



Gilbane

Construction Market Conditions Report

Q2 2026

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Top Three Takeaways:

1. Data Center Demand Continues Reshaping Construction Markets

Accelerated data center growth is driving competition for labor, electrical equipment, steel, and power infrastructure nationwide.

2. Construction Growth Remains Uneven Across Sectors

Infrastructure, healthcare, and mission-critical projects remain resilient, while commercial and developer-driven sectors face continued pressure.

3. Supply Chain and Pricing Volatility Remain Elevated

Geopolitical conflict, energy market disruption, tariffs, and long equipment lead times continue creating cost and schedule risk.

Message from Our Experts



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We are pleased to share the Gilbane Q2 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 surge in demand for data center construction, including impacts on the price and availability of materials and labor.

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

Growth in consumer spending slows amid weakening purchasing power

Consumer spending continued to increase in Q1 2026, albeit at a decelerated pace. In March, current-dollar personal income and disposable income increased. However, real personal income and disposable income dipped slightly.

Why it Matters: Inflation is reducing consumer purchasing power

Employment rises while unemployment remains steady

Total nonfarm employment increased by 115,000 in April. The unemployment rate remained unchanged at 4.3 percent in April.

Why it Matters: Labor market steady, employment increasing

Real wages dip slightly

Real average hourly earnings decreased 0.5 percent from March to April 2026. This decrease reflects a 0.2 percent increase in average hourly earnings coupled with a 0.6 percent increase in inflation after rounding, as measured by the Consumer Price Index for All Urban Consumers (CPI-U).

Why it Matters: Purchasing power remains constrained

Dollar stabilizes amid ongoing inflation pressures

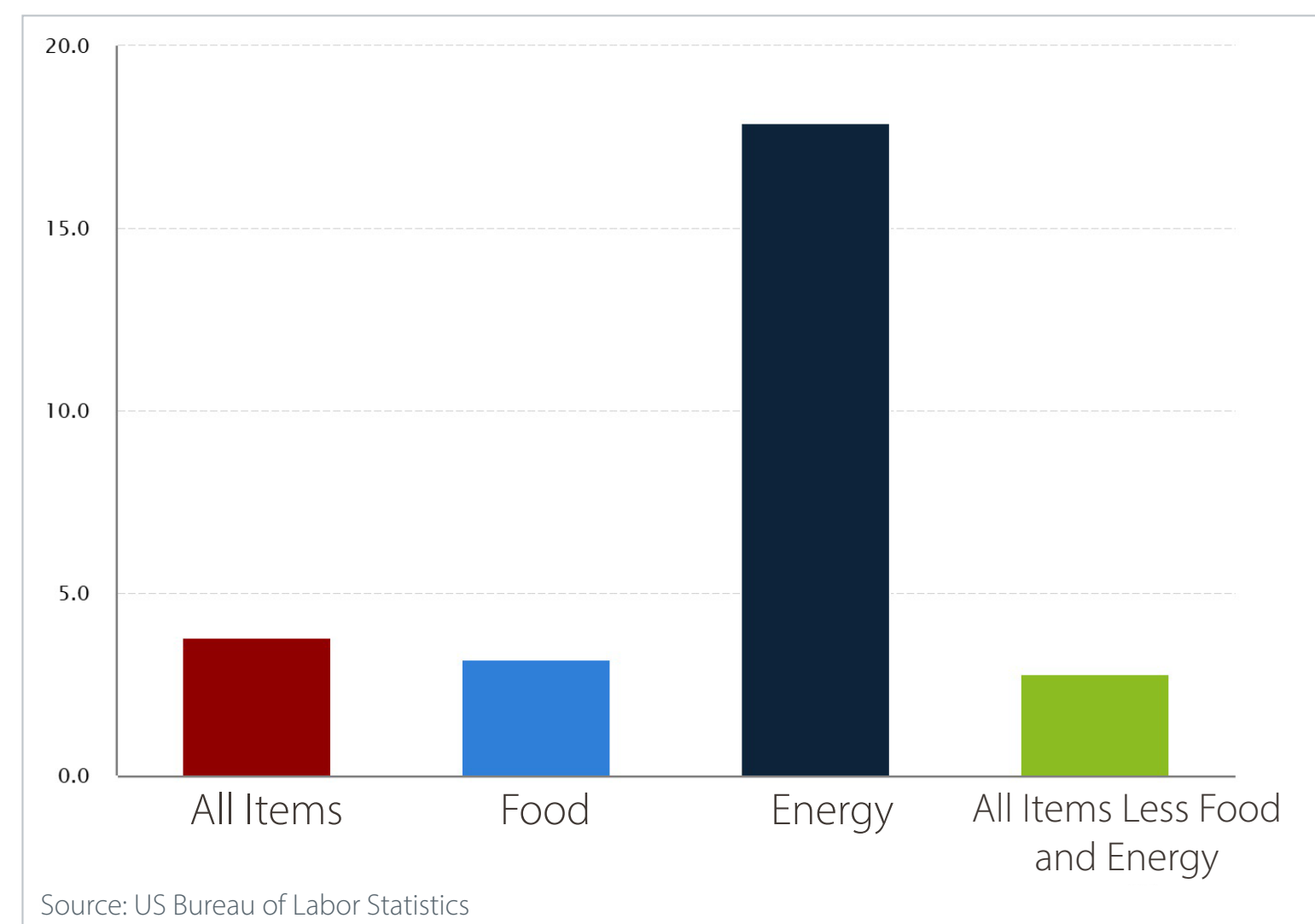
Despite the recent uptick in inflation, the value of the U.S. Dollar strengthened slightly against the Euro in March 2026 after trending downward since June 2025.

Why it Matters: Import pricing pressure is easing slightly, excluding tariff impacts

Amid an ongoing uptick in inflation since April 2025, the Federal Reserve has continued to hold interest rates steady in 2026. The combined impacts of ongoing geopolitical tensions and volatility in trade policies are having a more material impact on U.S. economic indicators in recent months, although broader conditions continue to reflect moderate economic resilience.

12-month percentage change, Consumer Price Index

Selected categories, Apr. 2026, not seasonally adjusted



General Economic Outlook

Gross Domestic Product

- › Real gross domestic product (GDP) increased 0.5 percent (annual rate of 2.0 percent) in Q1 2026 from Q4 2025, according to the advance estimate released by the Bureau of Economic Analysis. In Q4 2025, real GDP increased 0.125 percent (annual rate of 0.5 percent) from the previous quarter.
- › The growth in real GDP in the first quarter reflects an increase in investment, exports, consumer spending, and government spending.
- › From Q1 2025 to Q1 2026, real GDP grew 2.7 percent.

Why it Matters: Economic growth remains positive but moderate

Inflation

- › The Consumer Price Index for All Urban Consumers (CPI-U) increased 0.6 percent in April 2026 on a seasonally adjusted basis and rose 3.8 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 0.4 percent in April 2026 and 2.8 percent over the past 12 months.
- › April 2026 marked the 11th 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.
- › Amid the ongoing uptick in inflation, the Federal Reserve has so far kept interest rates unchanged in 2026, in line with expectations.

