Gilbane

Construction Market Conditions Report

Q1 2026

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Top Three Takeaways:

1. Selective Growth Will Define 2026
Overall construction growth is projected at ~1%, with momentum concentrated in infrastructure, power, healthcare, and data centers, while traditional office, retail, warehouse, and multifamily remain under pressure.

2. Tariffs & Electrical Supply Chains Drive Cost Risk
Section 232, reciprocal, and IEEPA tariffs continue to influence material pricing, while electrical gear and power infrastructure components remain extended due to sustained demand and global constraints.

3. Labor Remains the Industry's Structural Constraint
Despite broader economic moderation, skilled labor shortages, particularly in electrical and mechanical trades, continue to drive wage growth and selective bidding.

Message from Our Experts

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We are pleased to share the Gilbane Q1 2026 Market Conditions Report. This quarterly report delivers a national macroeconomic perspective of the U.S. economy and its impact on the construction industry, with focused insight into market trends, supply chain conditions, material and equipment availability, cost trends, and risk mitigation considerations.

This quarter, in addition to our interactive Geographic Insights, our Supply Chain Spotlight examines the ongoing impact of tariffs on global construction supply chains and material pricing.

Due to the U.S. government shutdown in October 2025, certain federal datasets remain unavailable beyond Q3 2025. Data limitations are noted where applicable.

At Gilbane, our goal is to serve as your trusted partner in navigating supply chain complexity, cost volatility, and project delivery risk. We welcome the opportunity to connect and discuss how these insights can support your strategic planning and decision making.

General Economic Outlook

Consumer spending and income rise

- Consumer spending continued to increase in Q3 2025 at an accelerated pace. In November, both current-dollar and real personal income increased, along with disposable income measures. However, due to the October 2025 government shutdown, consumer spending data for Q4 2025 and personal income data for December 2025 remain unavailable.

  Why it Matters: Because many commercial projects depend on end-user demand, construction follows consumer behavior with a short lag.

Employment rises while unemployment dips slightly

- Total nonfarm employment increased by 50,000 in December. The unemployment rate decreased slightly to 4.4 percent, down 0.1 percentage point from November. After seasonal adjustment, November 2025 marked the highest unemployment rate since October 2021.

  Why it Matters: In general, employment supports consumer confidence and spending, increasing demand for commercial construction.

Real wages remain unchanged

- Real average hourly earnings remained unchanged from November to December 2025 and are up 1.1 percent from December 2024 to December 2025. The flat reading in December reflects a 0.3 percent increase in average hourly earnings coupled with a 0.3 percent increase in inflation, as measured by the Consumer Price Index for All Urban Consumers (CPI-U).

  Why it Matters: Purchasing power remains constrained

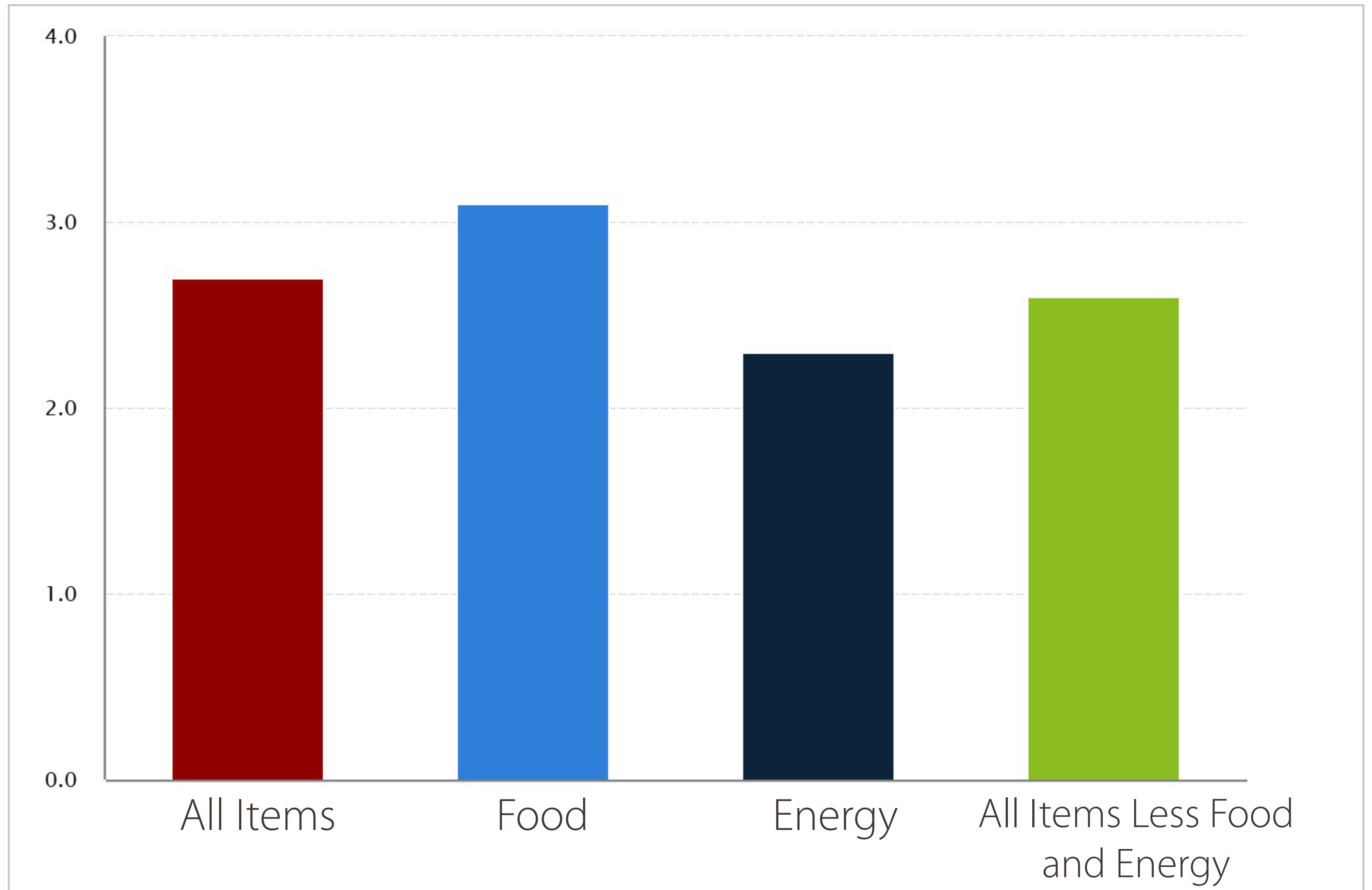
Dollar weakens with inflation

- The value of the U.S. Dollar weakened slightly against the Euro in December 2025 and has trended downward since the start of the year. This decrease in value aligns with the recent uptick in inflation.

  Why it Matters: Even if nominal wages rise, construction demand weakens if inflation erodes purchasing power.

Despite a continued modest uptick in inflation, the Federal Reserve resumed interest rate cuts in 2025 before holding rates steady in January 2026. Broader economic indicators reflect resilience in some areas and moderation in others.

12-month percentage change, Consumer Price Index
Selected categories, Jan. 2026, not seasonally adjusted



Source: US Bureau of Labor Statistics

General Economic Outlook

Gross Domestic Product

- Real gross domestic product (GDP) increased 1.1 percent (annual rate of 4.4 percent) in Q3 2025 from Q2 2025, according to the third estimate released by the Bureau of Economic Analysis. In Q2 2025, real GDP decreased 0.95 percent (annual rate of 3.8 percent) from the previous quarter.
- The growth in real GDP in the third quarter reflects a decrease in imports and growth in consumer spending, exports, government spending, and investment.
- Construction contributed –0.03 percentage points to the 4.4 percent annualized increase in GDP in Q3 2025, reflecting a 5.9 percent decrease in real gross output.
- From Q3 2024 to Q3 2025, real GDP grew 2.3 percent.

Why it Matters: Economic growth remains positive but moderate

Inflation

- The Consumer Price Index for All Urban Consumers (CPI-U) increased 0.3 percent in December 2025 on a seasonally adjusted basis and rose 2.7 percent over the past 12 months, not seasonally adjusted, according to the U.S. Bureau of Labor Statistics. The All Items Less Food and Energy Index rose 0.2 percent in December 2025 and 2.6 percent over the past 12 months.
- December 2025 marked the seventh consecutive month of recorded inflation growth following a marginal dip in March and a data gap in October and November due to the U.S. government shutdown.
- Despite the slight uptick in inflation, the Federal Reserve implemented three 0.25-point interest rate cuts in 2025. The most recent occurred on December 10, 2025, and was preceded by cuts on September 17, 2025 and October 29, 2025. These reductions brought the target range to 3.50-3.75 percent. In January 2026, the Fed opted to maintain the current interest rate.

