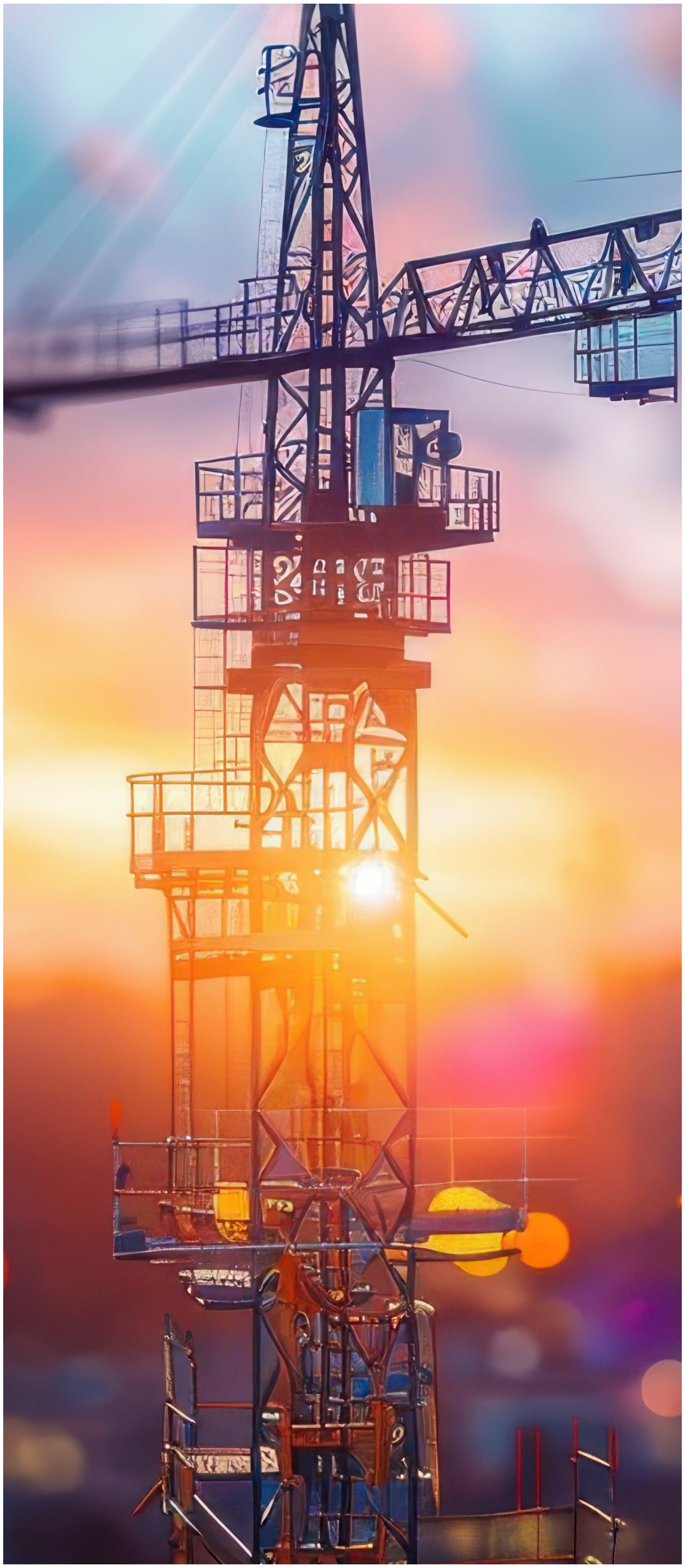
$383 BILLION
2025/2024 Comparison

DRIVERS:
- Unemployment rates
- Core CPI
- Income
- Mortgage rates
- Home prices
- Housing starts
- Housing permits



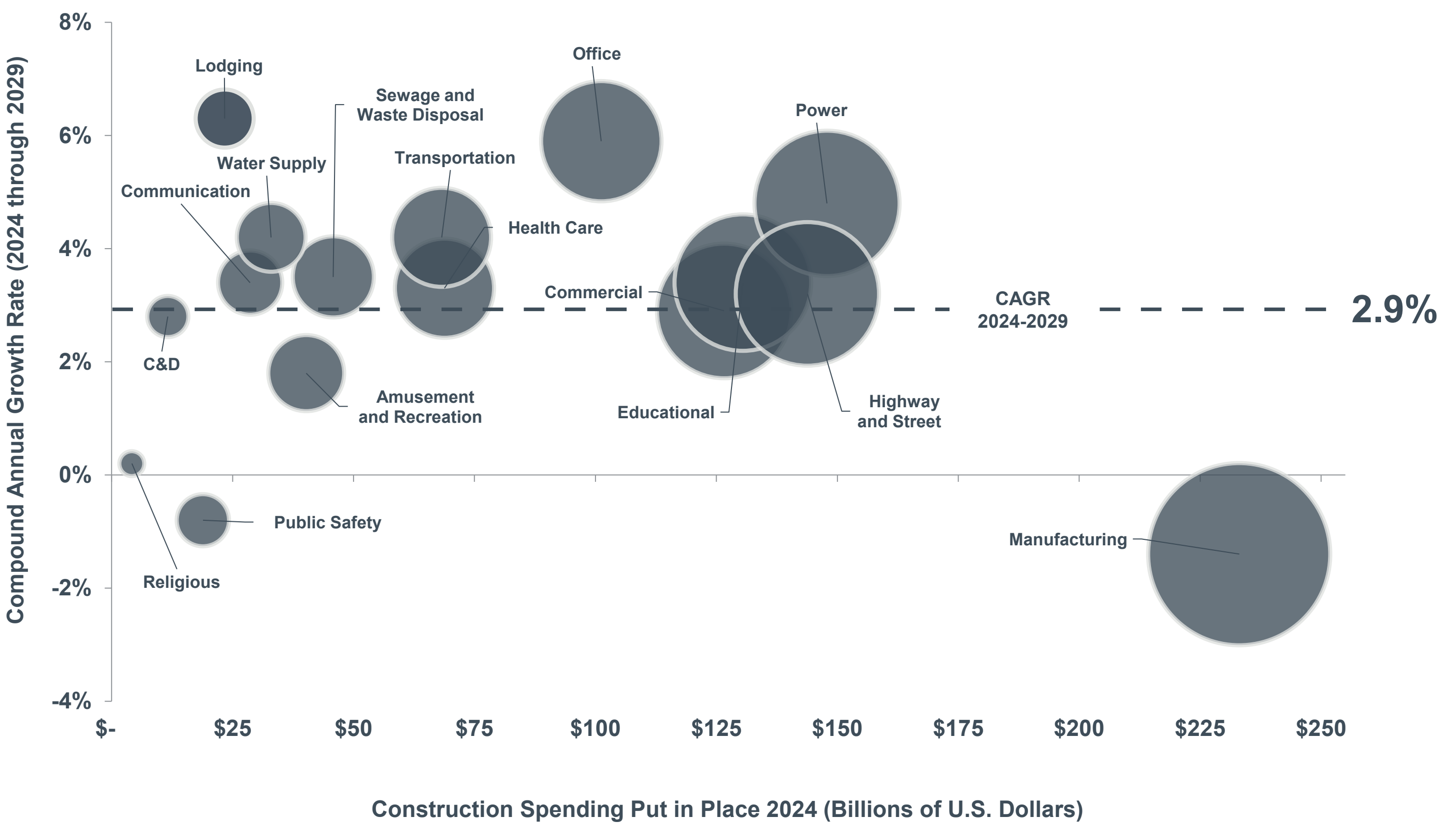
2026	STA	2%	$389 B
2027	STA	3%	$401 B
2028	STA	4%	$417 B
2029	UP	5%	$437 B

- Record-high home values, bolstered by an extended run of strong stock market performance, have encouraged homeowners — particularly those affected by the "lock-in effect" — to invest in home improvements rather than move or make basic repairs. The luxury home building products segment has performed especially well in recent quarters.
- Retailers and lenders are expected to continue driving growth by offering system upgrades and replacement programs with attractive financing options to incentivize buyers.
- After 2026, existing home sales are projected to rebound, supporting a return to more natural and stable demand in the home improvement segment. Historically, homeowners tend to spend the most on renovations either in preparation for a sale or shortly after purchasing a home.