Why it Matters: Inflation continues to increase at an accelerated rate

General Economic Outlook

Corporate Profits

- › Corporate profits increased 6.0 percent in Q4 2025 compared to Q3 2025, according to the third estimate released by the Bureau of Economic Analysis. By contrast, corporate profits increased 4.5 percent in Q3 2025. Corporate profits were 9.6 percent higher in Q4 2025 than in Q4 2024. Corporate profits data for Q1 2026 is not yet available.
- › 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 1.1 percent (annual rate of 4.4 percent) in Q1 2026 from Q4 2025, according to the advance estimate released by the Bureau of Economic Analysis. In Q4 2025, real government expenditures and investment decreased 1.4 percent (annual rate of 5.6 percent) from the previous quarter.
- › From Q1 2025 to Q1 2026, real government consumption expenditures and gross investment rose 0.1 percent.

Why it Matters: Public spending providing modest support

Business Investment

- › Real gross private domestic investment increased 2.175 percent (annual rate of 8.7 percent) in Q1 2026 from Q4 2025, according to the advance estimate released by the Bureau of Economic Analysis. In Q4 2025, real private investment increased 0.575 percent (annual rate of 2.3 percent) from the previous quarter.
- › From Q1 2025 to Q1 2026, real gross private domestic investment declined 1.0 percent.

Why it Matters: Despite short-term gains, private investment remains cautious compared to 2025

Construction Market Overview

Construction poised for uneven recalibration

- › The U.S. construction industry is forecast to remain flat in 2026, according to FMI. By comparison, U.S. construction industry spending contracted 1.4 percent in 2025, marking a notable decline from the nearly 7 percent expansion in 2024.
- › In 2026, the industry is expected to experience heightened uncertainty and uneven performance across sectors, reinforcing the importance of utilizing strategic insights rather than broad assumptions.

Why it Matters: Selective growth requires disciplined strategy

Data centers dominate growth in 2026

- › Data center starts are up nearly 100 percent year-over-year, and data centers are expected to account for over half of private office construction in 2026, according to FMI.
- › Data center vacancy remains near record lows, at 1.6 percent, and more than 70 percent of capacity under construction is pre-leased. Issues such as power availability, permitting, and long equipment lead times are the primary constraints for data center construction, driving up completion costs to nearly \$1,000 per square foot.

Why it Matters: Data centers continue driving market growth

Power construction will fuel long-term growth through 2030

- › While data centers are dominating near-term growth in construction spending, power construction is expected to provide steady growth to industry spending through 2030.
- › Power construction activity is expected to accelerate in coming years alongside rising electricity demands, driven by data center, industrial, and electrification infrastructure needs.
- › In 2026, power construction spend is expected to increase between 0 and 4 percent.

Why it Matters: Data centers accelerating long-term power investment



Construction Market Overview (continued)

Water and wastewater lead nonbuilding segments in 2026

- › Infrastructure construction activity is expected to grow consistently in 2026, with anticipated growth of 5 percent or more.
- › Water Infrastructure Finance and Innovation Act (WIFIA) financing, per- and polyfluoroalkyl substances (PFAS) compliance, and industrial demand are contributing to demand for sewage and waste disposal construction.
- › Demand for water supply construction, particularly lead service line replacement and reuse investment, is supported by conservation and development efforts through dredging, navigation, and coastal protection tied to U.S. Army Corps of Engineers (USACE) programs.

Why it Matters: Government policies are providing support for nonbuilding construction

Strength in key sectors is masking widespread declines

- › Eight of the 19 industry segments covered in FMI's quarterly Engineering & Construction Outlook are forecast to decline in 2026. These include single-family, multifamily, residential improvements, lodging, commercial, public safety, manufacturing, and highway and street.
- › Healthcare, education, transportation, amusement and recreation, communication, and power are the segments forecast to remain stable in 2026. A "stable" allocation reflects projected growth of 0 to 4 percent, according to FMI.

Why it Matters: Segment performance is diverging in 2026

Recent spending increase provides some optimism

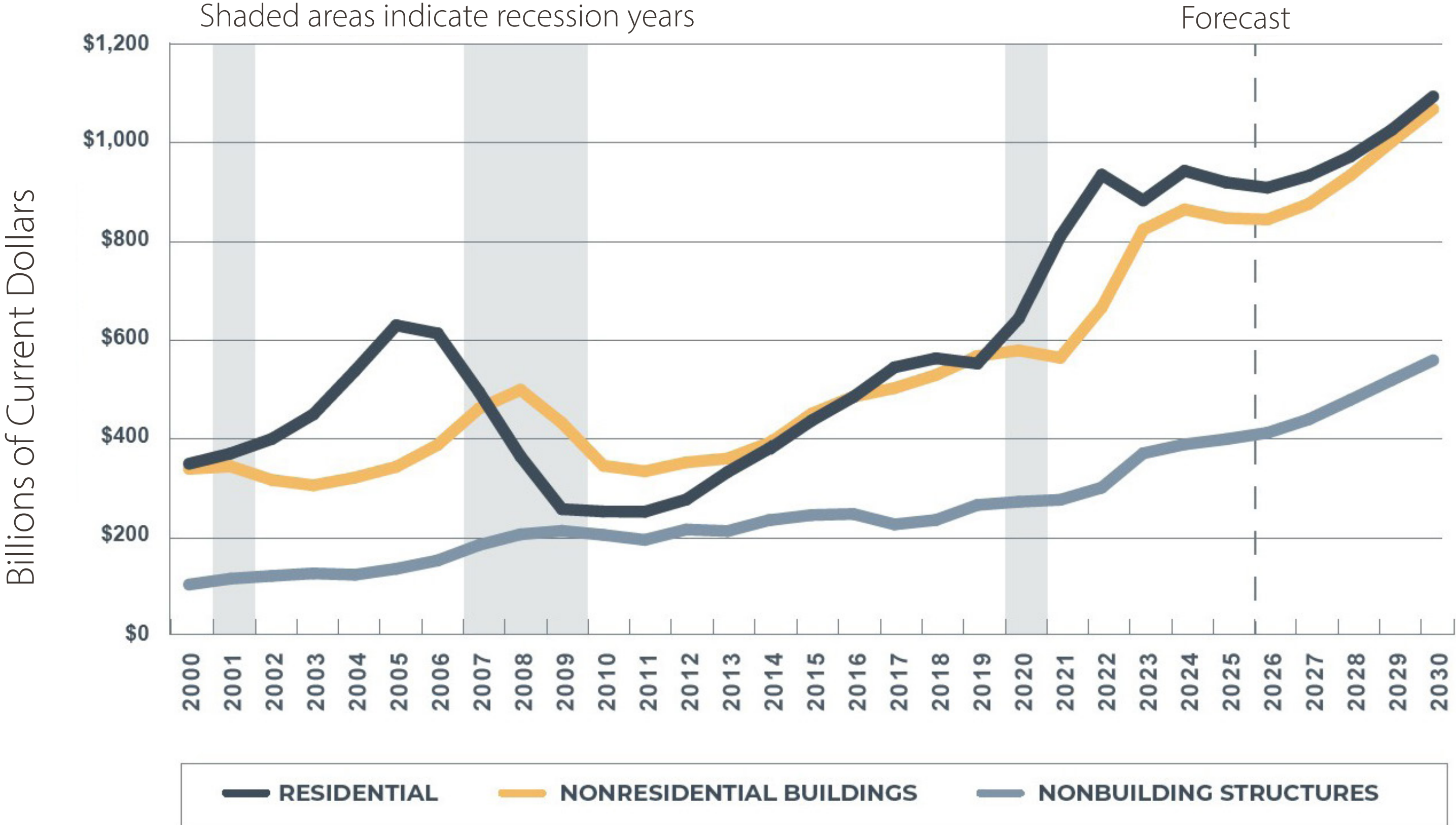
- › Total construction spending increased slightly in March 2026, rising 0.6 percent from February 2026. Meanwhile, construction spending in March 2026 was up 1.6 percent from March 2025, according to the U.S. Census Bureau.
- › During the first three months of 2026, construction spending was 0.3 percent higher than in the same period in 2025.