Why it Matters: Inflation remains elevated despite policy support

General Economic Outlook

Corporate Profits

- Corporate profits increased 4.5 percent in Q3 2025 compared to Q2 2025, according to the third estimate released by the Bureau of Economic Analysis. By contrast, corporate profits increased 0.2 percent in Q2 2025.
- Corporate profits were 9.3 percent higher in Q3 2025 than in Q3 2024.
- Corporate profits are a key indicator of corporate financial health and reinvestment capacity, according to the Bureau of Economic Analysis.

Why it Matters: Corporate balance sheets remain strong

Government Investment

- Real government consumption expenditures and gross investment increased 0.55 percent (annual rate of 2.2 percent) in Q3 2025 from Q2 2025, according to the third estimate released by the Bureau of Economic Analysis. In Q2 2025, real government expenditures and investment decreased 0.025 percent (annual rate of 0.1 percent) from the previous quarter.
- From Q3 2024 to Q3 2025, real government consumption expenditures and gross investment rose 1.1 percent.

Why it Matters: Public spending providing modest support

Business Investment

- Real gross private domestic investment remained stagnant in Q3 2025 compared to Q2 2025, according to the third estimate released by the Bureau of Economic Analysis. In Q2 2025, real private investment decreased 3.45 percent (annual rate of 13.8 percent) from the previous quarter.
- From Q3 2024 to Q3 2025, real gross private domestic investment declined 0.2 percent.

Why it Matters: Private investment growth remains cautious

Construction Market Overview

Construction poised for uneven recalibration

- The U.S. construction industry is forecast to grow 1 percent in 2026, according to FMI. While year-end 2025 spending data remains delayed due to the October 2025 government shutdown, FMI estimates construction spending declined 1 percent in 2025.
- In 2026, the industry is expected to face heightened uncertainty and uneven performance across sectors, underscoring the need for strategic, data-driven insights rather than broad assumptions.

Why it Matters: Selective growth requires disciplined strategy

Data centers and infrastructure drive forecast growth

- Data center construction remains the key driver of growth across all building segments.
- Infrastructure and adjacent segments—including sewage and waste disposal, conservation and development, water supply, and power—are expected to maintain steady momentum in 2026.

Why it Matters: Data center and infrastructure demand are offsetting softer cyclical building segments

Traditional office among forecast segment declines

- Traditional office construction spending is forecast to decline in 2026, due to high vacancy rates, refinancing risks, and limited investor appetite.
- Commercial retail, warehouse, manufacturing, and multifamily construction are also expected to decline in 2026.

Why it Matters: Sector performance will vary widely

Construction Market Overview (continued)

Spending dip signals reset

- Total construction spending rose 0.5 percent in October 2025 compared to September but was down 1 percent year over year, according to the U.S. Census Bureau. The October 2025 government shutdown has delayed the release of more recent spending data.
- Sustainability, electrification, and resilience are increasingly becoming baseline industry requirements rather than policy- or mandate-driven initiatives, according to FMI. Rising energy demand, higher electricity costs, and greater exposure to severe weather are accelerating investment in energy-efficient, resilient infrastructure that reduces risk and improves long-term reliability.

Why it Matters: Resilience is now the baseline, not optional

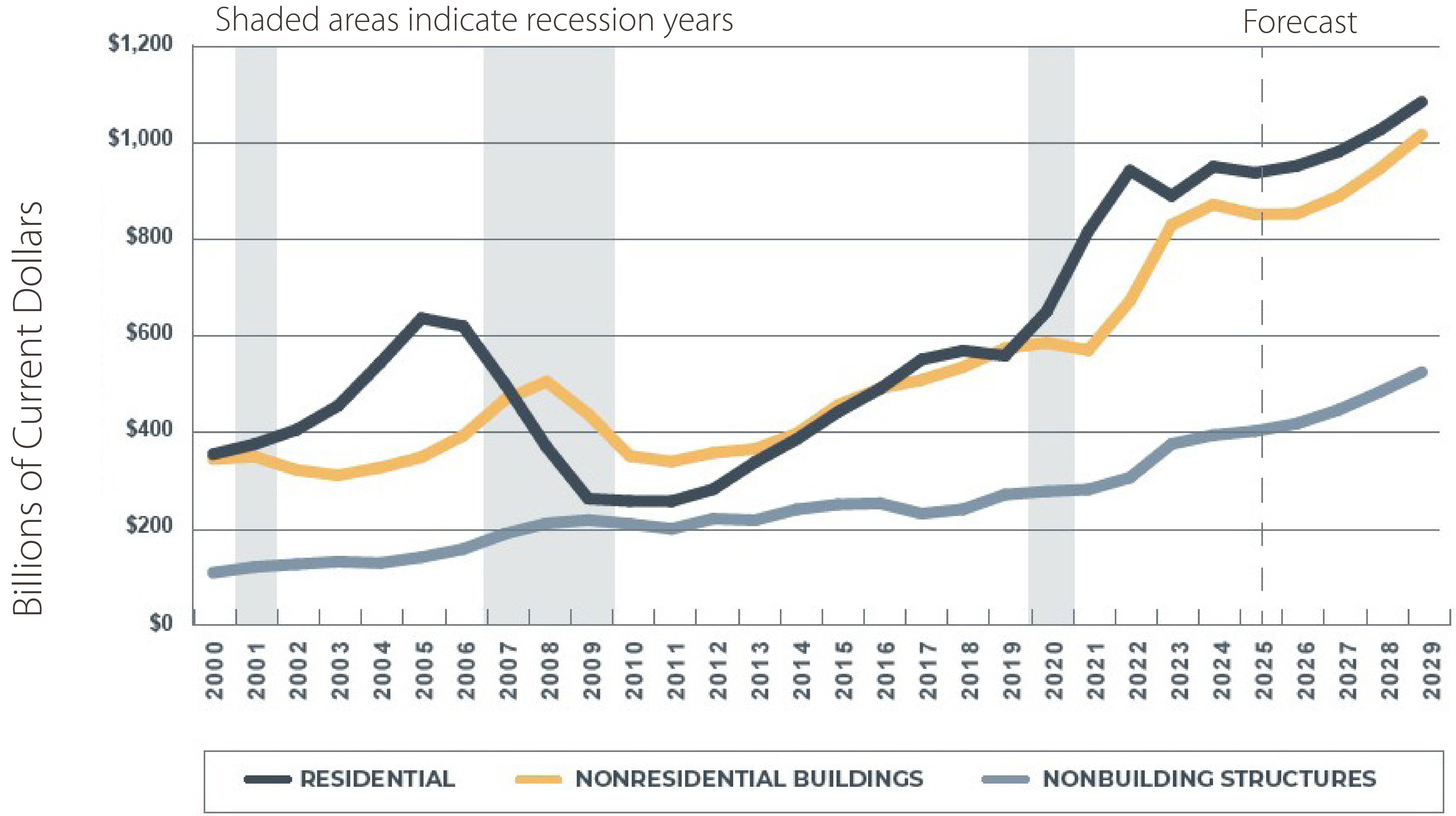
Strategic focus fuels opportunity

- FMI notes that executives should prepare for a more selective market environment, prioritize sectors with resilient cash flows, and align strategic priorities with available resources. Strengthening partnerships, securing labor, and expanding delivery capacity will position organizations to capture growth as conditions improve into late 2026.

Why it Matters: Preparation today supports future growth

Construction Market Overview

Total Construction Spending Put in Place Estimated for the U.S.