NONRESIDENTIAL CONSTRUCTION PUT IN PLACE

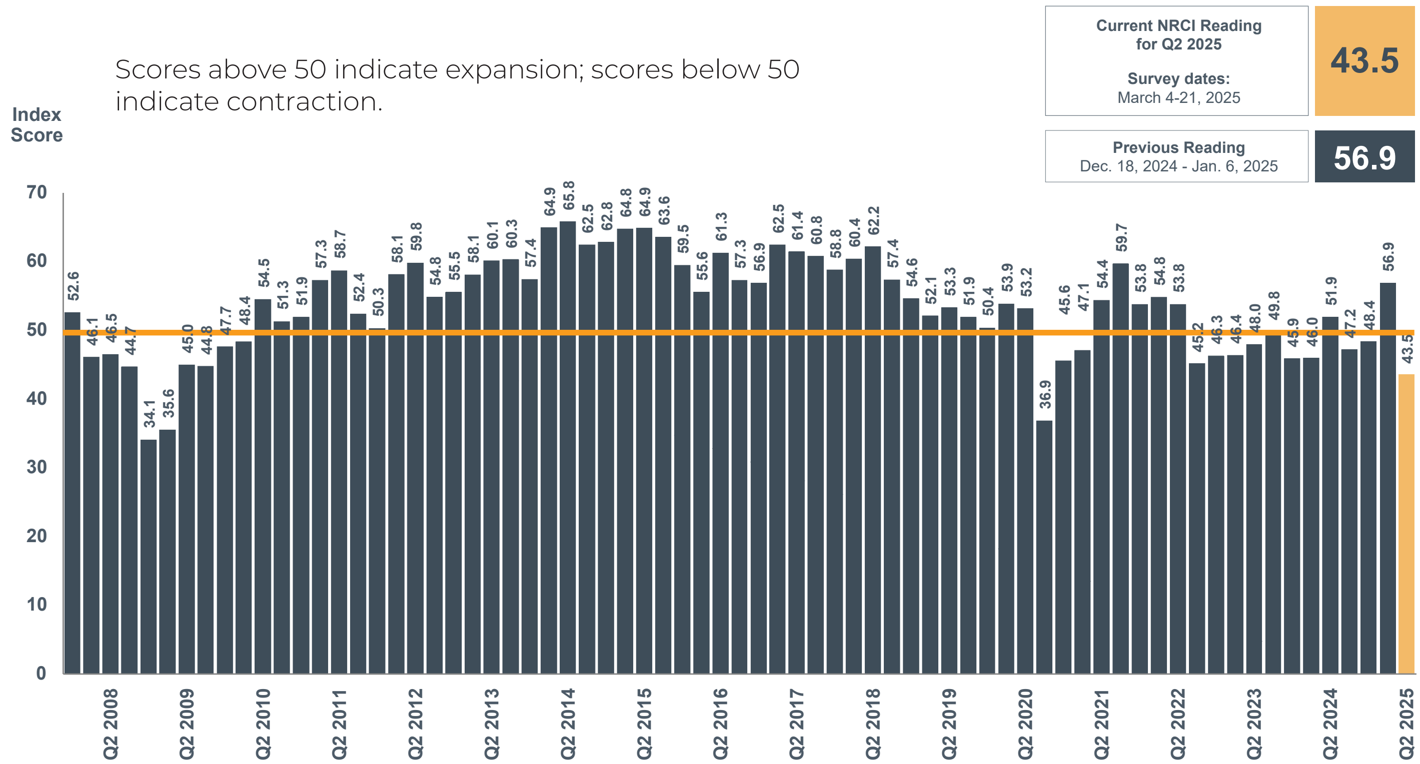
NONRESIDENTIAL CONSTRUCTION SPENDING PUT IN PLACE
FORECAST GROWTH BY CONSTRUCTION SEGMENT



SOURCE: FMI FORECAST Q2 2025

TOTAL NONRESIDENTIAL CONSTRUCTION INDEX (NRCI)

Q1 2012 TO Q2 2025

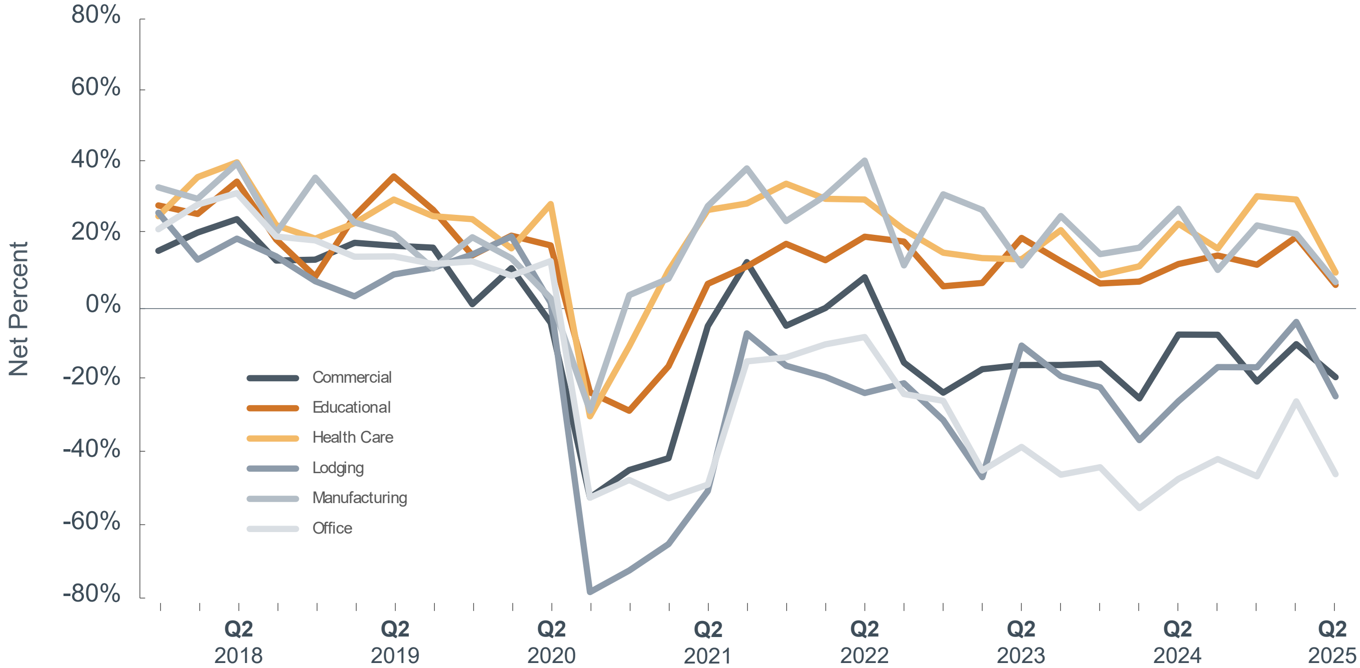


NRCI INDEX MOVEMENT		Q2 2025	Q1 2025
Overall U.S. Economy	↓	36.1	64.5
Economy Where We Do Business	↓	37.7	63.8
Our Engineering and Construction Business	↓	49.2	65.2
Engineering and Construction Where We Do Business	↓	41.0	60.9
Backlog	↓	45.8	68.1
Cost of Materials	↓	8.2	35.5
Cost of Labor	↑	32.0	29.7
Productivity	↓	45.9	51.4

The data in the NRCI is presented as a sampling of construction industry executives voluntarily serving as panelists for this FMI survey. Responses are based on their experience and opinions, and the analysis is based on FMI's interpretation of the aggregated results. See the full NRCI analysis on our web site.

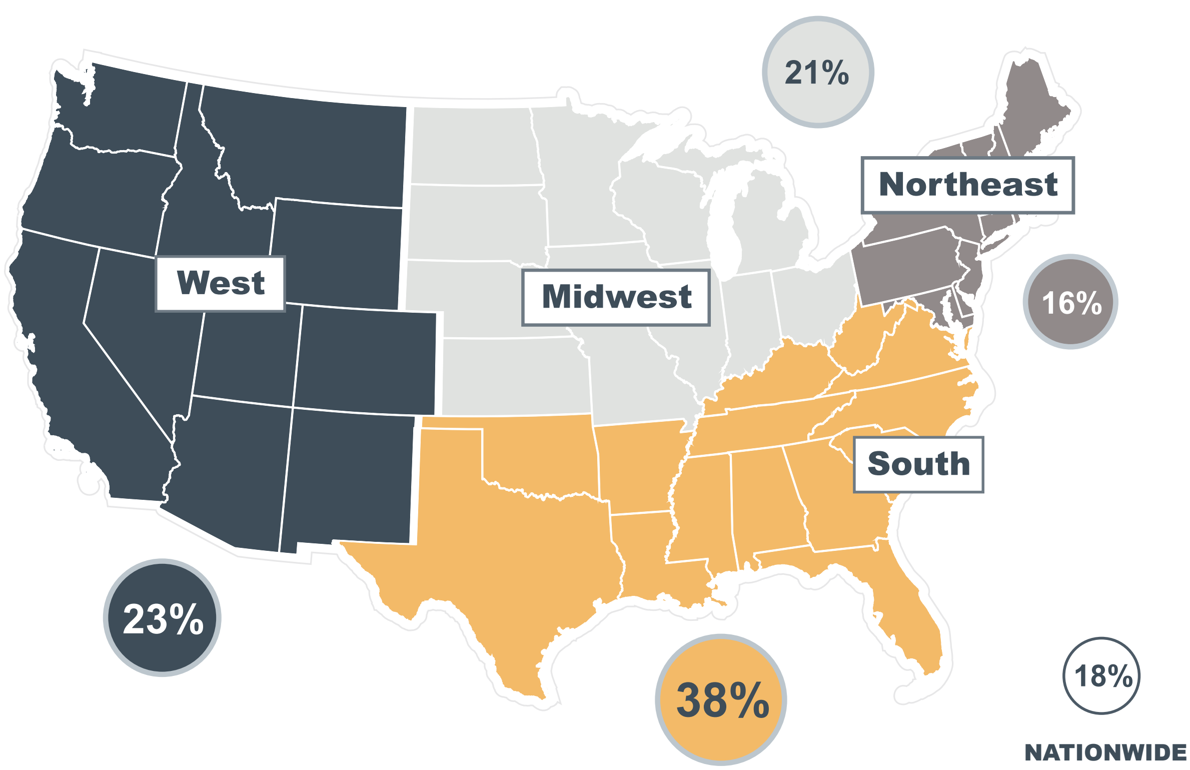
If you are interested in participating in this important industry index, please submit a request via our NRCI Participation Request form.

RESPONDENTS REPORTING IMPROVING SEGMENT CONDITIONS
QUARTER OVER QUARTER



SOURCE: FMI RESEARCH

WHERE SURVEY PARTICIPANTS WORK BY GEOGRAPHY*



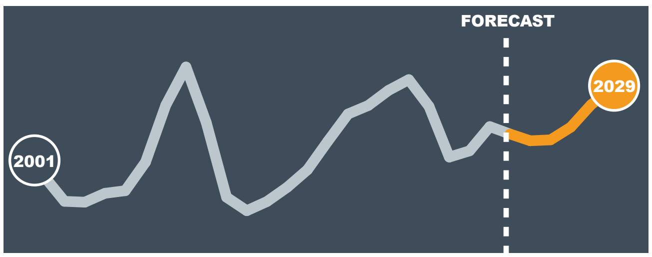
*RESPONDENTS ARE ABLE TO SELECT MORE THAN ONE OPTION.