Why it Matters: Spending growth remains modest but positive



Construction Market Overview

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

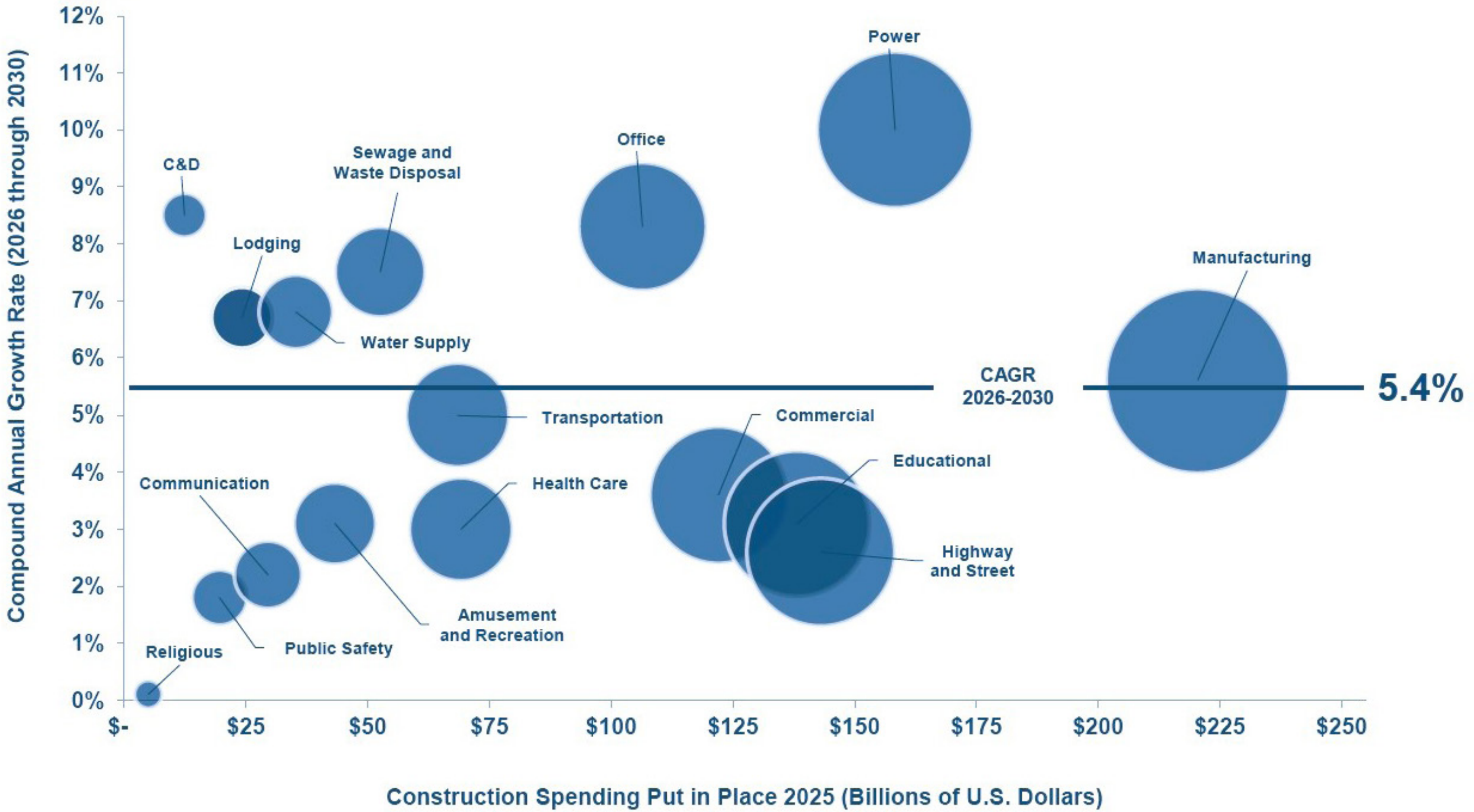


Source: FMI Forecast, Q2 2026

Construction Market Overview

Non-Residential
Construction Spending
Put in Place

Forecast Growth by
Construction Segment



Source: FMI Forecast, Q2 2026

Construction Market Overview: Geographic Insights

Southeast

In the Southeast region, as is the case in other regions, data center demand is booming, which is increasing competition in the region. While trade contractors have increased their bid participation, prices remain high due to economic conditions such as gas price escalation, tariffs, and labor shortages. Data center demand is also uplifting prices and straining lead times for MEP equipment and steel, especially for mill orders that have limited mill rolling availability. In response, data center developers are pre-purchasing steel packages, pushing out the procurement timelines for steel-heavy projects to as long as a year. In the North Carolina market, demand from pharmaceutical construction projects is also heating up in addition to data center project demand.

New England

In the New England region, strong demand for data center and manufacturing construction projects is keeping commodity prices elevated. This trend continues to offset competitive buyout opportunities, despite increased trade participation across the region. Trade contractors remain under pressure from both material costs and pricing competition. Boston is still seeing challenges in the private sector, with the exception of special projects, which continue to prevail. The Connecticut, Rhode Island, and New Hampshire markets continue to show stronger demand, particularly in infrastructure, residential, manufacturing, healthcare, and educational projects. The Connecticut market is also starting to see some movement in life sciences construction demand after a period of stagnation. Cross border contractors are still seeing improved success, easing near term labor constraints in Connecticut and Rhode Island. Labor availability, however, remains a longer term concern.

New York

Activity across **New York State**, particularly the Upstate market, is comparatively healthier than in New York City. There are multiple large, ongoing projects in the healthcare, semiconductor, manufacturing, energy, and infrastructure markets. However, due to the persistence of megaprojects in the region, labor availability is expected to remain

constrained over the next eight to ten years. Moreover, heightened concerns regarding the Iran conflict, combined with continued tariff uncertainty, have resulted in increased pricing volatility across the marketplace.

In **New York City**, commercial construction is active, but selective. Overall spending remains high in nominal dollars, but real activity is constrained by financing costs, elevated construction prices, and cautious underwriting. New construction starts are concentrated within Class A renovation and conversion projects and projects within the office, healthcare, and infrastructure markets.

Mid-Atlantic

Construction activity remains strong in the Mid-Atlantic region, boosted by data center, life science, and healthcare projects, including some megaprojects. These projects continue to strain resource availability, particularly in the mechanical and electrical trades. The New Jersey market specifically is showing strong signs of growth in 2026. Meanwhile, data center projects and other megaprojects are the driving force behind demand in the eastern part of the Philadelphia market. Conversely, developer-driven midsize work is down in the Philadelphia market, while higher education projects are tight. Meanwhile, demand for healthcare and education projects continues to grow steadily in the DC and Maryland region.