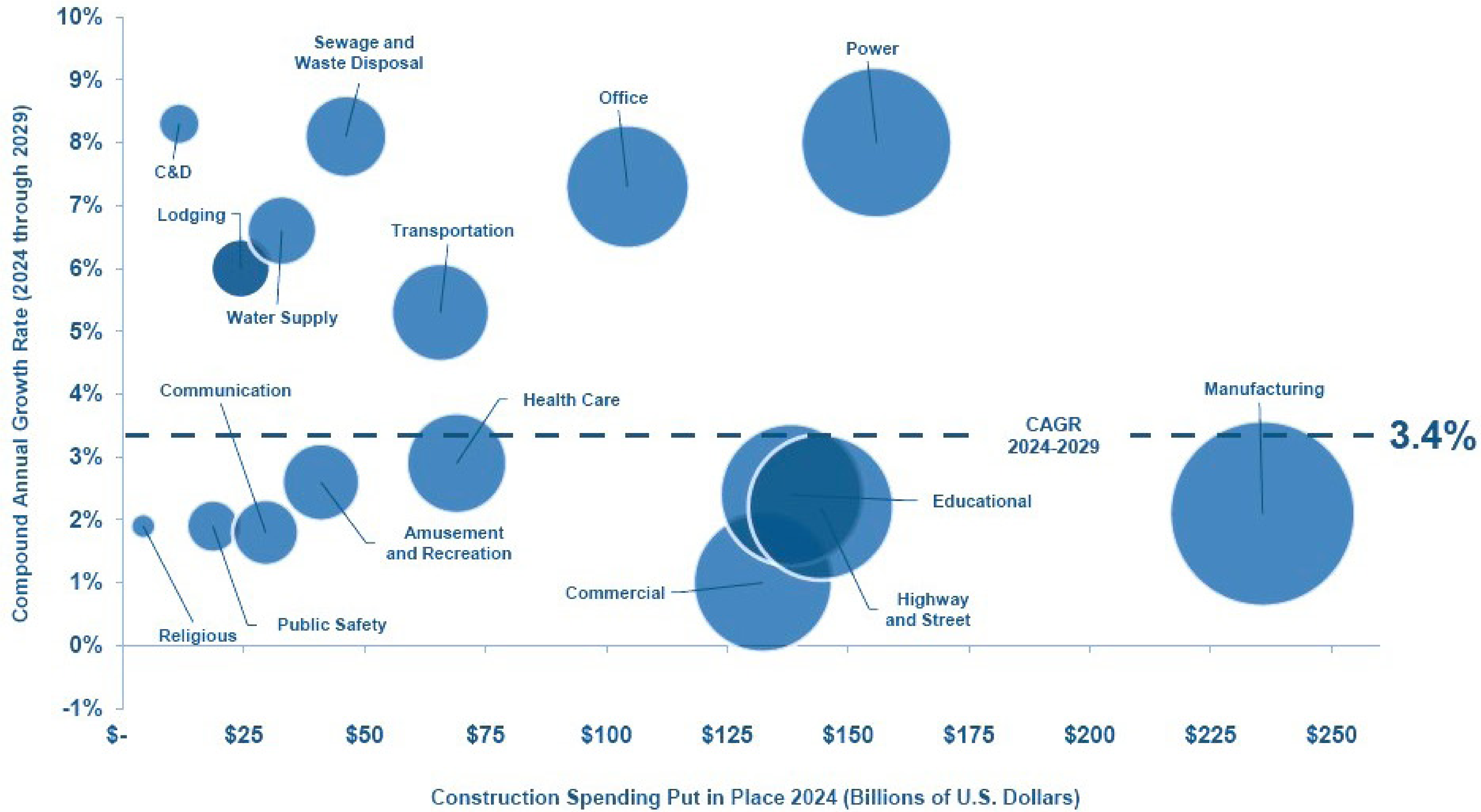


Source: FMI Forecast, Q1 2026

Construction Market Overview

Non-Residential Construction Spending Put in Place

Forecast Growth by Construction Segment



Source: FMI Forecast, Q1 2026

Construction Market Overview: Geographic Insights

Southeast

In the Southeast region, the labor market remains fairly constrained. Labor availability across mechanical, electrical, and plumbing trades is particularly tight due to sustained demand from large-scale data center and manufacturing projects. As a result, mechanical, electrical, and plumbing trade partners are becoming increasingly selective about the projects they pursue outside of those sectors, leading to reduced bid participation and upward pricing pressure. Meanwhile, other trades continue to seek stable project opportunities.

New England

Across the New England region, demand remains mixed. A softer market in Boston is balanced by stronger construction activity in New Hampshire, Rhode Island, and Connecticut. Specifically, projects in Rhode Island and Connecticut are benefiting from a relatively greater abundance of labor, as trade contractors from surrounding areas are pursuing opportunities outside their traditional markets. This increased labor pool has driven stronger price-based competition among trade contractors. However, elevated demand for raw and manufactured materials continues to push material costs higher, largely offsetting labor-related savings. In Massachusetts, demand varies by sector. Developer-driven work remains soft, while budget constraints are limiting higher education demand. While traditional office demand remains soft, the interiors market is gaining traction as larger tenants relocate to Class A office buildings. The life sciences market is beginning to show renewed momentum, while demand in the healthcare and multifamily housing sectors remain strong. Across the region, sustainability-focused projects are prominent, reflecting broader regulatory and market shifts. Alternative delivery methods are also gaining traction, including true design-build and public-private partnerships (P3).

New York

Across **New York State**, construction activity remains robust, with multiple mega projects. Despite stagnation in apartment property valuations, population growth and strong rental demand in the region continue to sustain apartment construction activity. Healthcare remains a major driver, with multiple hospital expansions and public health facility developments underway. Moreover, demand in power and data centers have impacted lead times and availability of materials, particularly for electrical switchgear and HVAC equipment. Given sustained project volume, the labor market strain is expected to continue. An aging workforce and slower entry of labor from younger generations are contributing to ongoing shortages. In response, Upstate New York is expanding apprenticeship programs and ON-RAMP initiatives to help address workforce gaps.

In **New York City,** construction activity has increased, with a growing number of commercial office conversion projects advancing. Hospital and outpatient facility expansions remain strong, while major life sciences developments continue to drive regional growth. New York State's $150 million investment in biotech hubs has further supported demand in this sector. Within K-12 and higher education, growth has been more moderate, as healthcare and life sciences receive greater prioritization. Affordable housing activity is gaining traction due to support from the state's Housing Acceleration Fund. While market activity remains steady in New York City, recent extreme cold weather has reduced productivity on projects exposed to the elements, while labor constraints persist. The NYC construction workforce remains below pre-pandemic levels, and more than 25 percent of the Hudson Valley construction workforce is aged 55-65, indicating potential near-term retirements. Additionally, immigration policy changes are adding additional pressure to an already strained labor market.

Mid-Atlantic

In the Mid-Atlantic region, specifically in New Jersey, construction demand is expected to increase following the recent election of a new Governor and Mayor of Jersey City. Governor Mikie Sherrill campaigned on a platform focused on smart growth and higher-impact infrastructure projects aimed at improving affordability for residents. This policy direction may support future infrastructure investment and construction activity across the region.

Construction Market Overview: Geographic Insights

Southwest

In the Southwest, market conditions remain generally stable. Most major equipment categories are steady in both pricing and supply availability.
Lead times for electrical gear remain extended and continue present scheduling constraints. Labor availability remains tight but stable, with no significant disruptions currently impacting project delivery.

Midwest East (PA, OH, MI):

In the Midwest East region, labor shortages persist across mechanical, electrical, plumbing, and masonry trades, due to multiple large-scale projects being conducted simultaneously. As a result, trade contractors are pricing at a premium. An increasing number of data center pursuits in the region is expected to further intensify labor competition.

Midwest West (IL, IN, WI, MN):

Across the Midwest West, the construction market remains highly active and increasingly shaped by mega-scale industrial and data center projects.
Electrical labor shortages are widespread and expected to persist through at least 2026, and potentially into 2027. Bid competitiveness varies by sector, with smaller commercial and public work projects seeing more active participation than large industrial or mega projects. These larger developments compete for the same mechanical and electrical trade partners, limiting bidding depth. Material costs and lead times, particularly for mechanical and electrical equipment, are being driven upward by the volume of concurrent regional mega projects. Despite these pressures, contractor pipelines remain healthy, supported by ongoing economic development initiatives, manufacturing investment, and continued data center expansion.

West

The **Arizona** construction market entered Q1 2026 in a stable but selective environment. While overall construction volume has moderated from recent highs, Phoenix remains one of the most active construction markets in the Southwest, supported by population growth, corporate investment, and a robust pipeline of industrial and infrastructure projects. Industrial construction continues to lead activity, particularly in semiconductor manufacturing, advanced technology campuses, and data center development. These sectors are sustaining demand for general contractors and key trades despite broader economic uncertainty. New multifamily starts have slowed, allowing absorption to catch up. While rent growth has flattened, continued population growth supports long-term housing demand. For the remainder of 2026, the Phoenix construction market is expected to remain sector-driven rather than broad-based.