LODGING

-5%

$22 BILLION
2025/2024 Comparison

DRIVERS:
- Occupancy rates
- RevPAR
- Average daily rates
- Room starts



2026	STA	1%	$22 B
2027	UP	11%	$25 B
2028	UP	17%	$29 B
2029	UP	10%	$32 B

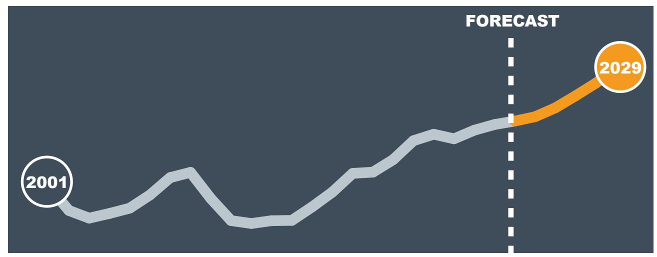
- The lodging industry is shifting its focus back to business travelers as corporate travel demand begins to recover.
- According to STR data from February, all three key industry metrics — occupancy, average daily rate (ADR) and revenue per available room (RevPAR) have improved year over year.
- Over 80% of rooms currently under construction are affiliated with chain and large operator hotels.
- Industry consolidation is expected in the coming years, driven by high interest rates, declining real estate valuations, maturing debt and tightening consumer budgets.
- The 2026 FIFA World Cup is projected to have a significant economic impact, with an estimated 5 million international visitors. U.S. host cities are preparing for record-breaking hotel development — particularly in boutique and luxury segments — to meet anticipated occupancy demands.

OFFICE

3%

$104 BILLION
2025/2024 Comparison

DRIVERS:
- Office vacancy rates
- Unemployment rates



2026	UP	5%	$110 B
2027	UP	7%	$117 B
2028	UP	7%	$125 B
2029	UP	8%	$135 B

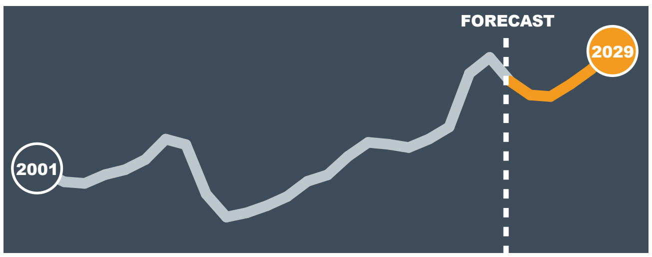
- Traditional office demand is expected to rebound in 2025 from lows in late 2024 as more companies enforce in-person attendance requirements, helping stabilize space needs in the near term. After declining more than 25% from 2020 to 2025, construction investment in traditional office space is projected to resume growth beginning in 2027.
- Tenants continue to favor newer, though often smaller, premium office spaces with modern amenities, reinforcing the ongoing flight to quality trend. Class A office space now accounts for 80% of new lease activity in major markets.
- Office property owners are likely to face continued financial strain due to elevated interest rates, declining lease renewals and rising cap rates — all of which are expected to weigh on transaction volumes.
- Data center demand forecasts have been revised upward, with projected growth of 34% in 2025 and 18% in 2026, fueled by a wave of megaproject announcements in early 2025. Leading the current wave of expansion are top U.S. data center markets: Northern Virginia, Dallas-Fort Worth, Silicon Valley, Chicago, Phoenix and Atlanta.
- Despite strong demand, the data center sector faces ongoing challenges, including power shortages and long lead times for electrical infrastructure — factors that continue to disrupt both current and planned developments.

COMMERCIAL

-7%

$118 BILLION
2025/2024 Comparison

DRIVERS:
- Retail sales
- CPI
- Income
- Home prices
- Housing starts



2026	DWN	-1%	$117 B
2027	UP	7%	$125 B
2028	UP	7%	$134 B
2029	UP	9%	$146 B

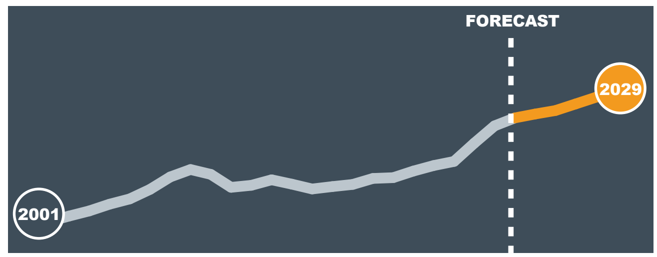
- The commercial construction segment is expected to remain broadly weakened in 2025, due to ongoing declines in both traditional retail and warehouse development. Retail softness observed in 2024 is projected to intensify through 2025 and 2026. In contrast, warehouse construction is anticipated to begin an early recovery later this year, with growth expected by 2026.
- Losses in traditional retail construction will be driven by reduced multifamily and mixed-use development in urban and suburban markets over the next two years. Additionally, continued bankruptcies among major retail chains are expected to accelerate the consolidation of retail space in favor of e-commerce.
- The outlook for warehouse development is improving, supported by resilient e-commerce demand and rising domestic manufacturing activity, both of which are boosting the need for expanded logistics and trade infrastructure.
- Warehouse investment as a share of the overall commercial segment was 48% in 2024 and is projected to steadily rise, reaching 55% by 2029, a level last seen in 2022.

HEALTH CARE

2%

$70 BILLION
2025/2024 Comparison

DRIVERS:
- Population change
- Population change ages 75+
- Uninsured population
- Government spending
- Nonresidential structure investment



2026	STA	2%	$72 B
2027	STA	4%	$75 B
2028	STA	4%	$78 B
2029	STA	4%	$81 B

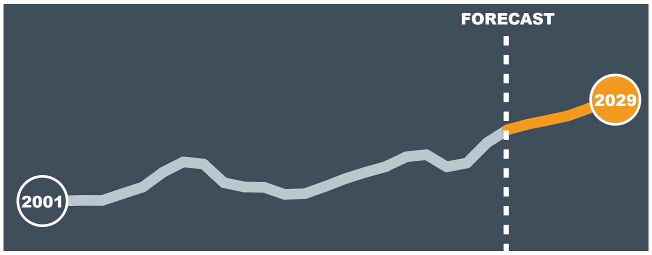
- The aging U.S. population is the key driver of health care construction over the forecast period, including expanding demand for specialty care facilities.
- Health care construction investment in 2025 and 2026 will be led by growth in hospital construction due to a forthcoming wave of large starts planned over the next two years.
- Challenges in the private medical office market, including historically high vacancies, moderating rent growth and higher cap rates, are expected to continue through 2025.
- Increasingly significant owner and project challenges are anticipated due to withheld and/or disrupted federal funding through most of 2025 alongside the restructuring of the U.S. Department of Health and Human Services and cuts to various research programs.
- Hybrid medical office models have been emerging as an economical means of renovating vacant traditional offices and retail space with new life sciences infrastructure upgrades.

EDUCATIONAL

3%

$135 BILLION
2025/2024 Comparison

DRIVERS:
- Population change younger than age 18
- Population change ages 18-24
- Stock markets
- Government spending
- Nonresidential structure investment



2026	STA	2%	$138 B
2027	STA	3%	$142 B
2028	STA	4%	$147 B
2029	STA	4%	$154 B

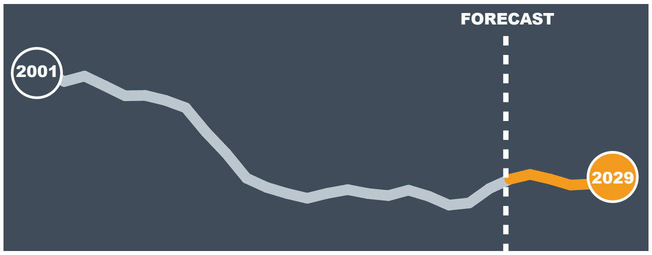
- Public educational construction is expected to remain a leading driver of spending growth throughout the forecast period.
- Many projects funded by the IRA are scheduled to begin in 2025, with a focus on HVAC upgrades, lighting improvements, building envelope enhancements, clean energy installations and electric vehicle charging stations.
- Capital planning and project execution may face challenges due to disruptions within the U.S. Department of Education, which are expected to affect the flow of federal funding through most of 2025.
- American Society of Civil Engineers' (ASCE) 2024 Infrastructure Report Card gave U.S. school infrastructure a grade of D+. It noted that school facilities across the country are, on average, 49 years old and in need of significant maintenance and upgrades. The report also recommends updating the Government Accountability Office's 2020 study on school facility conditions to better assess current needs.

RELIGIOUS

5%

$4 BILLION
2025/2024 Comparison

DRIVERS:
- GDP
- Population
- Income
- Personal savings



2026	DWN	-4%	$4 B
2027	DWN	-6%	$4 B
2028	STA	1%	$4 B
2029	UP	6%	$4 B

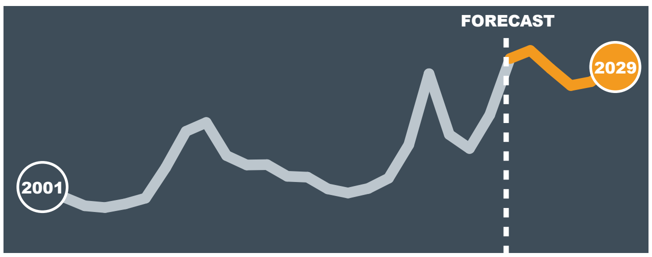
- Religious disaffiliation continues to rise, with 28% of U.S. adults now identifying as unaffiliated, compared to 16% in 2007.
- Economic challenges expected in 2025 and 2026, including rising consumer debt, reduced disposable income and higher unemployment, are likely to affect the financial stability of religious institutions.
- Many smaller community churches are being sold and repurposed as community centers, event venues or educational facilities, reflecting evolving community needs.