Southwest

In the Southwest region, long lead times on major electrical and mechanical equipment continue to impact procurement strategies and overall project schedules. Electrical infrastructure remains the most constrained, with continued cost escalation on most electrical equipment, including transformers, switchgear, and generators. Mechanical equipment availability has improved slightly in select categories and has remained stable for HVAC. Labor availability remains competitive across all major trades, particularly electrical and mechanical subcontractors, but also for elevator and curtainwall trades. Early procurement and early release packages remain critical risk mitigation strategies.

Midwest

In western Pennsylvania, Ohio, and Michigan, data centers remain a major growth driver, continuing to strain labor, material, and equipment supply chains. Steel, concrete, and electrical component pricing remain elevated, while procurement challenges persist for specialized MEP equipment. Strong industrial, manufacturing, and public infrastructure activity is further worsening skilled labor shortages, particularly in masonry and MEP trades, driving continued wage and fee escalation.

Across Illinois, Indiana, Wisconsin, and Minnesota, construction activity remains strong and labor constrained, driven by large-scale manufacturing, industrial, and data center projects. Demand for mechanical and electrical trades is expected to remain elevated through 2027–2028, contributing to selective bidder participation and continued wage escalation on large private-sector projects. Electrical equipment pricing and lead times remain impacted by regional megaproject demand, while geopolitical instability is creating additional near-term cost risk through fuel, freight, and petroleum-based material volatility. Despite these pressures, contractor backlogs remain healthy, supported by ongoing manufacturing, infrastructure, and data center investment.

Construction Market Overview: Geographic Insights

West

The **Arizona** construction market remains active, supported primarily by data center and advanced manufacturing megaprojects, while speculative development continues to lag under elevated lending rates. Build-to-suit private projects are maintaining momentum despite tighter budgets, and healthcare and public sector opportunities are beginning to rebound alongside continued population growth. Increased light industrial absorption is also expected to support additional project activity in the near term.

Southern California remains highly active, driven by sustained public investment in education, infrastructure, healthcare, and civic facilities. Major transportation and venue upgrades tied to the 2028 Olympic Games, combined with ongoing K-12 modernization programs and expanding behavioral health infrastructure, are contributing to significant demand across the market. At the same time, the 2030 hospital seismic compliance deadline continues to intensify healthcare construction activity, placing added pressure on labor availability, subcontractor capacity, procurement timelines, and pricing certainty through at least 2028.

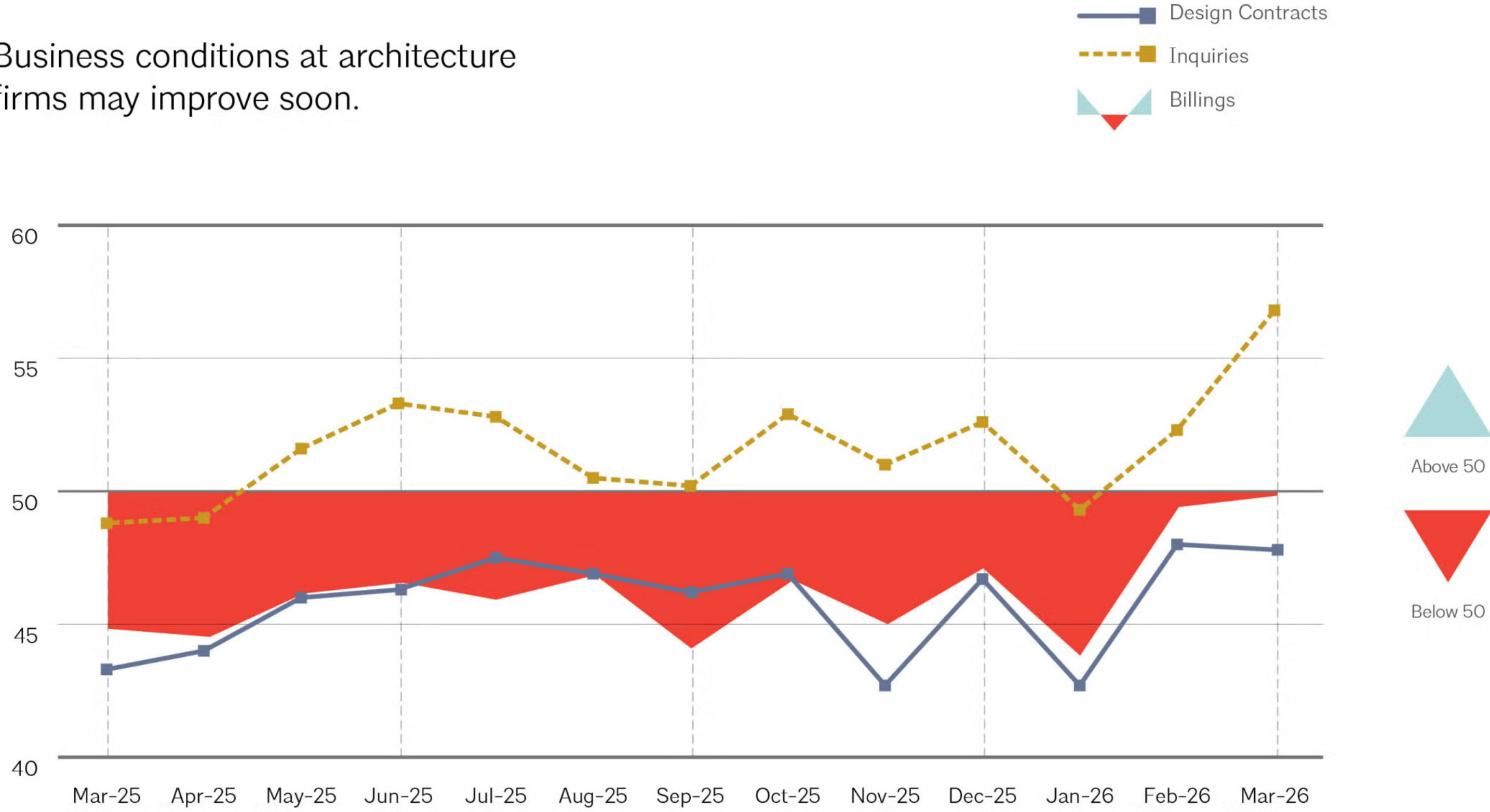
Northern California continues to experience uneven but resilient growth, led by ongoing expansion in data centers and digital infrastructure tied to AI and machine learning investment. Civil construction activity is expected to rise modestly across transportation and water/wastewater sectors, while power availability constraints, utility coordination challenges, and long lead times for electrical equipment continue to impact pricing and schedule certainty. Private development remains slower, particularly in speculative office, mixed-use, and market-rate residential sectors, though healthcare, life science, and select technology projects continue to support steady market activity.



Architectural Billings Report

NATIONAL

Business conditions at architecture firms may improve soon.