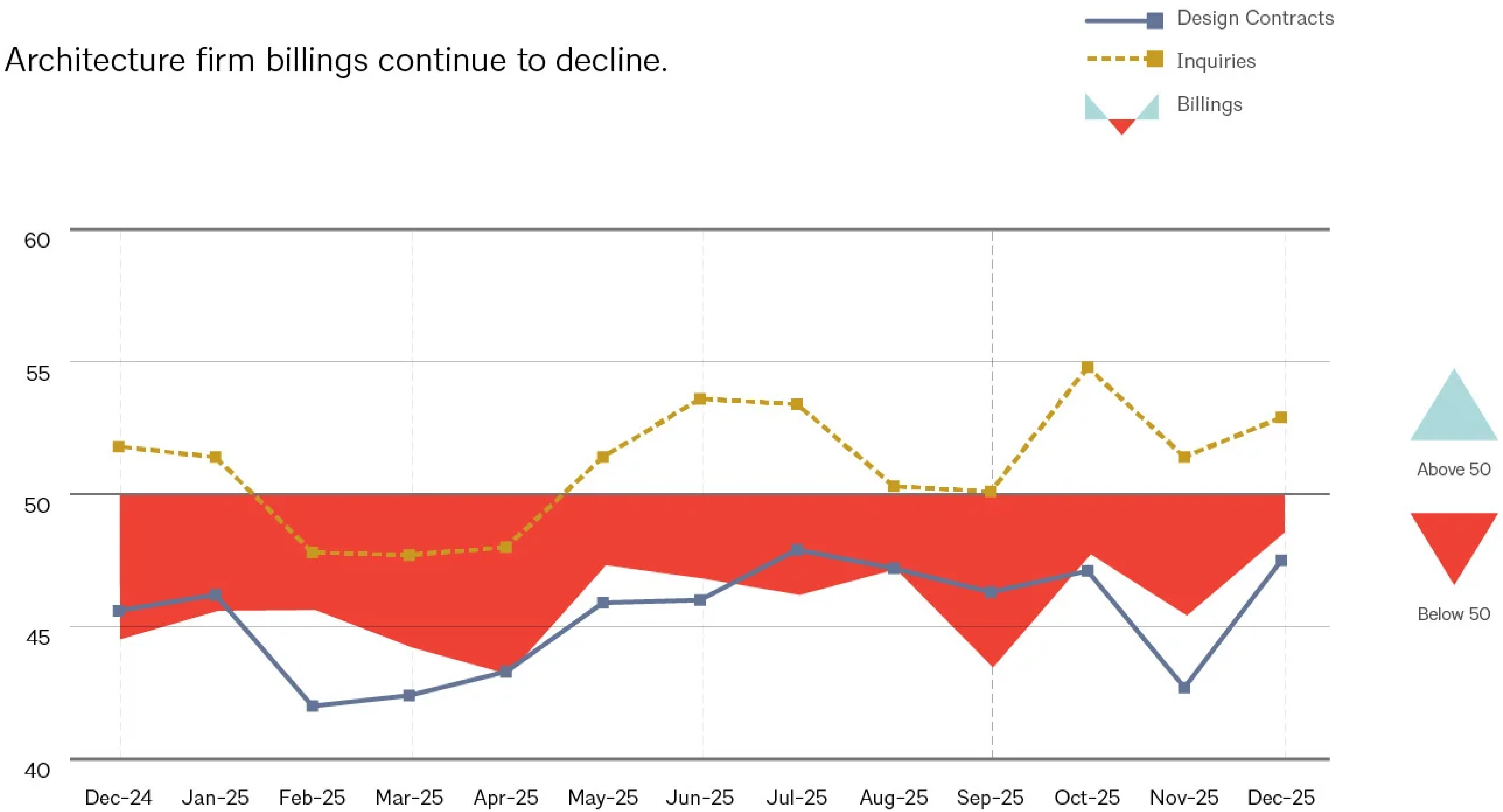
The **Southern California** market remains robust, fueled by the passage of Proposition 2, which is injecting billions into K–12 and community college facility upgrades, though many projects are still in the planning stages. Public infrastructure is also surging as Los Angeles prepares for the 2026 FIFA World Cup and 2028 Summer Olympics, with major upgrades underway at LAX and existing venues. Healthcare construction continues to accelerate due to the 2030 seismic compliance deadline under SB 1953, with hospitals racing to retrofit or rebuild facilities. These overlapping demand drivers are intensifying pressure on labor availability and material costs, the latter of which remain elevated, and are expected to challenge project delivery across the region through at least 2028.

In **Northern California**, the current outlook is characterized by a cautious transition, noting intense activity in sectors like data center, and infrastructure, driven by AI demand and public funding, as opposed to a slowdown in residential and commercial projects. However, supply chain disruptions, especially for electrical materials, are causing delays and price spikes in data centers, electrification, and EV infrastructure projects. New tariffs on steel (15-25% volatility) and potential duties on lumber (25-35% hikes) are driving uncertainty in project budgeting and planning. While overall construction spending is projected to be flat to low-single-digit growth, the market faces continued labor shortages, elevated, albeit stabilizing, material costs, and uncertainty from new tariffs. Though the market is not in a deep recession, specialized, technology-driven, and public-sector work is currently providing stability.

Architectural Billings Report

NATIONAL

Architecture firm billings continue to decline.