PUBLIC SAFETY

3%

$20 BILLION
2025/2024 Comparison

DRIVERS:
- Population
- Government spending
- Incarceration rates
- Nonresidential structure investment



2026	DWN	-7%	$18 B
2027	DWN	-7%	$17 B
2028	UP	2%	$17 B
2029	UP	7%	$18 B

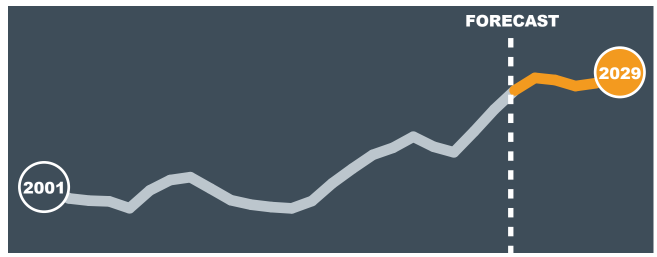
- Rapid mobilization of resources and investment at the U.S. border is underway. Illegal border crossings have declined significantly since the beginning of 2025.
- In March, U.S. Customs and Border Protection awarded the first border wall contract of the year, costing more than $70 million for seven miles of new wall in Hidalgo County, Texas.
- The Federal Bureau of Prisons' fiscal year 2025 budget submission shows a notable reduction in planned spending for new facilities. The agency cites construction delays, rising costs and a shift in focus toward modernization, repair and renovation.
- The current administration's proposed reorganization of the U.S. Department of Justice is expected to increase the privatization of corrections and facilities.

AMUSEMENT AND RECREATION

7%

$43 BILLION
2025/2024 Comparison

DRIVERS:
- Income
- Personal savings rates
- Unemployment rates
- Employment



2026	DWN	-1%	$42 B
2027	DWN	-3%	$41 B
2028	STA	1%	$42 B
2029	UP	5%	$44 B

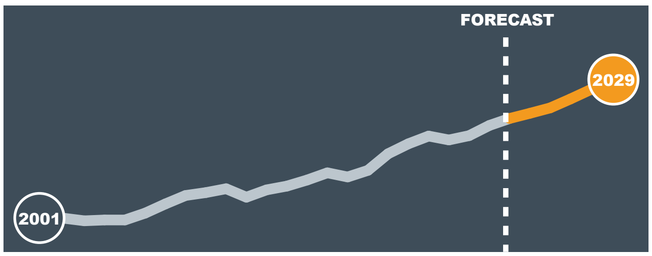
- The sports submarket within the amusement and recreation segment is experiencing strong growth, supported by large-scale public investment and tax incentives.
- Major upcoming events, including the 2025 Formula One World Championship, 2026 FIFA World Cup and 2028 Olympics, are expected to generate billions of dollars in funding for new construction and renovation projects. This is contributing to sustained investment across the forecast period.
- Advanced meeting spaces featuring AI-powered smart rooms, seamless wireless connectivity and integrated systems are driving increased renovation activity and creating new opportunities for specialized contractors.

TRANSPORTATION

3%

$70 BILLION
2025/2024 Comparison

DRIVERS:
- Population
- Government spending
- Transportation funding



2026	STA	3%	$73 B
2027	UP	5%	$76 B
2028	UP	5%	$80 B
2029	STA	4%	$84 B

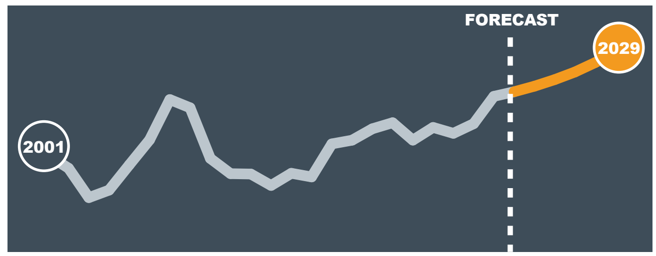
- Public and private sector investments are expected to rise steadily over the forecast period to support growing industrial and supply chain demands.
- Recent labor strikes have heightened awareness of infrastructure vulnerabilities, prompting increased investment in automation, resiliency and operational efficiency.
- The 2024 ASCE Report Card assigned grades of D+ for aviation, D for transit, B+ for rail and B for ports, indicating that logistics infrastructure is in significantly better condition than public transportation systems.
- ASCE estimates total transportation infrastructure needs will exceed $1 trillion through 2033, with a funding gap of roughly one-third of the required investment.

COMMUNICATION

3%

$29 BILLION
2025/2024 Comparison

DRIVERS:
- Population
- Security and regulation standards
- Private investment
- Innovation and technology investment



2026	STA	3%	$30 B
2027	STA	3%	$31 B
2028	STA	4%	$32 B
2029	STA	4%	$34 B

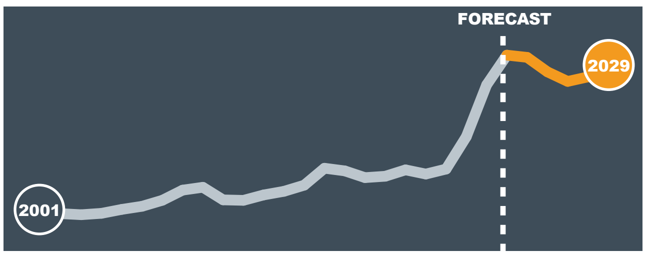
- Rising demand for communication infrastructure is supported by ongoing construction investments in data centers, manufacturing, transportation and logistics, along with the growing connectivity of products and devices.
- Advancements in satellite technology are reshaping the market by reducing reliance on traditional terrestrial networks and introducing new solutions for expanded connectivity.
- The 2024 ASCE Report Card assigned a grade of C+ to broadband infrastructure, identifying a $60 billion funding gap through 2033. The report emphasizes the economic benefits of expanded connectivity and the importance of prioritizing system security and resilience.

MANUFACTURING

-1%

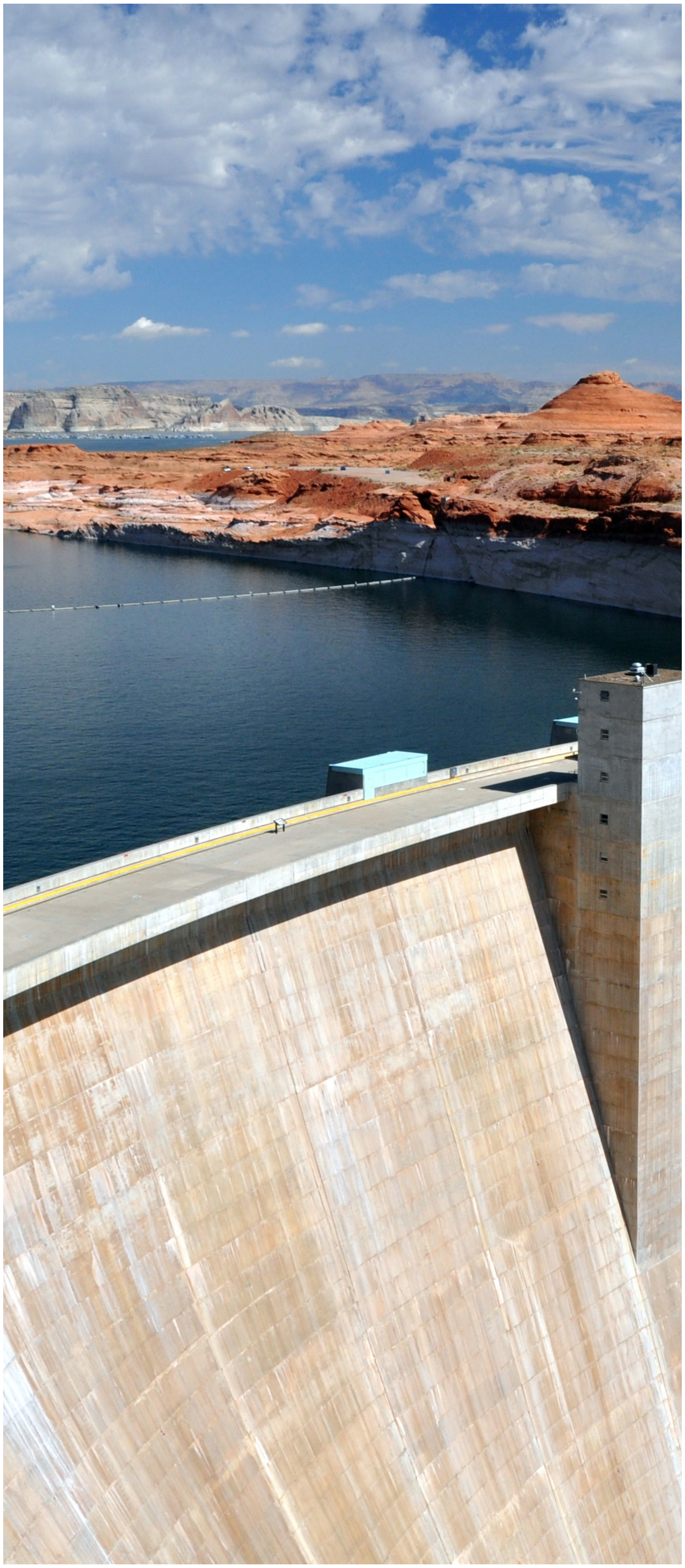
$230 BILLION
2025/2024 Comparison

DRIVERS:
- PMI
- Industrial production
- Capacity utilization
- Durable goods orders
- Manufacturing inventories



2026	DWN	-8%	$211 B
2027	DWN	-6%	$198 B
2028	STA	3%	$204 B
2029	UP	7%	$218 B

- After a period of significant expansion, with annual investment more than tripling between 2020 and 2024, manufacturing construction spending is expected to decline slightly over the next several years. This decrease is primarily due to a drop in project starts in 2024, and refueled by the timing of major semiconductor investments.
- Tariffs and changes in the international trade landscape are expected to drive another wave of manufacturing starts over the next several years. This will result in increasing and more-diversified investment in the later years of the forecast period.
- Smart manufacturing, a growing trend that emphasizes productivity, efficiency and flexibility, continues to expand. It is supported by substantial investment in high-tech manufacturing and helps address ongoing labor shortages.