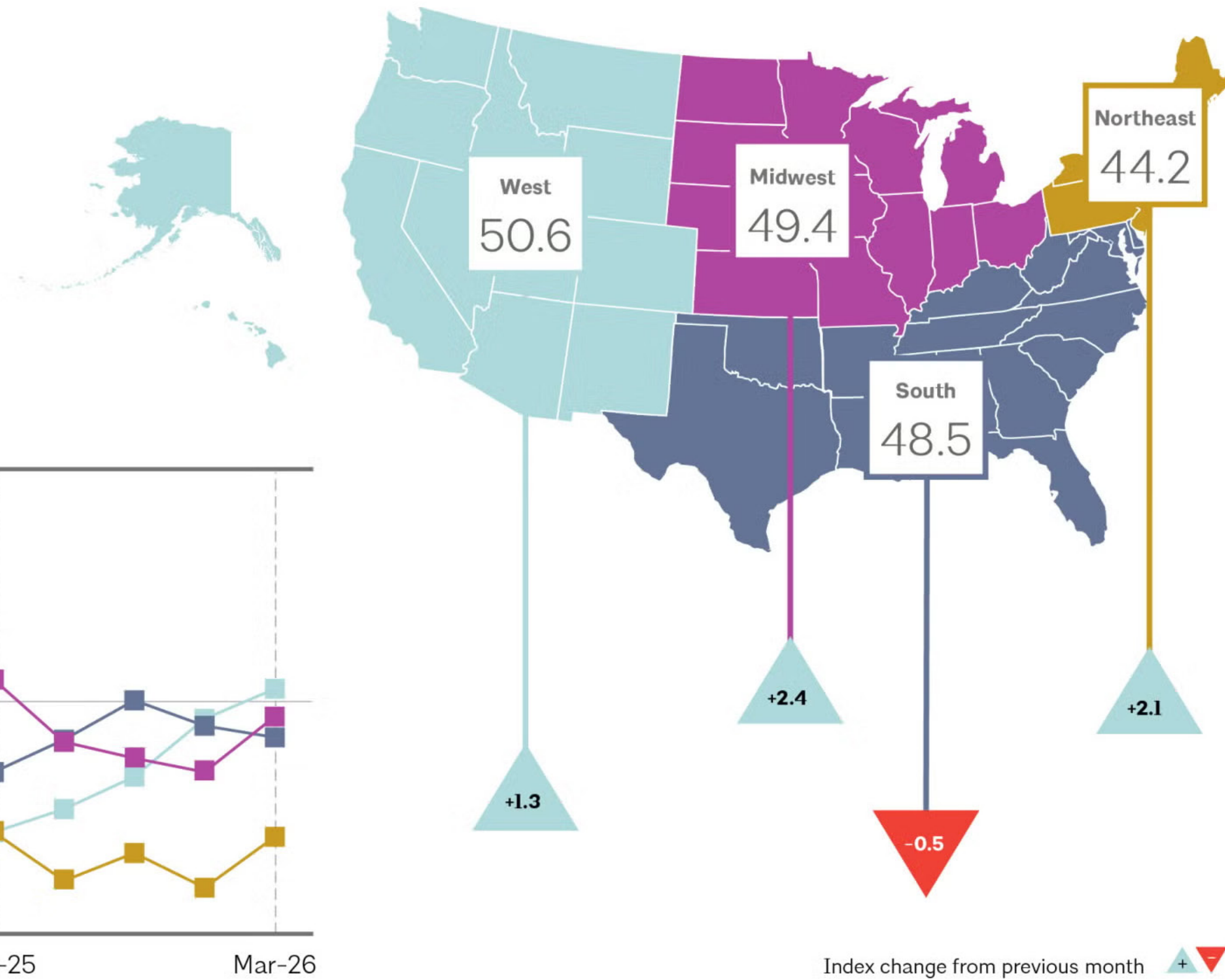
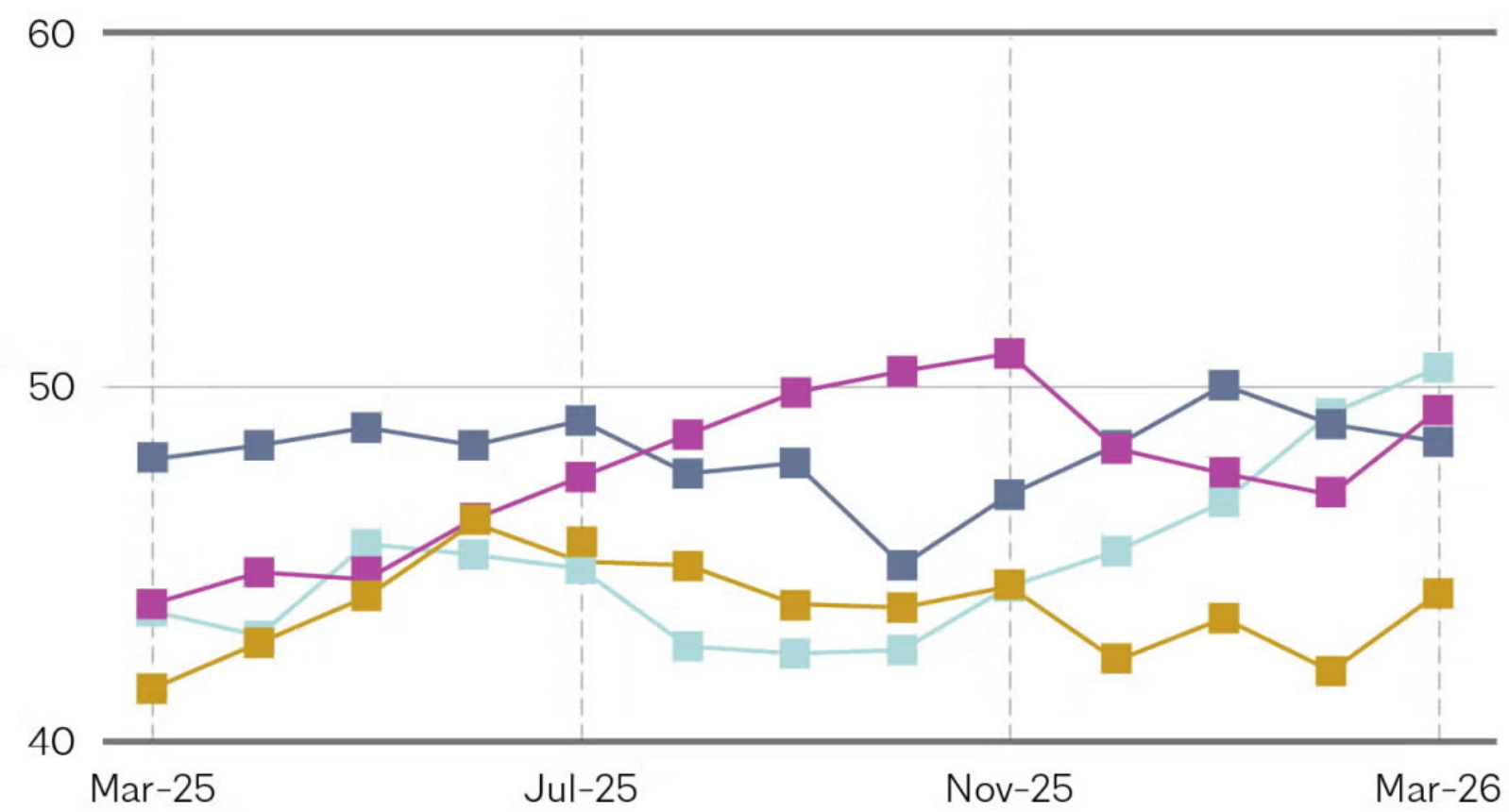


Source: American Institute of Architects (AIA)/Deltek, Architecture Billings Index (ABI), Mar. 2026.

Architectural Billings Report

REGIONAL

Firms located in the West see slight growth while business remains soft in other regions.