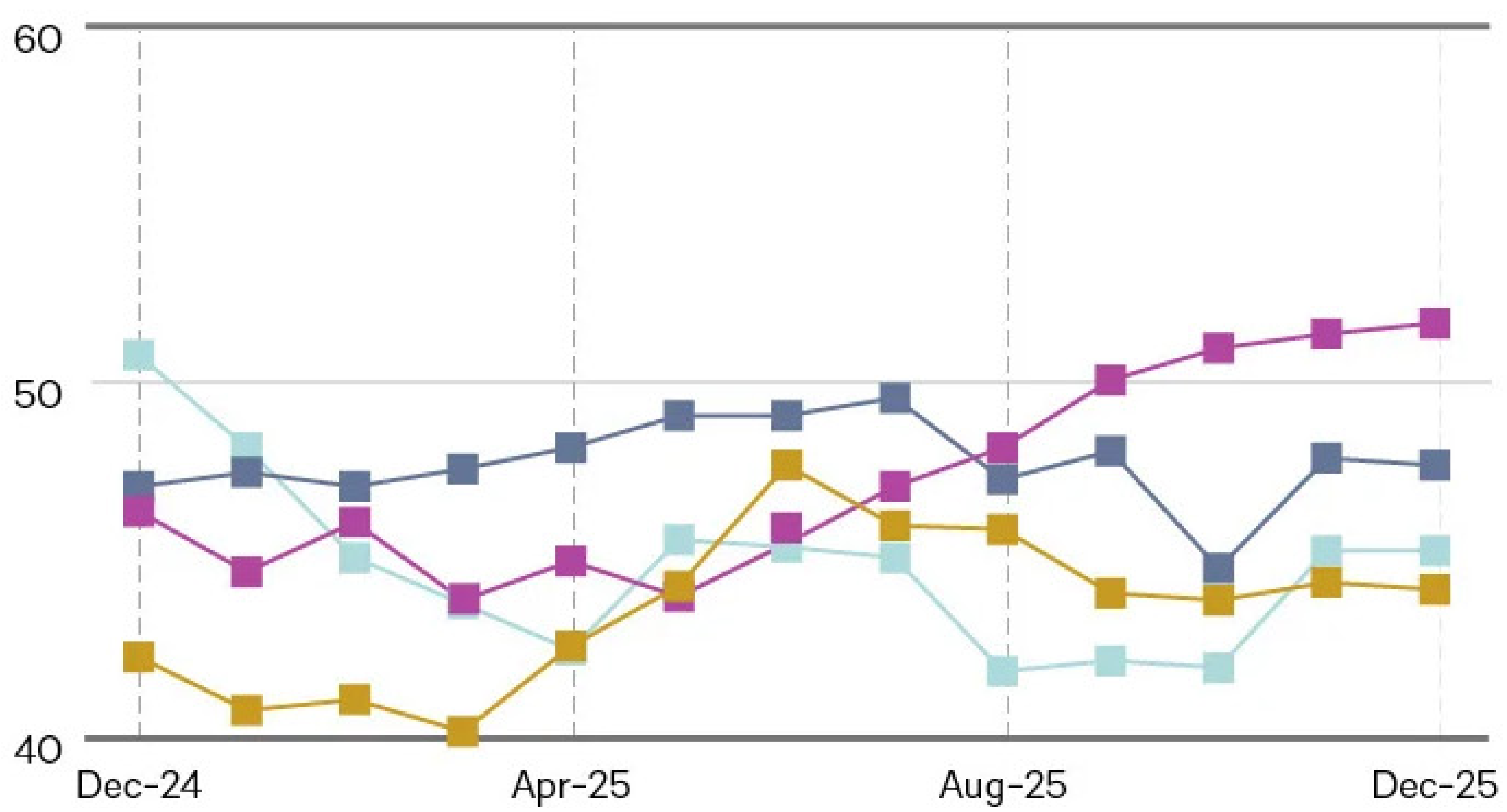


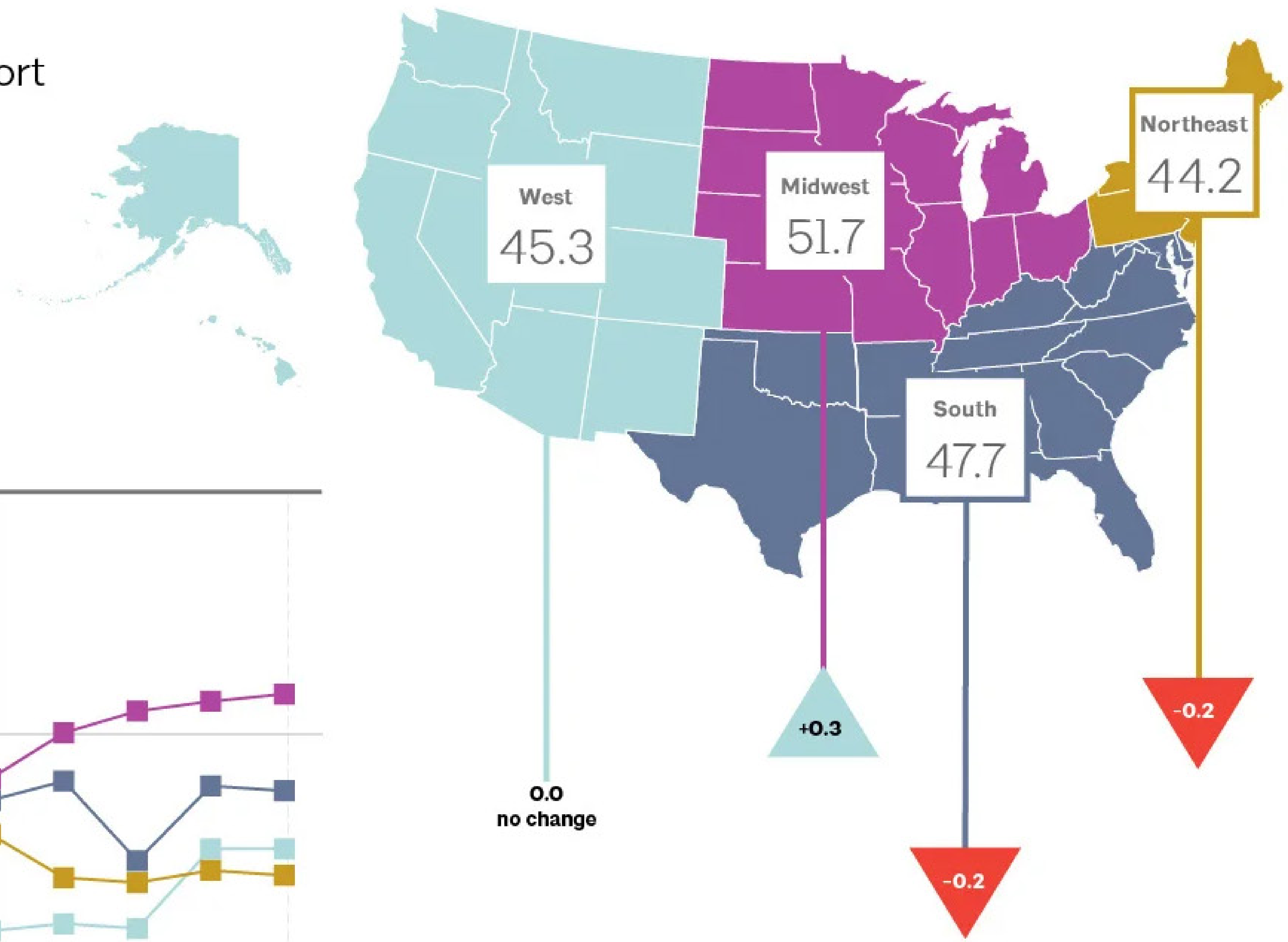
Source: American Institute of Architects (AIA)/Deltek, Architecture Billings Index (ABI), Dec. 2025.

Architectural Billings Report

REGIONAL

Firms in the Midwest continue to report modest growth.





Source: American Institute of Architects (AIA)/Deltek, Architecture Billings Index (ABI), Dec. 2026.

Commodity/Input Cost Insights

Material Price Index

- The Materials Price Index (MPI), published by S&P Global Market Intelligence, fell 1.7 percent in the first week of February 2026, with eight of the 10 subcomponents decreasing. This marks the first weekly decline since the start of 2026. The MPI sits about 2.1 percent lower than the same week in 2025, indicating commodity pricing has eased over the past year.
- Declining nonferrous metal and energy prices were the main driver of the recent decrease. All six tracked metals exhibited declines, with tin prices on the London Metal Exchange falling 13.9 percent, the largest weekly decline since November 2008. Lower ferrous metal prices also contributed overall decline.
- The MPI represents a weighted average of weekly spot prices for a key collection of globally traded manufacturing inputs.

Materials Price Index by S&P Global Market Intelligence

(week 1 2002 = 1.00)

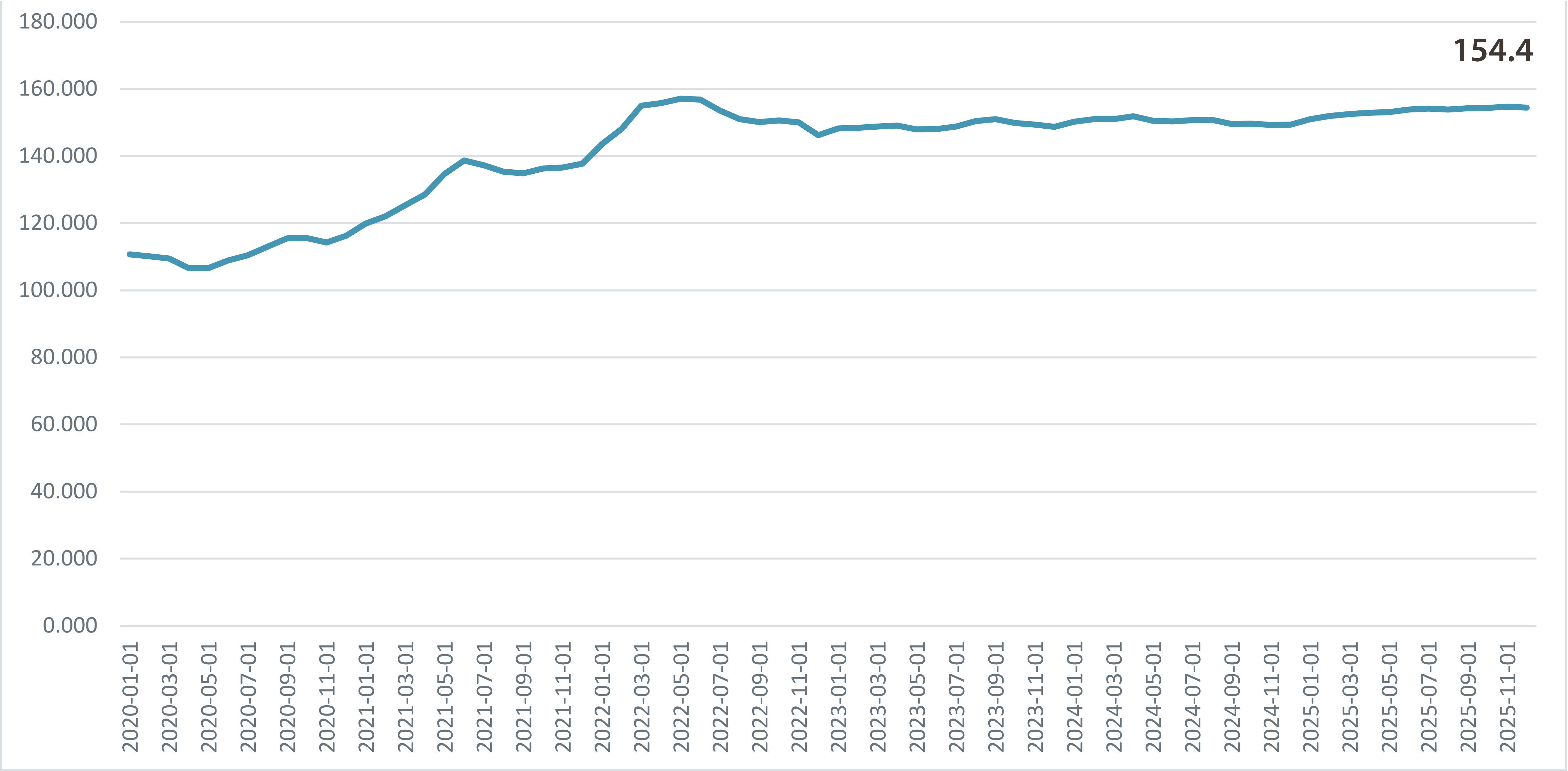
Date Compiled Jan. 6, 2026
Source: S&P Global Market Intelligence

Commodity/Input Cost Insights

Producer Price Index – Inputs to Construction

- The Producer Price Index (PPI) for Inputs to Construction registered 154.4 in December 2025, representing a 0.1 percent increase from September 2025, as reported by the U.S. Bureau of Labor Statistics.
- The index also increased 3.4 percent year-over-year from December 2024. However, the index remains 1.7 percent below its peak level recorded in May 2022.

Producer Price Index - Inputs to Construction



Commodity/Input Cost Insights

Construction Materials

The following data reflects year-to-date percent changes through December 2025 for select construction materials. Due to the October 2025 United States government shutdown, the release of Producer Price Index (PPI) data for January 2026 is delayed. Overall, pricing trends reflect continued volatility across metals, while certain energy-related inputs have moderated.