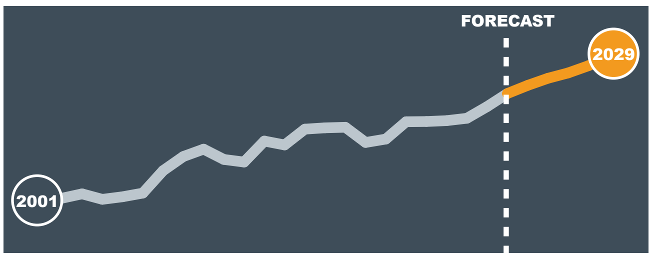
NONBUILDING STRUCTURES CONSTRUCTION PUT IN PLACE

POWER

6%

$156 BILLION
2025/2024 Comparison

DRIVERS:
- Population
- Industrial production
- Government spending



2026	UP	5%	$164 B
2027	STA	3%	$170 B
2028	STA	4%	$177 B
2029	UP	6%	$187 B

- The administration is expected to introduce major policy shifts and disruptions in the power sector over the next several years.
- An increase in natural gas projects is anticipated throughout the forecast period, driven by expanding domestic oil production and the continued retirement of coal generation capacity.
- Rapidly growing energy demands from manufacturing, data centers, artificial intelligence, cloud computing and quantum computing are reshaping power investment strategies. Technology companies are responding by investing in clean microgrids, nuclear energy and battery storage systems.
- According to the 2024 ASCE Report Card, more than 20%, or nearly $2 trillion, of the nation's cumulative infrastructure needs through 2033 are related to energy. The report points to rising electrification, growth in electric vehicles and expanded data center activity as key drivers of the largest increase in energy demand in two decades.

HIGHWAY AND STREET

3%

$148 BILLION
2025/2024 Comparison

DRIVERS:
- Population
- Government spending
- Nonresidential structure investment

2026	STA	2%	$151 B
2027	STA	3%	$155 B
2028	STA	4%	$162 B
2029	STA	4%	$169 B

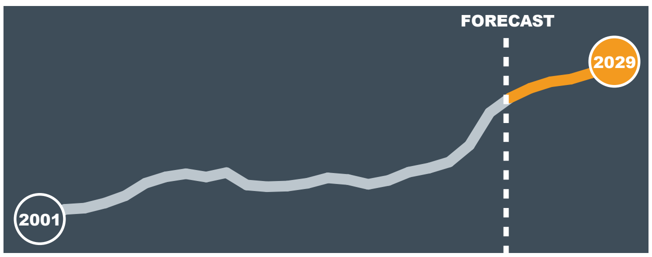
- Programmed highway funding under the IIJA is set to expire after fiscal year 2026. Funding allocated to non-infrastructure items may remain unspent and could potentially be repurposed for highway and transportation projects.
- According to the 2024 ASCE Report Card, roads and bridges represent the largest category of infrastructure need in the U.S. through 2033, with a total requirement of slightly less than $3 trillion. This accounts for approximately 30% of all projected infrastructure needs. The report also identifies a funding gap of $1 trillion between expected and necessary investment.

SEWAGE AND WASTE DISPOSAL

6%

$48 BILLION
2025/2024 Comparison

DRIVERS:
- Population
- Industrial production
- Government spending



2026	STA	4%	$50 B
2027	STA	1%	$51 B
2028	STA	3%	$52 B
2029	STA	4%	$54 B

- Migration trends, aging infrastructure and the increasing frequency of billion-dollar weather events such as hurricanes and flash floods are driving significant investment in storm cleanup, infrastructure hardening and stormwater management systems.
- Capital investment is placing greater emphasis on data analytics and advanced technologies to improve the assessment and management of water and wastewater infrastructure.
- The 2024 ASCE Report Card assigned grades of D+ for wastewater, D for stormwater and C+ for solid waste. These scores indicate that only about 30% of the nation's sewage and waste disposal capital needs are currently being met.
- Last year the Environmental Protection Agency's (EPA) Clean Watersheds Needs Survey (CWNS) identified a 20-year $630 billion gap, whereas the ASCE's report identifies a funding gap of $690 billion by 2033.

WATER SUPPLY

8%

$36 BILLION
2025/2024 Comparison

DRIVERS:
- Population
- Industrial production
- Government spending

2026	UP	5%	$37 B
2027	STA	2%	$38 B
2028	STA	2%	$39 B
2029	STA	4%	$40 B

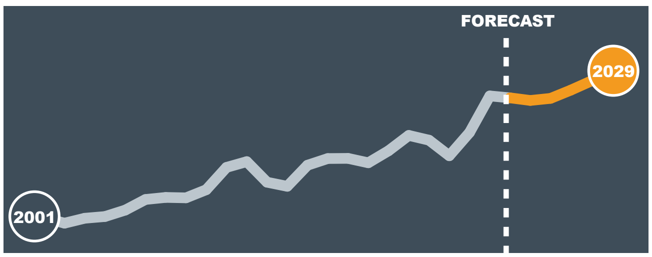
- Rising industrial investment is increasing the national focus on source water protection. This shift is driving changes in the management of industrial runoff, permitting processes and federal funding priorities.
- The EPA's Lead and Copper Rule Improvements require the identification and full replacement of all lead service lines within the next 10 years. Initial system cost estimates range from $50 billion to $80 billion.
- The 2024 ASCE Report Card assigned a grade of C- to the nation's drinking water infrastructure. It notes that nearly two-thirds of future funding needs are related to water transmission and distribution, while less than 20% are associated with treatment systems.

CONSERVATION AND DEVELOPMENT

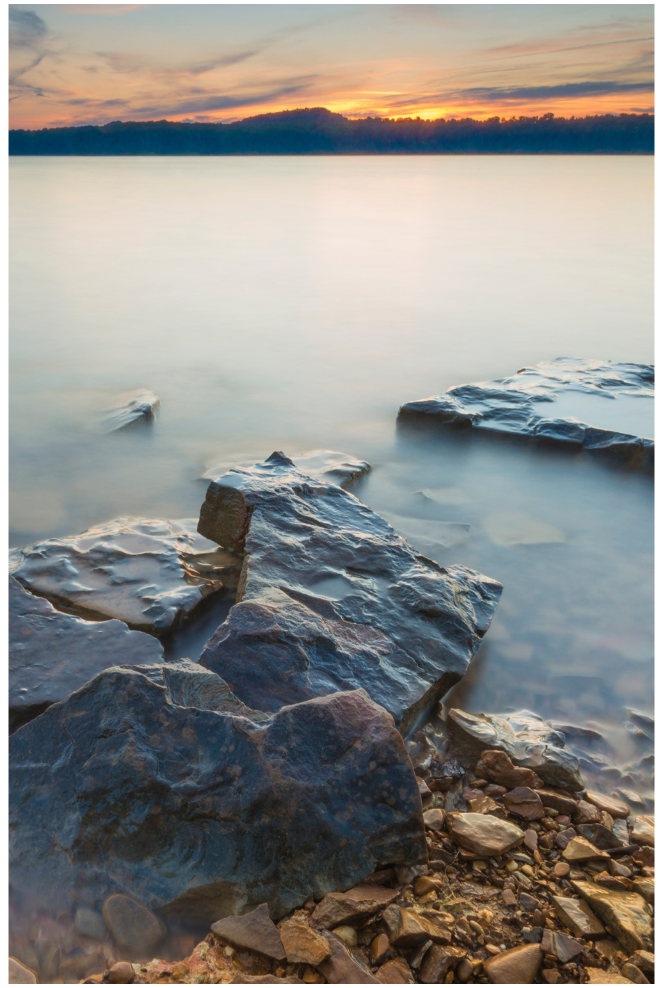
-1%

$11 BILLION
2025/2024 Comparison

DRIVERS:
- Population
- Government spending



2026	STA	1%	$12 B
2027	UP	5%	$12 B
2028	UP	5%	$13 B
2029	UP	5%	$13 B



- Planned funding from the Harbor Maintenance Trust Fund, the U.S. Army Corps of Engineers' Civil Works program and the IIJA is driving growth in dredging and waterway conservation spending in 2025.
- Investment in dredging continues to increase and now represents a larger share of overall conservation and development spending.
- Earlier this year, the EPA announced rollbacks of 31 regulatory actions, aimed at reducing costs and increasing economic output. The administration is also considering the elimination of the EPA's Office of Research and Development, which currently employs more than 1,000 chemists and scientists.