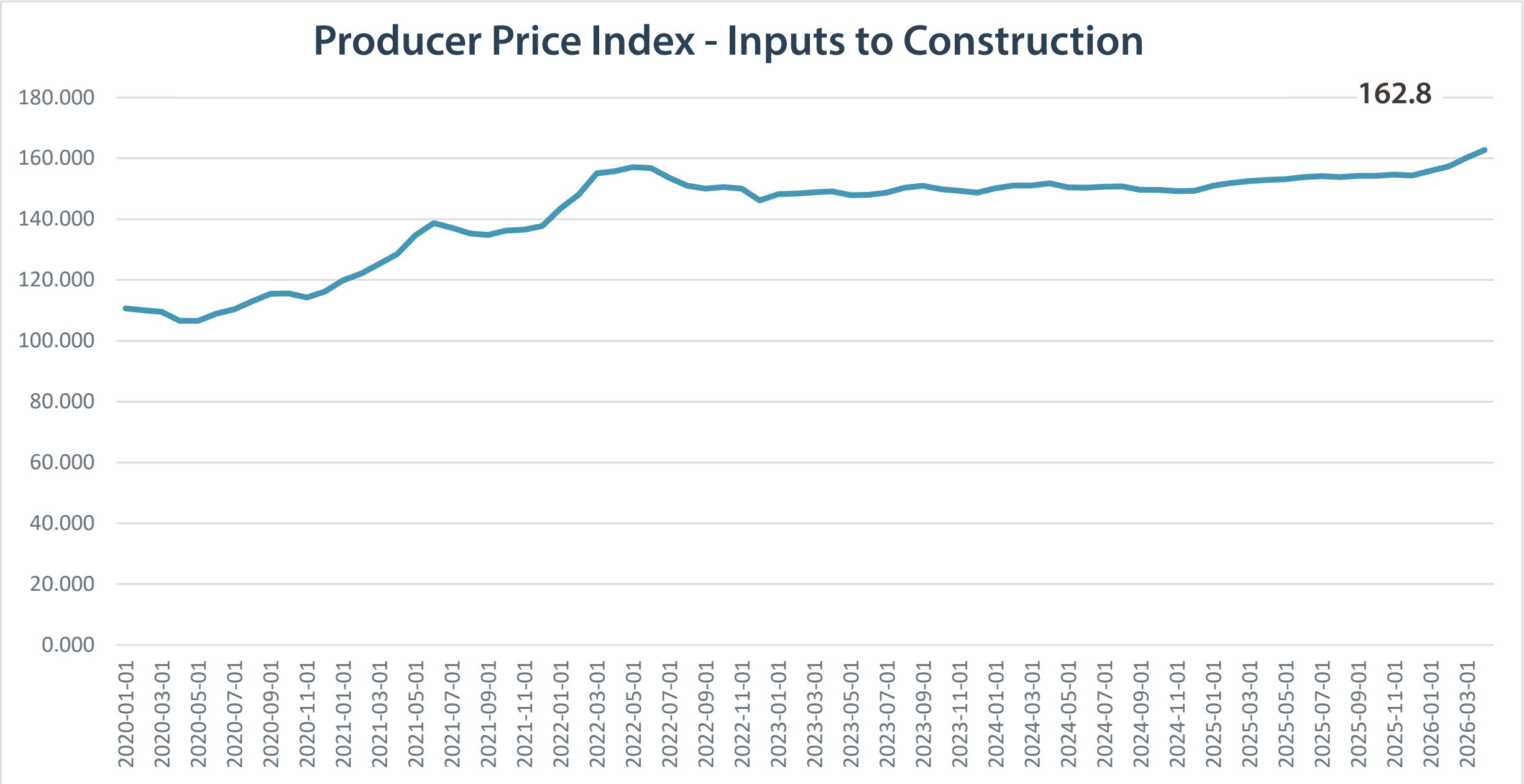


Source: American Institute of Architects (AIA)/Deltek, Architecture Billings Index (ABI), Mar. 2026.

Commodity/Input Cost Insights

Producer Price Index – Inputs to Construction

- › The Producer Price Index (PPI) for Inputs to Construction registered 162.8 in April 2026, representing a 4.4 percent quarterly increase from January 2026, as reported by the U.S. Bureau of Labor Statistics.
- › The index also increased 6.5 percent year-over-year from April 2025. For the third consecutive month, the index has exceeded its previous peak in May 2022, registering 3.6 percent higher in April 2026.



Commodity/Input Cost Insights

Construction Materials

The following data reflects year-to-date percent changes through April 2026 for select construction materials. Overall, pricing trends reflect continued volatility across metals, with significant recent surges in the price of gas products due to the ongoing conflict in the Middle East.

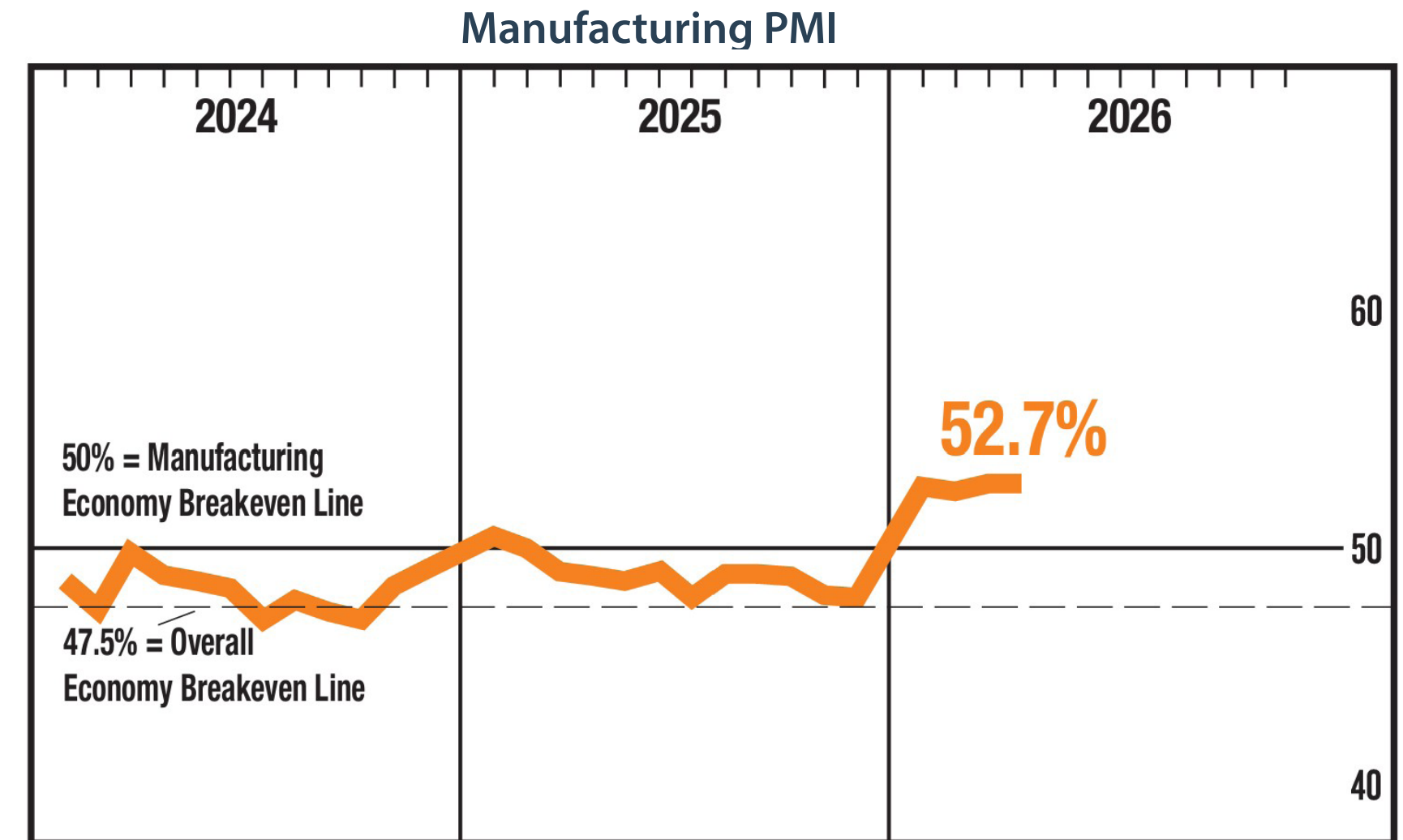
Material	% Change from last quarter	% Change Apr 2025 - Apr 2026	Material	% Change from last quarter	% Change Apr 2025 - Apr 2026
Ready Mix Concrete	0.6	1.7	#2 Diesel Fuel	87.3	73.8
Concrete Pipe	0.0	0.5	Aluminum Shapes	11.4	37.3
Paving Mixtures and Blocks	-6.0	-0.2	Copper and Brass Shapes	3.3	20.9
Lumber and Plywood	5.1	2.1	Flat Glass	0.2	6.3
Steel Mill Products	9.2	13.3	Gypsum Products	-0.1	-1.5
Fabricated Structural Steel	3.5	7.1	Steel Pipe and Tube	6.3	8.5