Material	% Change from last quarter	% Change Dec 2024 - Dec 2025	Material	% Change from last quarter	% Change Dec 2024 - Dec 2025
Ready Mix Concrete	-0.2	-0.2	**#2 Diesel Fuel**	-13.8	-8.2
Concrete Pipe	0.8	2.3	**Aluminum Shapes**	8.6	30.5
Paving Mixtures and Blocks	1.8	3.1	**Copper and Brass Shapes**	10.9	11.8
Lumber and Plywood	-0.2	-1.8	**Flat Glass**	0.5	3.5
Steel Mill Products	2.4	17.0	**Gypsum Products**	0.0	0.2
Fabricated Structural Steel	1.7	10.0	**Steel Pipe and Tube**	2.7	9.4

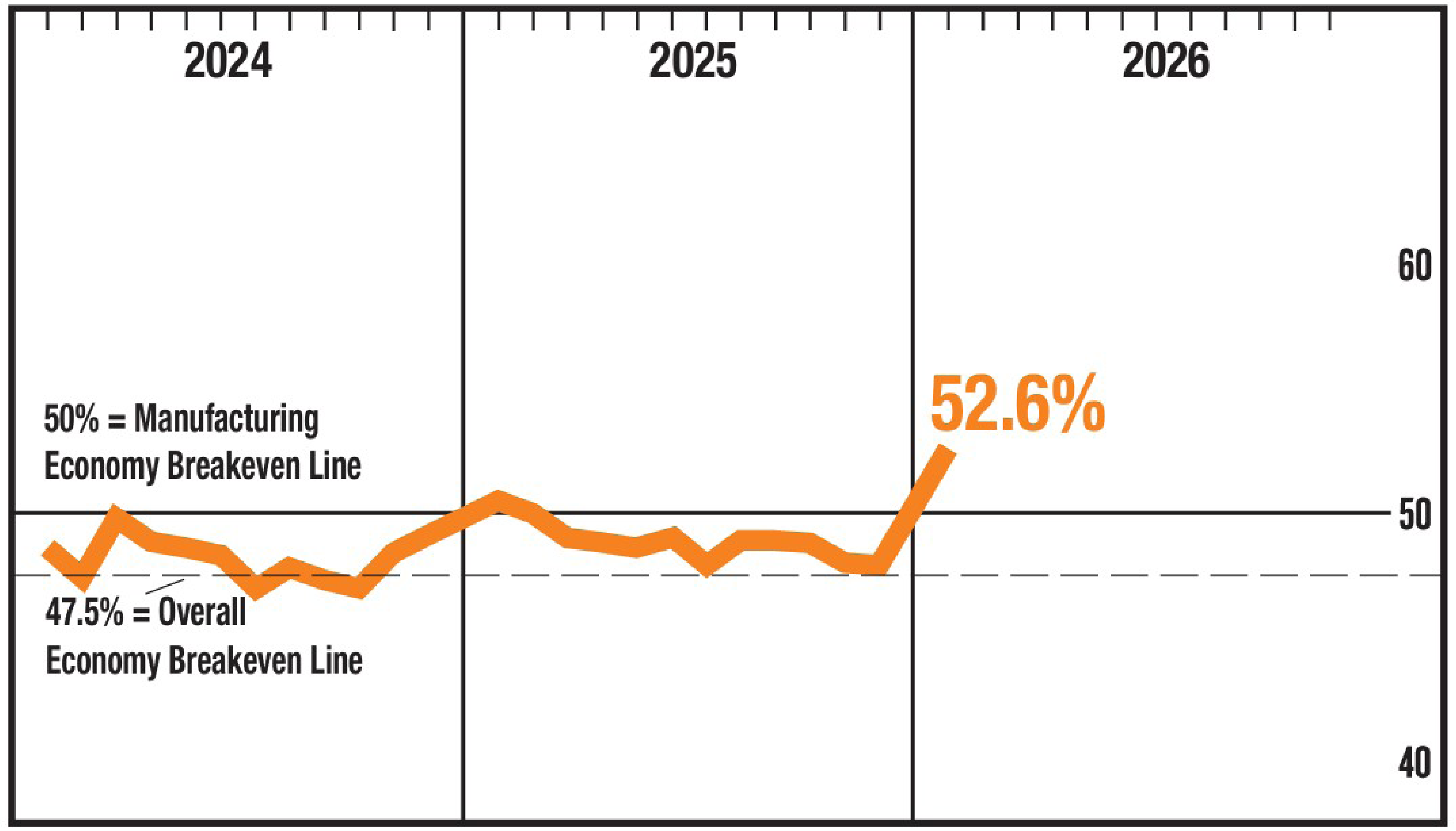
Source: Select data taken from AGC PPI Tables, January 2026 (compiled from www.bls.gov/ppi)

Supply Chain and Labor

Purchasing Managers' Index®

- The U.S. manufacturing sector expanded in January 2026 for the first time in 12 months, following 26 consecutive months of contraction. The Manufacturing Purchasing Managers' Index (PMI®) registered 52.6 percent in January, increasing 4.7 percentage points from December, according to the ISM® Report On Business®.
- The **New Orders Index** rose to 57.1 percent in January, up 9.7 percentage points from December. This marks the highest reading since February 2022. While the increase suggests a potential uptick in near-term demand, there is speculation that the increase was partly driven by post-holiday demand and consumers' desire to get ahead of additional tariff-related price increases.
- Despite an overall increase in the New Orders Index, several construction-related industries reported declines in new orders in January, including Wood Products, Nonmetallic Mineral Products, Paper Products, Miscellaneous Manufacturing, Computer & Electronic Products, and Electrical Equipment, Appliances and Components.
- The **Supplier Deliveries Index** registered 54.4 percent in January, 3.6 percentage points higher from December. This indicates slower delivery speeds and marks the second consecutive monthly slowdown. Slower deliveries may reflect renewed demand pressure rather than broad supply chain deterioration. However, select industries, including Plastics & Rubber Products, Nonmetallic Mineral Products, and Miscellaneous, reported faster delivery performance in January.