Construction Put in Place Estimated for the United States

Millions of Current Dollars

2nd Quarter 2025 Forecast, Based on 4th Quarter 2024 Actuals and 1st Quarter 2025 Assumptions

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
RESIDENTIAL BUILDINGS										
Single-family	310,060	424,491	453,752	400,909	429,660	444,067	457,171	474,907	498,139	528,142
Multifamily	100,089	114,926	123,801	145,587	136,984	121,081	115,999	122,287	133,402	146,503
Improvements*	234,108	269,551	355,215	331,100	364,131	382,771	389,312	401,237	416,901	436,502
Total Residential	**644,257**	**808,968**	**932,768**	**877,596**	**930,775**	**947,919**	**962,482**	**998,431**	**1,048,442**	**1,111,148**
NONRESIDENTIAL BUILDINGS										
Lodging	28,483	19,082	20,236	24,740	23,364	22,109	22,278	24,637	28,798	31,711
Office	92,831	89,902	95,382	98,989	101,214	103,957	109,616	117,297	125,360	135,084
Commercial	89,714	97,394	131,503	141,702	126,618	117,773	116,813	124,701	133,977	145,816
Health Care	48,599	50,327	58,098	65,429	68,798	70,442	71,919	74,725	77,548	80,893
Educational	110,692	100,988	104,035	120,226	130,473	134,848	138,080	141,561	147,400	154,013
Religious	3,472	3,096	3,187	3,801	4,193	4,399	4,201	3,945	3,992	4,227
Public Safety	17,667	12,826	11,715	14,395	18,873	19,518	18,069	16,724	17,033	18,160
Amusement and Recreation	28,288	27,102	31,527	36,203	40,221	42,891	42,434	41,157	41,760	43,962
Transportation	60,734	59,075	60,908	65,246	68,213	70,403	72,698	76,486	80,477	83,883
Communication	23,876	23,091	24,366	28,004	28,615	29,349	30,222	31,234	32,488	33,856
Manufacturing	75,425	82,030	125,025	193,630	233,070	230,128	210,898	198,228	204,228	217,545
Total Nonresidential Buildings	**579,781**	**564,913**	**665,982**	**792,365**	**843,652**	**845,818**	**837,227**	**850,695**	**893,060**	**949,149**
NONBUILDING STRUCTURES										
Power	118,168	119,108	121,605	134,010	147,871	156,487	164,021	169,703	177,335	187,207
Highway and Street	102,321	103,381	115,655	138,060	143,834	147,939	150,523	154,836	161,527	168,632
Sewage and Waste Disposal	27,189	28,811	33,246	41,912	45,820	48,367	50,078	50,777	52,385	54,488
Water Supply	18,952	20,284	24,056	27,999	32,969	35,672	37,433	38,148	38,873	40,467
Conservation and Development	8,903	7,911	9,392	11,719	11,597	11,431	11,563	12,088	12,665	13,297
Total Nonbuilding Structures	**275,533**	**279,495**	**303,954**	**353,700**	**382,091**	**399,895**	**413,619**	**425,551**	**442,785**	**464,091**
Total Put in Place	**$1,499,571**	**$1,653,376**	**$1,902,704**	**$2,023,661**	**$2,156,518**	**$2,193,632**	**$2,213,329**	**$2,274,678**	**$2,384,288**	**$2,524,388**

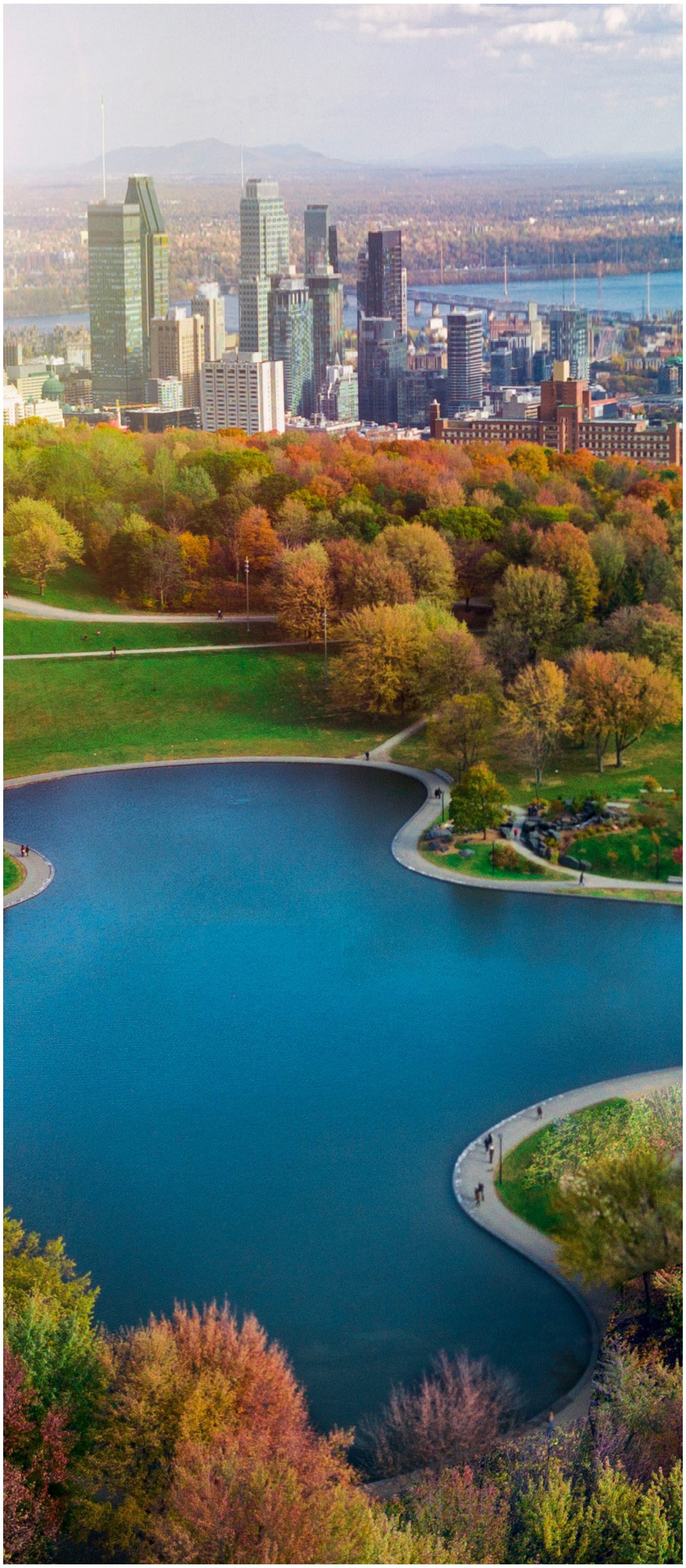
Construction Put in Place Estimated for the United States

Change From Prior Year — Current Dollar Basis

2nd Quarter 2025 Forecast, Based on 4th Quarter 2024 Actuals and 1st Quarter 2025 Assumptions

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
RESIDENTIAL BUILDINGS										
Single-family	11%	37%	7%	-12%	7%	3%	3%	4%	5%	6%
Multifamily	13%	15%	8%	18%	-6%	-12%	-4%	5%	9%	10%
Improvements*	27%	15%	32%	-7%	10%	5%	2%	3%	4%	5%
Total Residential	**16%**	**26%**	**15%**	**-6%**	**6%**	**2%**	**2%**	**4%**	**5%**	**6%**
NONRESIDENTIAL BUILDINGS										
Lodging	-15%	-33%	6%	22%	-6%	-5%	1%	11%	17%	10%
Office	5%	-3%	6%	4%	2%	3%	5%	7%	7%	8%
Commercial	6%	9%	35%	8%	-11%	-7%	-1%	7%	7%	9%
Health Care	5%	4%	15%	13%	5%	2%	2%	4%	4%	4%
Educational	2%	-9%	3%	16%	9%	3%	2%	3%	4%	4%
Religious	-7%	-11%	3%	19%	10%	5%	-4%	-6%	1%	6%
Public Safety	47%	-27%	-9%	23%	31%	3%	-7%	-7%	2%	7%
Amusement and Recreation	-7%	-4%	16%	15%	11%	7%	-1%	-3%	1%	5%
Transportation	6%	-3%	3%	7%	5%	3%	3%	5%	5%	4%
Communication	8%	-3%	6%	15%	2%	3%	3%	3%	4%	4%
Manufacturing	-7%	9%	52%	55%	20%	-1%	-8%	-6%	3%	7%
Total Nonresidential Buildings	**2%**	**-3%**	**18%**	**19%**	**6%**	**0%**	**-1%**	**2%**	**5%**	**6%**
NONBUILDING STRUCTURES										
Power	0%	1%	2%	10%	10%	6%	5%	3%	4%	6%
Highway and Street	3%	1%	12%	19%	4%	3%	2%	3%	4%	4%
Sewage and Waste Disposal	4%	6%	15%	26%	9%	6%	4%	1%	3%	4%
Water Supply	16%	7%	19%	16%	18%	8%	5%	2%	2%	4%
Conservation and Development	-3%	-11%	19%	25%	-1%	-1%	1%	5%	5%	5%
Total Nonbuilding Structures	**2%**	**1%**	**9%**	**16%**	**8%**	**5%**	**3%**	**3%**	**4%**	**5%**
Total Put in Place	**8%**	**10%**	**15%**	**6%**	**7%**	**2%**	**1%**	**3%**	**5%**	**6%**

*Improvements includes additions, alterations and major replacements. It does not include maintenance and repairs.