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

Supply Chain and Labor

Purchasing Managers' Index®

- › The U.S. manufacturing sector expanded in April 2026 for the 18th consecutive month in a row. This is based on the ISM® guideline that a Manufacturing Purchasing Managers' Index (PMI®) above 47.5 percent, over a period of time, generally indicates an expansion of the overall economy. The Manufacturing PMI® registered 52.7 percent in April, holding steady from March, according to the ISM® Report On Business®.
- › The **New Orders Index** rose to 54.1 percent in April, up 0.6 percentage points from the March reading of 53.5 percent. This increase suggests that new orders are expanding at a faster rate. Despite an overall increase in new orders, the Wood Products industry reported a decline in new orders in April.
- › **The Supplier Deliveries Index** registered 60.6 percent in April, 1.7 percentage points higher than March. This indicates slower delivery speeds and marks the fifth consecutive monthly slowdown. Notably, all surveyed manufacturing industries unanimously reported slower deliveries; no manufacturing industry reported faster deliveries in April.



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



Supply Chain and Labor

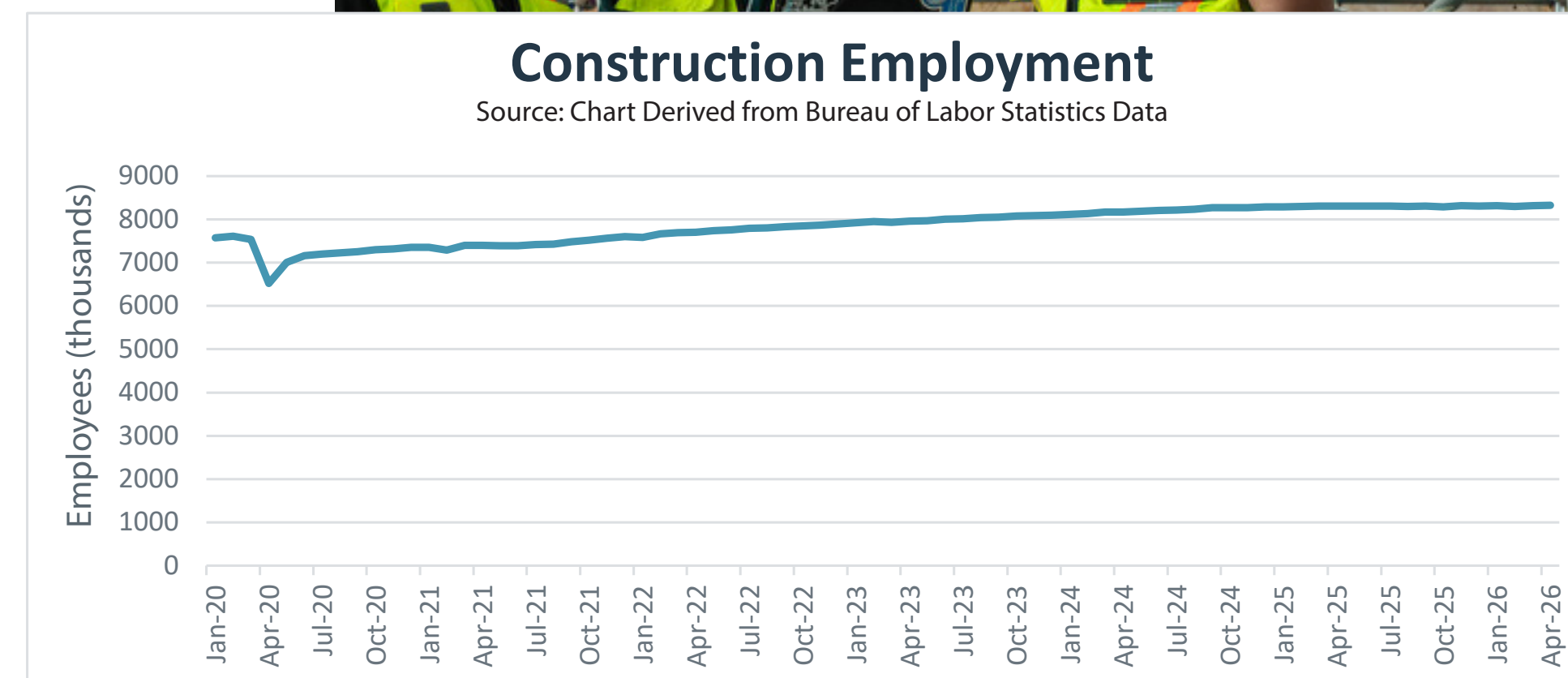
Purchasing Managers' Index® Continued

- › The **Inventories Index** registered 49.0 percent in April, 1.9 percentage points higher than March, 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 expanding inventories in April, including Primary Metals, Miscellaneous Manufacturing, Chemical Products, and Electrical Equipment, Appliances & Components.
- › The **Backlog of Orders Index** fell to 51.4 percent in April, down 3.0 percentage points from March. This shift indicates that backlogs are growing at a slower pace than the preceding month. Conversely, the Petroleum & Coal Products, Machinery, Plastics & Rubber Products, Transportation Equipment, and Wood Products industries all reported contracting backlogs in April.
- › Materials most frequently cited as in short supply include aluminum, bearing components, electrical components, electronic components, memory, propylene glycol, and semiconductors.

Supply Chain and Labor

Labor Outlook

- › According to the U.S. Bureau of Labor Statistics, the unemployment rate for construction workers registered 3.8 percent in April 2026, 3.3 percentage points lower than in January.
- › The Bureau of Labor Statistics also reported a monthly increase of 9,000 construction jobs in April.
- › Construction labor demand is expected to increase throughout 2026, particularly as major Infrastructure Investment and Jobs Act (IIJA) components continue to advance.
- › 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 March 2026, before seasonal adjustment.