Manufacturing PMI



Source: Institute for Supply Management Report On Business, Feb. 2026

Supply Chain and Labor

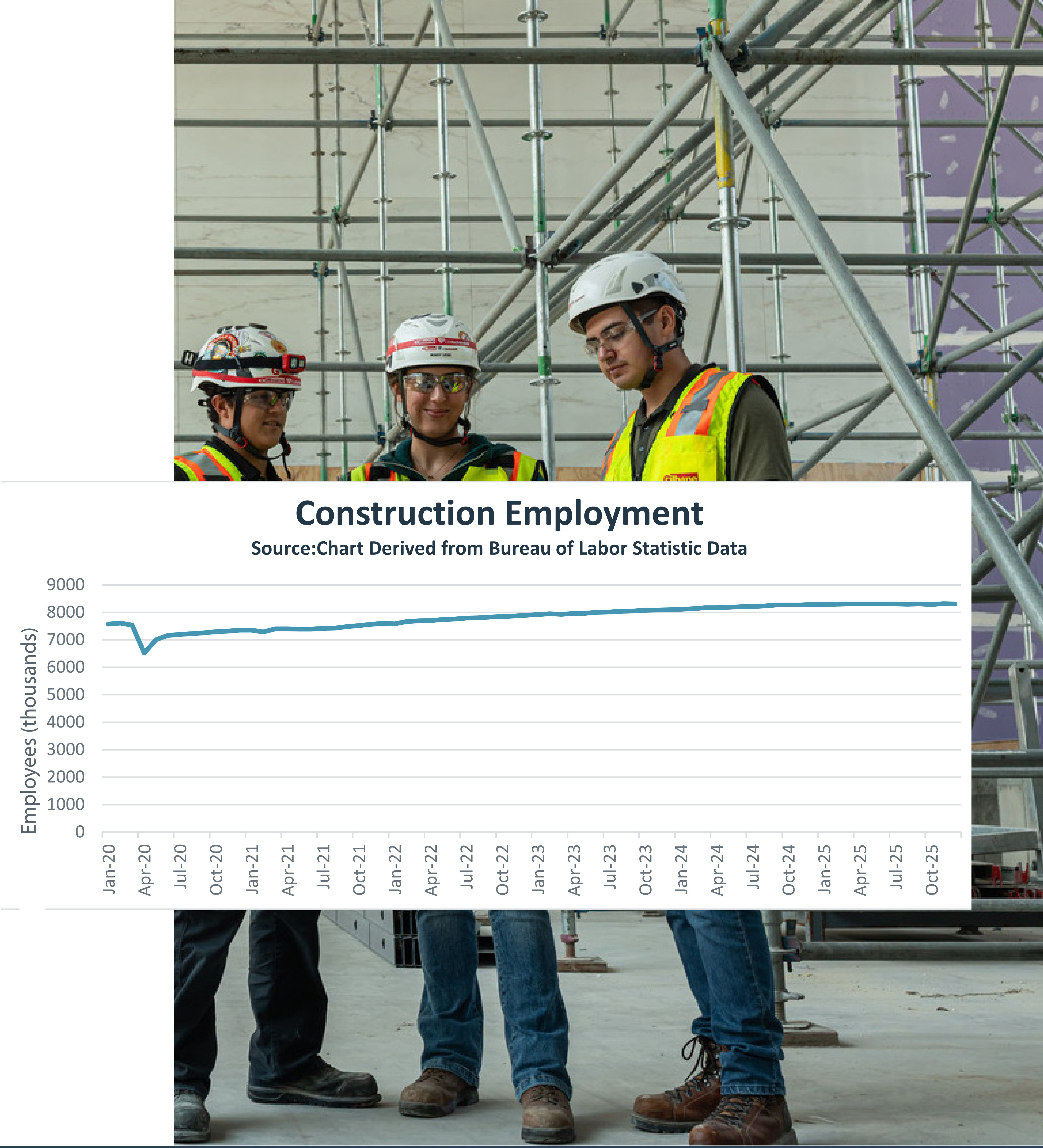
Purchasing Managers' Index® Continued

- The **Inventories Index** registered 47.6 percent in January, 1.9 percentage points higher from December, indicating inventories are contracting at a slower pace. Contracting inventories makes it harder for suppliers to deliver on time, hindering accurate revenue projections and high-quality customer service. Alternatively, several industries reported lower inventories in January, including Computer & Electronic Products, Machinery, Plastics & Rubber Products, Transportation Equipment, and Fabricated Metal Products.
- The **Backlog of Orders Index** increased to 51.6 percent in January, up 5.8 percentage points from December, marking the highest reading since August 2022. Despite this increase in the Index, indicating a shift from contraction territory to expansion, the Plastics & Rubber Products, Wood Products, Computer & Electronic Products, and Nonmetallic Mineral Products industries all reported declining backlogs in January.
- Materials most frequently cited as in short supply include electrical components, electronic components, labor, memory, rare earth components, and steel products.

Supply Chain and Labor

Labor Outlook

- According to the U.S. Bureau of Labor Statistics, the unemployment rate for construction workers registered 5.0 percent in December 2025, 1.2 percentage points higher than in September.
- The Bureau of Labor Statistics also reported a monthly decrease of 11,000 construction jobs in December.
- Construction labor demand is expected to increase throughout 2026, particularly as major Infrastructure Investment and Jobs Act (IIJA) components continue to advance.
- Skilled construction wages rose approximately 3.9 percent in 2025 and are projected to rise 3.6 percent in 2026, according to S&P Global Market Intelligence.
- Labor availability remains one of the most significant variables influencing project scheduling and pricing entering 2026.



Supply Chain and Labor

Employment Cost Index

The following chart illustrates percent (%) changes in the Employment Cost Index (ECI) for total compensation in select labor categories through December 2025, before seasonal adjustment.

Labor Category	% Change Sep 2025 – Dec 2025	% Change Dec 2025 – Dec 2025	Labor Category	% Change Sep 2025 – Dec 2025	% Change Dec 2025 – Dec 2025
Private Industry Workers – All	0.4	3.4	**Private Industry Workers – Construction**	0.6	4.0
Private Industry Workers – All Union	0.4	4.0	**Private Industry Workers – Mining, Construction, & Manufacturing – Union**	0.4	4.0
Private Industry Workers – All Nonunion	0.4	3.3	**Private Industry Workers – Mining, Construction, & Manufacturing – Nonunion**	0.5	3.4

Source: U.S. Bureau of Labor Statistics (BLS) Employment Cost Index (ECI), July. 2025

Supply Chain and Labor

Selected Equipment and Material: General Lead Times (from Internal Survey Results and Supplier/MFG data)*

Material	Lead Time	Cost	Explanation
Switchboards	**22-36 weeks** (longer for larger/complex)	Stable	Demand spikes at the beginning of 2026 have contributed to increases in price and lead times for electrical equipment. Data center and electrical infrastructure projects have been the primary drivers behind the surge in demand. However, lead times are expected to improve slightly as 2026 progresses. Lead times for large generators have extended substantially due to data center and other associated demand.
Panelboards	**7-11 weeks** (longer for larger/complex)	Stable	
Pad Mounted Transformers	**31-51 weeks** (lead times continue to improve)	Slightly Increasing	
Switchgear LV	**32-54 weeks** (slight improvement in deliveries)	Slightly Increasing	
Switchgear MV	**49-82 weeks** (slight improvement in deliveries)	Slightly Increasing	
Generators	**60-90+ weeks**	Slightly Increasing	
Chillers (Water Cooled, <1000 tons)	**18-30 weeks**	Stable	Prices seem to be holding steady, but some manufacturers are implementing price increases at the end of the year. Some quotes include language that indicates tariff increases will be passed down to customers.
Chillers (Water Cooled, >1000 tons)	**28-44 weeks**	Stable	
Chillers (Air Cooled)	**14-23 weeks**	Slightly Increasing	
AHUs (Commercial Grade)	**16-20 weeks**	Stable	
AHUs (Custom)	**20-33 weeks**	Stable	
RTUs (<50 ton)	**12-18 weeks**	Stable	
RTUs (>50 ton)	**13-22 weeks**	Stable	

*Lead times represent typical and indicative general ranges for each category and may differ based on specifications, requirements, manufacturer, production facility, and other supply chain factors. Shorter lead times than those shown may be available for stock/quick ship catalog items and longer lead times may apply for large and more custom specifications. Lead times are after the release of the order or release to fabrication, as applicable, and do not include the procurement cycle, submittals process, performance/witness tests, or transportation. These should be planned as applicable.

Supply Chain and Labor

Selected Equipment and Material: General Lead Times (from Internal Survey Results and Supplier/MFG data)*

Material	Lead Time	Cost	Explanation
Packaged Rooftop Heat Pumps	17-24 weeks	Stable	
Modular Air-to-Water Heat Pumps	17-28 weeks	Stable	
Computer Room A/C Units - Air Cooling	16-27 weeks	Stable	
Cooling Towers	12-18 weeks	Stable	
Lab Exhaust Fans	14-23 weeks	Stable	
Energy Recovery Units	12-20 weeks	Stable	
Exhaust AHUs	12-16 weeks	Stable	
Heat Recovery Skids	20-24 weeks	Stable	
Steel	20-33 weeks (shorter for mill cycle)	Slightly Increasing	
Millwork	15-24 weeks	Slightly Increasing	
Elevators	26-44 weeks	Slightly Increasing	
Curtainwall	23-39 weeks	Stable	
Roofing	15-24 weeks	Stable	

*Lead times represent typical and indicative general ranges for each category and may differ based on specifications, requirements, manufacturer, production facility, and other supply chain factors. Shorter lead times than those shown may be available for stock/quick ship catalog items and longer lead times may apply for large and more custom specifications. Lead times are after the release of the order or release to fabrication, as applicable, and do not include the procurement cycle, submittals process, performance/witness tests, or transportation. These should be planned as applicable.

Supply Chain and Labor

Transportation and Logistics

Sea/Maritime

- As February 12, 2025, global container freight prices are down 26.3 percent since the start of the year, according to Trading Economics.
- Compared to the same time last year, global container freight prices are down 33.22 percent. The Containerized Freight Index, tracked by Trading Economics, reflects current freight rates for container transport from major ports in China.

Supply Chain and Labor

Transportation and Logistics

Road

- Truckload volumes increased modestly in December compared to November. Month-over-month, the DAT Truckload Volume Index (TVI) increased 4 percent for van shipments and 7 percent for reefer, but decreased 1 percent for flatbed. Year-over-year, the TVI decreased 3 percent for van, increased 3 percent for flatbed, and remained virtually unchanged for reefer.
- Despite limited growth in volumes, spot rates increased more significantly, aligning with seasonal expectations. From November to December 2025, spot rates increased 20 cents for van, 15 cents for reefer, and 6 cents for flatbed.
- Meanwhile, contract rates remained relatively flat. From November to December 2025, contract rates remained unchanged for van and decreased 2 cents for both reefer and flatbed.
- Strong seasonal demand, coupled with severe weather and constrained capacity, accounted for the strong increase in spot rates relative to the mild increase in volume in December 2025. DAT Freight & Analytics forecasts that normal financial pressures will narrow capacity and freight broker margins in Q1 2026. Moreover, if tariffs are overturned, these forecasted trends will be exacerbated by a surge in imports.
- The DAT Truckload Volume Index (TVI) tracked by DAT Freight & Analytics reflects the change in the number of loads with a pickup date during that month.