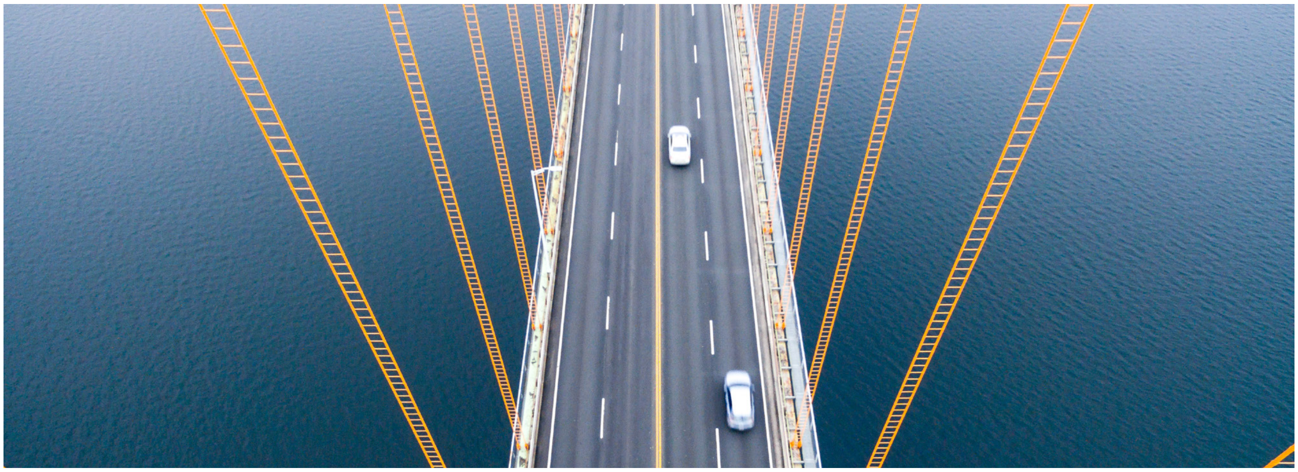
CANADIAN ENGINEERING AND CONSTRUCTION OUTLOOK

CANADIAN KEY TAKEAWAYS

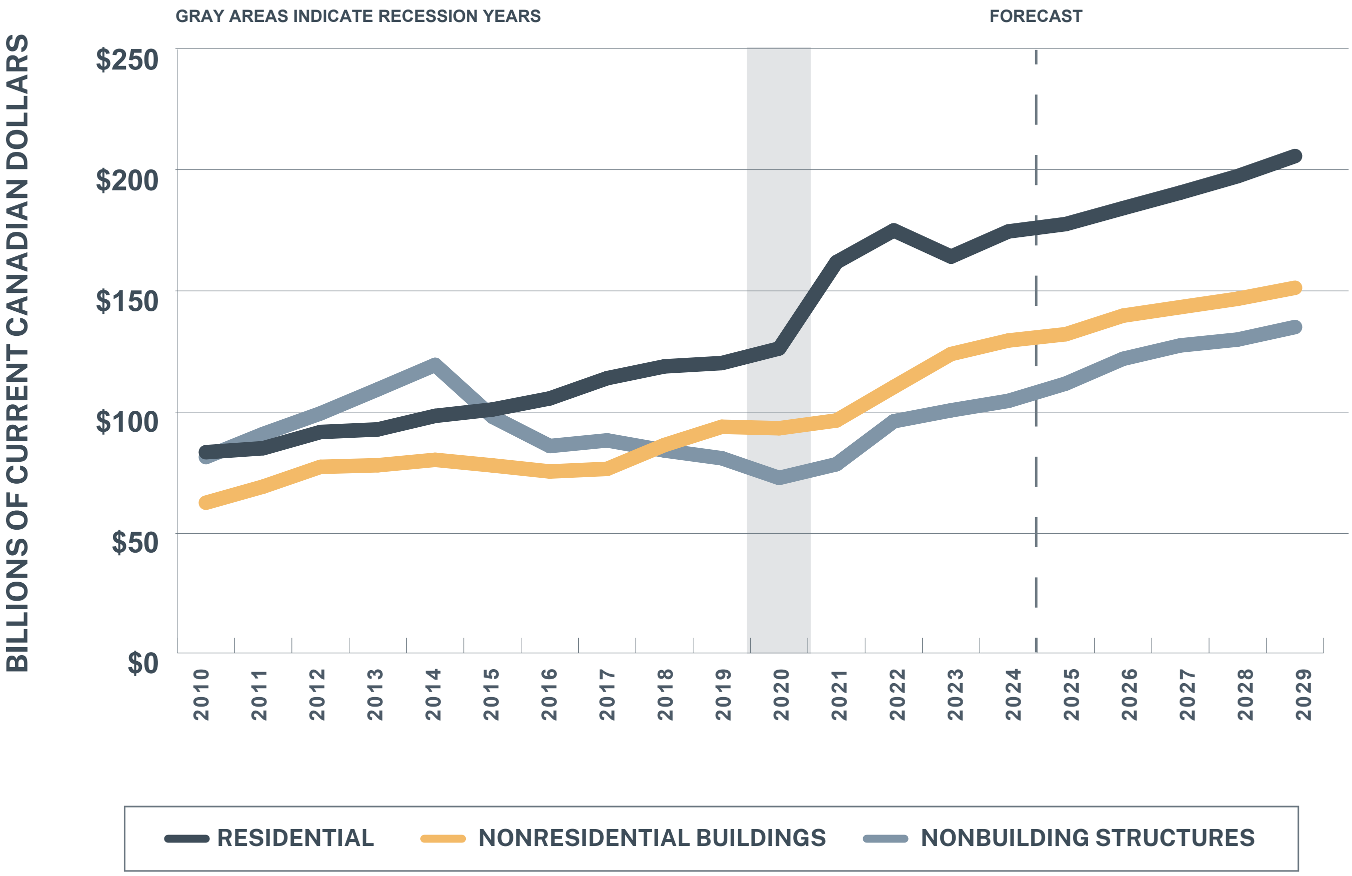
- Total engineering and construction spending for Canada is forecast to end 2025 up 3% after climbing 5% in 2024. Softening is due to slowing commercial and residential construction, while nonbuilding structures will remain strong.
- Growth in 2025 will be tempered by a sluggish residential market and private sector investments. Segments expected to see a drop in spending include multifamily, lodging, commercial and religious. Stable segments (growth between 0% and 4%) include single-family, residential improvements, office, health care, amusement and recreation, communication and manufacturing.
- Education, public safety, transportation, power, highway and road, water supply, and conservation and development are strong growth segments, each anticipated to experience 2025 year-end growth rates of more than 5%. Large growth in conservation and development, 26% in 2025, assumes civil work at Saskatchewan's Lake Diefenbaker proceeds.
- The Canadian construction industry and economy is in a tumultuous time largely attributed to the uncertainty in Canada's relationship with the U.S. As a close trading partner, Canada has an economy that is highly sensitive to U.S. tariff policies and the broader economy. Canada's policy landscape remains ambiguous pending federal elections on April 28.

CANADA 2025 SEGMENT PERFORMANCE
2024/2025 COMPARISON

UP 5% or more	STABLE 0% to 4%	DOWN Under 0%
Educational	Single-family	Multifamily
Public Safety	Residential Improvements	Lodging
Transportation	Office	Commercial
Power	Health Care	Religious
Highway and Street	Amusement and Recreation	
Water Supply	Communication	
Conservation and Development	Manufacturing	
	Sewage and Water Disposal	



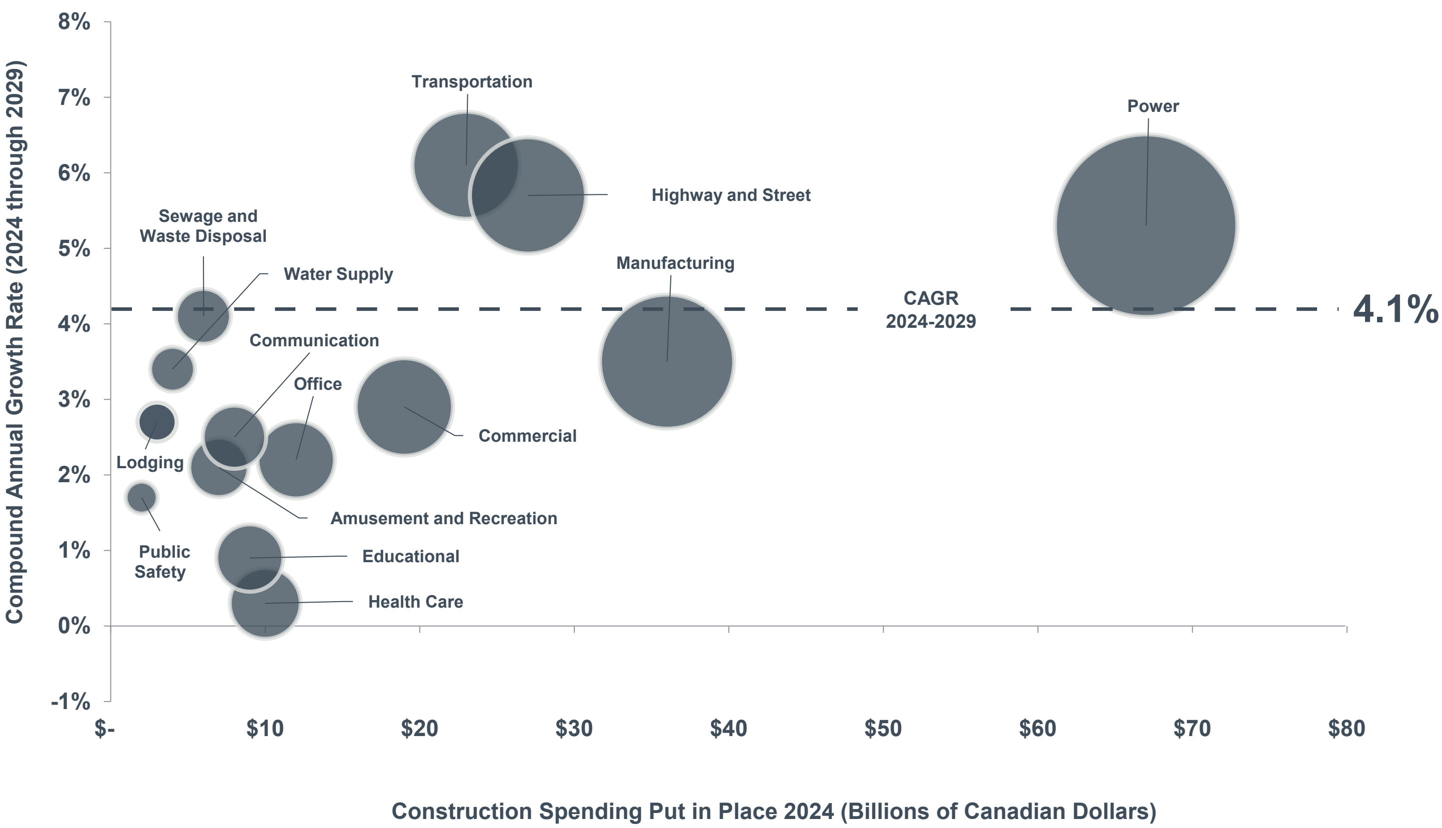
TOTAL CONSTRUCTION SPENDING PUT IN PLACE ESTIMATED FOR CANADA



SOURCE: FMI FORECAST Q2 2025

FIRST QUARTER FORECAST BASED ON FOURTH QUARTER 2024 ACTUALS AND FIRST QUARTER ASSUMPTIONS.

NONRESIDENTIAL CONSTRUCTION SPENDING PUT IN PLACE
FORECAST GROWTH BY CONSTRUCTION SEGMENT



SOURCE: FMI FORECAST Q2 2025

Construction Put in Place Estimated for Canada

Millions of Current Canadian Dollars

2nd Quarter 2025 Forecast, Based on 4th Quarter 2024 Actuals and 1st Quarter 2025 Assumptions

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
RESIDENTIAL BUILDINGS										
Single-family	24,095	34,694	36,701	29,496	28,352	28,662	29,323	29,867	30,986	32,500
Multifamily	38,818	46,444	50,416	52,598	55,058	54,347	57,018	59,909	61,866	64,109
Improvements*	63,207	80,733	87,928	82,076	91,198	94,653	97,897	100,904	104,662	109,227
Total Residential	**126,120**	**161,871**	**175,045**	**164,169**	**174,608**	**177,663**	**184,238**	**190,680**	**197,514**	**205,836**
NONRESIDENTIAL BUILDINGS										
Lodging	2,569	2,634	3,405	3,375	3,326	3,259	3,392	3,623	3,748	3,800
Office	11,674	10,692	11,302	12,002	11,517	11,640	12,167	12,315	12,441	12,819
Commercial	15,013	15,393	19,897	19,719	19,436	18,838	19,809	20,766	21,671	22,450
Health Care	5,756	6,311	7,153	7,733	9,632	9,743	10,384	10,619	10,393	9,756
Educational	6,938	7,915	8,279	8,744	9,188	9,672	9,669	9,641	9,614	9,621
Religious	415	318	312	361	431	419	405	394	358	356
Public Safety	1,753	1,605	1,697	1,802	1,729	1,846	1,928	1,988	1,927	1,879
Amusement and Recreation	4,352	3,983	4,872	6,066	7,048	7,080	7,186	7,292	7,508	7,802
Transportation	16,436	18,077	17,876	21,778	22,718	23,872	25,392	27,219	28,442	30,523
Communication	7,300	7,538	7,300	8,056	8,189	8,552	8,876	9,122	9,144	9,246
Manufacturing	20,883	21,832	28,076	34,193	36,218	37,118	40,521	40,266	41,477	43,015
Total Nonresidential Buildings	**93,089**	**96,299**	**110,171**	**123,829**	**129,431**	**132,038**	**139,730**	**143,244**	**146,724**	**151,267**
NONBUILDING STRUCTURES										
Power	45,348	51,359	65,574	66,032	67,163	72,304	79,400	82,110	83,206	86,807
Highway and Street	19,027	18,940	21,566	25,353	27,435	28,884	31,088	33,586	34,743	36,280
Sewage and Waste Disposal	4,846	4,784	5,207	5,373	5,799	6,051	6,469	6,640	6,819	7,093
Water Supply	3,214	3,047	3,532	3,653	3,937	4,222	4,518	4,639	4,679	4,664
Conservation and Development	81	49	95	93	96	121	366	423	379	163
Total Nonbuilding Structures	**72,516**	**78,179**	**95,974**	**100,504**	**104,431**	**111,582**	**121,842**	**127,398**	**129,826**	**135,007**
Total Put in Place	**$291,725**	**$336,350**	**$381,190**	**$388,502**	**$408,469**	**$421,283**	**$445,810**	**$461,323**	**$474,065**	**$492,111**

Construction Put in Place Estimated for Canada

Change From Prior Year — Current Canadian Dollars

2nd Quarter 2025 Forecast, Based on 4th Quarter 2024 Actuals and 1st Quarter 2025 Assumptions

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
RESIDENTIAL BUILDINGS										
Single-family	5%	44%	6%	-20%	-4%	1%	2%	2%	4%	5%
Multifamily	8%	20%	9%	4%	5%	-1%	5%	5%	3%	4%
Improvements*	3%	28%	9%	-7%	11%	4%	3%	3%	4%	4%
Total Residential	**5%**	**28%**	**8%**	**-6%**	**6%**	**2%**	**4%**	**3%**	**4%**	**4%**
NONRESIDENTIAL BUILDINGS										
Lodging	-7%	3%	29%	-1%	-1%	-2%	4%	7%	3%	1%
Office	3%	-8%	6%	6%	-4%	1%	5%	1%	1%	3%
Commercial	-7%	3%	29%	-1%	-1%	-3%	5%	5%	4%	4%
Health Care	8%	10%	13%	8%	25%	1%	7%	2%	-2%	-6%
Educational	3%	14%	5%	6%	5%	5%	0%	0%	0%	0%
Religious	-7%	-24%	-2%	15%	19%	-3%	-3%	-3%	-9%	-1%
Public Safety	3%	-8%	6%	6%	-4%	7%	4%	3%	-3%	-2%
Amusement and Recreation	6%	-8%	22%	25%	16%	0%	2%	1%	3%	4%
Transportation	3%	10%	-1%	22%	4%	5%	6%	7%	4%	7%
Communication	20%	3%	-3%	10%	2%	4%	4%	3%	0%	1%
Manufacturing	-10%	5%	29%	22%	6%	2%	9%	-1%	3%	4%
Total Nonresidential Buildings	**-1%**	**3%**	**14%**	**12%**	**5%**	**2%**	**6%**	**3%**	**2%**	**3%**
NONBUILDING STRUCTURES										
Power	-16%	13%	28%	1%	2%	8%	10%	3%	1%	4%
Highway and Street	3%	0%	14%	18%	8%	5%	8%	8%	3%	4%
Sewage and Waste Disposal	5%	-1%	9%	3%	8%	4%	7%	3%	3%	4%
Water Supply	-7%	-5%	16%	3%	8%	7%	7%	3%	1%	0%
Conservation and Development	-45%	-40%	94%	-2%	4%	26%	202%	16%	-10%	-57%
Total Nonbuilding Structures	**-10%**	**8%**	**23%**	**5%**	**4%**	**7%**	**9%**	**5%**	**2%**	**4%**
Total Put in Place	**-1%**	**15%**	**13%**	**2%**	**5%**	**3%**	**6%**	**3%**	**3%**	**4%**

*Improvements includes additions, alterations and major replacements. It does not include maintenance and repairs.

U.S. Economic and Policy Considerations Assumed in Our Forecast

Base-case assumptions for our forecast include ongoing recessionary forces though 2025, primarily highlighted by rising unemployment. These expectations are based on a range of predictive economic indicators, but especially the recently un-inverted yield curve alongside ongoing weakness in the labor data. We believe the Federal Reserve's aggressive start to cutting rates further supports these expectations. The depth and duration of the economic cycle will depend on policy response, but as with historical cycles, impact on the construction industry will likely be longer lasting.

Recent economic factors influencing this forecast include near-term expectations of tariffs (both stalling capital investment and increasing inflationary pressures), weakness in labor data, movement in short- and longer-term Treasury bond yields, commodity and energy prices, the Chinese and global economy, and valuation of the U.S. dollar. These factors are met with ongoing tightness of private credit, shortages of labor and materials in key industries, constraints on global logistics infrastructure, and volatility in asset and real estate valuations.

Inflationary concerns appear to be resurfacing in early 2025, driven by a steady stream of broad-based tariff changes and related trade headlines. The Fed acknowledged these concerns in recent meetings, indicating a more cautious approach toward rate cuts in 2025 and 2026. As a result, our construction spending estimates incorporate expectations for elevated construction costs across the forecast period.

Labor force participation remained flat over the past year, while the unemployment rate gradually increased. More than 1 million U.S. workers shifted from full-time to part-time roles. Asset prices — particularly in equities and real estate — remain a concern through 2025 and 2026 as markets continue to adjust to high interest rates. As seen in recent weeks, significant disruptions to equity valuations can quickly affect broader economic growth expectations.

We have also factored in extreme levels of policy uncertainty resulting from major budget cuts and the dismantling of various federal offices under the current administration. Additionally, the economy is being shaped by rapid advances in artificial intelligence and other emerging technologies, alongside geopolitical instability and conflict in regions such as Russia, Ukraine, Israel and the broader Middle East, and China. These developments continue to exert influence and add strain across all areas of the forecast.

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