Supply Chain and Labor

Transportation and Logistics

Rail

- The Association of American Railroads (AAR) Freight Rail Index (FRI), which measures seasonally adjusted month-to-month rail inter-modal shipments plus carloads excluding coal and grain, rose 3.1 percent in January 2026 from December 2025. This increase is due to resilience in U.S. rail carload volumes despite winter storms in January. The FRI provides a gauge of underlying freight demand tied to industrial production and consumer goods flows.
- Inter-modal volume in January 2026 was down 3.5 percent year-over-year. This marks the fifth consecutive year-over-year decline in the past five months. Year-over-year declines in January and preceding months can be attributed to weaker port activity, softer goods demand, and high trucking capacity redirecting demand from inter-modal transportation.
- Carload volume in January 2026 was up 4.4 percent year-over-year, with increases in shipments of grain, coal, and other industrial products outweighing declines in automotive shipments.
- Among select construction-related materials, year-to-date carload volume in January 2026 was up 17.8 percent for iron and steel scrap and 2.4 percent for chemicals, but down 2.6 percent for metallic ores and 2.5 percent for primary metal products.

Supply Chain Spotlight: Ongoing Tariff Impacts on Construction Materials

Section 232 Tariffs and Year-Over-Year Price Changes for Impacted Materials

Additional materials currently being assessed by the U.S. Department of Commerce for potential Section 232 tariff applicability include pharmaceuticals, critical minerals, commercial aircraft, poly-silicon, and unmanned aircraft systems.

Steel and Aluminum:

- Section 232 tariffs on imports of steel, aluminum, and their derivative products remain at 50 percent for all countries of origin except the United Kingdom. Steel and aluminum imports from the United Kingdom remain subject to a 25 percent tariff.
- Section 232 tariffs on steel do not apply to derivative steel articles processed in another country if the original steel was exclusively melted and poured in the United States. Similarly, Section 232 tariffs on aluminum do not apply to derivative aluminum articles processed in another country if the was exclusively smelted and cast in the United States. In this case, only the non-steel or non-aluminum content is subject to applicable reciprocal and IEEPA tariffs.
- Section 232 tariffs may be reduced to as low as 25 percent for imports that meet all three of the following conditions:
    1. Steel was melted and poured, or aluminum was smelted and cast, in Canada or Mexico;
    2. The product qualifies for preferential treatment under the United States-Mexico-Canada Agreement (USMCA); and
    3. The import supports U.S. production capacity for key products, including automobiles and MHDVs.
- **As of December 2025, Section 232 tariffs on steel, aluminum, and their derivative products have contributed to the following year-over-year price increases:**
    - **Fabricated structural metal products: +10.0%**
    - **Hot rolled steel bars, plates, and structural shapes: +12.1%**

Vehicles and Vehicle Parts:

- Section 232 tariffs apply to vehicle and vehicle parts covering automobiles, automobile parts, medium- and heavy-duty vehicles (MHDVs), medium- and heavy-duty vehicle parts (MHDVPs), buses, and related vehicles for the transport of 10 or more persons.
- Section 232 tariffs on automobiles and automobile parts remain at 25 percent, and have expanded to include a 25 percent tariff on MHDVs and MHDVPs. Exceptions exist across all four tariff categories for certain vehicles and parts imported from Canada, Mexico, and the United Kingdom. For automobiles and MHDVs that qualify for preferential tariff treatment under the USMCA, the 25 percent tariff applies only to non-U.S. content of the vehicle. Automobile and MHDV parts that qualify for preferential tariff treatment under the USMCA are exempt from this tariff. Meanwhile, the first 100,000 automobiles imported from the United Kingdom will be subject to a 10 percent tariff.
- Section 232 tariffs on automobile and MHDV parts that are intended for use in automobiles that undergo final assembly in the United States will only apply to 15 percent of the vehicle's total value. This means that vehicles intended for final assembly in the United States will face a total automobile parts tariff of 3.75 percent of the Manufacturer's Suggested Retail Price (MSRP) through April 30, 2030 and October 31, 2030 for automobile parts and MHDVPs, respectively.
- Buses and other vehicles for the transport of 10 or more persons are subject to a 10 percent tariff.
- **Section 232 tariffs on vehicles and vehicle parts have contributed to a 5.6 percent year-over-year increase in construction machinery and equipment pricing as of December 2025.**

Copper:

- Section 232 tariffs on imports of semi-finished copper products and intensive copper derivative products remain at 50 percent for all countries.
- Copper input materials, including ores, concentrates, mattes, cathodes, anodes, and scrap are exempt from Section 232, reciprocal, and IEEPA tariffs.
- Under the United States-United Kingdom Economic Prosperity Deal, the United States will coordinate with the United Kingdom to adopt a structured, negotiated approach to addressing national security concerns within the copper sector.
- **Section 232 tariffs on semi-finished copper products and intensive copper derivative products have contributed to a 22.3 percent year-over-year increase in copper wire and cable pricing as of December 2025.**

Wood:

- Imports of select wood and wood products are subject to various Section 232 tariffs:
    - Softwood timber and lumber: 10 percent
    - Certain upholstered wood products: 25 percent
    - Completed kitchen cabinets and vanities, including parts: 25 percent
- Exceptions exist for wood and wood products imported from the United Kingdom, European Union, and Japan, based on recently developed trade agreements. Section 232 tariffs on wood and wood products from the United Kingdom will not exceed 10 percent, while the total tariff rate (combining Section 232 tariff rates with Column 1 Duty Rates) on wood and wood products from the European Union and Japan will not exceed 15 percent.
- **As of December 2025, Section 232 tariffs on select wood and wood products have contributed to the following year-over-year price changes:**
    - **Softwood lumber: -8.2%**
    - **Lumber and plywood: -1.8%**

Semiconductors:

- As of January 15, 2026, imports of certain semiconductors, semiconductor manufacturing equipment, and their derivative products are subject to a 25 percent Section 232 tariff. These tariffs only apply to imports of advanced computing chips and derivative products that are not intended for final use in the United States, so as not to disrupt the U.S. technology supply chain. Exempt final-use applications in the United States include data centers, domestic repairs and replacements, research and development, startup companies, consumer applications, and civil industrial applications.

Top 5 Section 232 Tariffs that Impact Construction	
#1	Steel
#2	Aluminum
#3	Copper
#4	Wood
#5	Vehicles/ Vehicle parts

Supply Chain Spotlight: Ongoing Tariff Impacts on Construction Materials

IEEPA, Reciprocal, & Secondary Tariffs

- Following the Supreme Court's ruling on February 20, 2026, all tariffs implemented under the International Emergency Economic Powers Act (IEEPA), including reciprocal tariffs, fentanyl-related tariffs, and secondary tariffs, are no longer in effect.
- Specifically, the Supreme Court's ruling has eliminated the following tariffs:
  - Reciprocal tariffs on all U.S. trading partners
  - IEEPA fentanyl-related tariffs on Canada, Mexico, and China
  - IEEPA national-security-related tariffs on Brazil
  - Secondary tariffs on trade partners of Venezuela, Russia, Cuba, and Iran
- As a temporary replacement, a sweeping 10 percent tariff on nearly all items imported into the United States went into effect on February 24, 2026. This tariff falls under Section 122 and will remain in effect for 150 days.

Supply Chain Spotlight: Ongoing Tariff Impacts on Construction Materials

Stacking Rules

Tariff applicability is assessed in a hierarchical order. Once an imported article or portion of an imported article is deemed applicable under a given tariff tier, the article or applicable portion of the article is not subject to further tariff evaluation under subsequent tiers

Tariff applicability is assessed in the following hierarchical order:

- **Tier 1:** Section 232 tariffs on advanced semiconductors, semiconductor manufacturing equipment, and derivative products not intended for final use in the United States.
- **Tier 2:** Section 232 tariffs on vehicles and vehicle parts, including automobiles, automobile parts, MHDVs, MHDVPs, and buses/other related vehicles.
- **Tier 3:** Section 232 tariffs on metals, including steel, aluminum, and copper. If a derivative article contains a combination of steel, aluminum, and/or copper, the relevant Section 232 tariffs will apply to the respective value of each specified metal content. All non-steel, non-aluminum, and non-copper content are subject to further tariff evaluation under subsequent tiers, except for the non-steel and non-aluminum content of steel and aluminum derivative imports from Canada and Mexico, which are exempt from the IEEPA tariffs on non-USMCA-compliant goods from Canada and Mexico, regardless of USMCA compliance.
- **Tier 4:** Section 232 tariffs on wood and wood products, including softwood lumber and timber, certain upholstered wood products, and completed kitchen cabinets and vanities as well as parts imported for use in kitchen cabinets and vanities.
- **Tier 5:** Section 122 tariffs on most imports to the United States, which were temporarily implemented in response to the Supreme Court's ruling to overturn IEEPA tariffs, including reciprocal, fentanyl-related, and secondary tariffs.

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