Labor Category	% Change Dec 2025 – Mar 2026	% Change Mar 2025 – Mar 2026	Labor Category	% Change Dec 2025 – Mar 2026	% Change Mar 2025 – Mar 2026
Private Industry Workers – All	1.3	3.4	Private Industry Workers – Construction	0.6	3.2
Private Industry Workers – All Union	0.9	3.8	Private Industry Workers – Mining, Construction, & Manufacturing – Union	0.9	3.9
Private Industry Workers – All Nonunion	1.3	3.4	Private Industry Workers – Mining, Construction, & Manufacturing – Nonunion	1.1	3.2

Source: U.S. Bureau of Labor Statistics (BLS) Employment Cost Index (ECI), March 2026.

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)	Slightly Increasing	Capacity is currently thin. Surging data center construction demand continues to drive up lead times.
Panelboards	8-13 weeks (longer for larger/complex)	Slightly Increasing	
Pad Mounted Transformers	68-113 weeks	Stable	
Switchgear LV	36-60 weeks	Slightly Increasing	
Switchgear MV	38-63 weeks (slight improvement in deliveries)	Slightly Increasing	
Generators	60-100 weeks (longer for larger generators)	Slightly Increasing	
Chillers (Water Cooled, <1000 tons)	18-30 weeks	Stable	Prices are holding steady overall. Quotes continue to include language that tariff costs will be passed on to customers. There is currently some manufacturer capacity for commercial grade equipment.
Chillers (Water Cooled, >1000 tons)	28-32 weeks	Stable	
Chillers (Air Cooled)	14-23 weeks	Slightly Increasing	
AHUs (Commercial Grade)	16-20 weeks	Stable	
AHUs (Custom)	18-30 weeks	Stable	
RTUs (<50 ton)	12-18 weeks	Stable	
RTUs (>50 ton)	13-22 weeks	Stable	
Packaged Rooftop Heat Pumps	17-24 weeks	Stable	
Modular Air-to-Water Heat Pumps	17-28 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
Computer Room A/C Units - Air Cooling	18-28 weeks	Stable	
Cooling Towers	16-18 weeks	Stable	
Lab Exhaust Fans	14-23 weeks	Stable	
Energy Recovery Units	16-20 weeks	Stable	
Exhaust AHUs	12-16 weeks	Stable	
Heat Recovery Skids	20-24 weeks	Stable	
Steel	22-37 weeks	Increasing	Strong data center activity is increasing steel demand and lead times. Increases in lead times are largely an issue of schedule slippage rather than capacity shortage.
Millwork	13-21 weeks	Slightly Increasing	
Elevators	24-40 weeks	Increasing	
Curtainwall	23-39 weeks	Increasing	Despite ongoing tariffs, imported glass and aluminum from the EU are currently priced competitively with U.S. sources.
Roofing	12-19 weeks	Slightly Increasing	

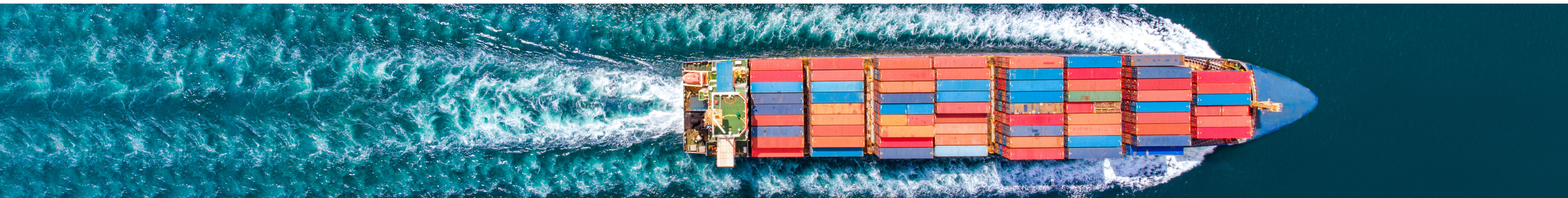
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Supply Chain and Labor

Transportation and Logistics

Sea/Maritime

- › As of May 18, 2026, global container freight prices are up 29.2 percent since the start of the year, according to Trading Economics. Compared to the same time last year, global container freight prices are up 44.7 percent. The Containerized Freight Index, tracked by Trading Economics, reflects current freight rates for container transport from major ports in China.
- › Sea/maritime freight prices have surged 60.6 percent since Iran officially closed the Strait of Hormuz on March 4, 2026. About 20 percent of global seaborne oil typically flows through the Strait of Hormuz, creating a twofold impact on global seaborne shipping prices. On one hand, the sudden cut in global oil supply is contributing to severe shortages of bunker fuel used to power cargo ships. Furthermore, the Strait of Hormuz is a key maritime shipping route, meaning that its closure is forcing mass cargo ship diversions. Since the closure of the Strait of Hormuz, diversions have surged by over 360 percent, according to project44 tracking data.

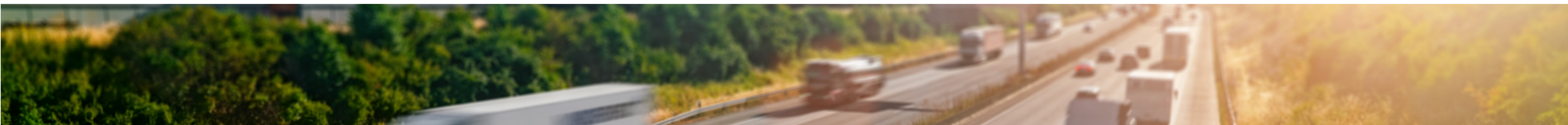


Supply Chain and Labor

Transportation and Logistics

Road

- › After surging in March due to strong early-season demand, the volume of truckloads declined in April, according to the DAT Freight & Analytics Truckload Volume Index (TVI). Month-over-month, the TVI decreased 3 percent for van, 9 percent for reefer, and 3 percent for flatbed after increasing 12 percent, 7 percent, and 18 percent in March 2026, respectively. Year-over-year, the TVI is up 2 percent for van, 1 percent for reefer, and 3 percent for flatbed.
- › Despite volumes coming down in April, national average spot truckload freight rates continued to surge at an accelerated rate in April 2026 due mainly to spiking fuel costs. Spot rates increased 15 cents for van, 14 cents for reefer, and 37 cents for flatbed in April after increasing 11 cents, 9 cents, and 37 cents in March, respectively. Year over year, spot rates are up 71 cents (36.2 percent) for van, 83 cents (36.4 percent) for reefer, and 94 cents (37.3 percent) for flatbed.
- › To better contextualize the magnitude of the impact of surging fuel prices on truckload spot rates, linehaul rates – which are the portion of the spot rate that excludes fuel – increased 5 cents for van, 4 cents for reefer, and 25 cents for flatbed in April, indicating that flatbed was the only truckload type that experienced a meaningful increase in demand. In other words, surging fuel prices contributed to 66.7 percent of the total spot rate increase for van, 71.4 percent for reefer, and 32.4 percent for flatbed. If the current surge in spot rates is sustained, small carriers will continue to exit the market, DAT analysts warn.
- › Meanwhile, per-mile fuel surcharges in April 2026 hit their highest monthly averages since July 2022, registering 71 cents (up 10 cents from March) for van, 77 cents (up 10 cents) for reefer, and 85 cents (up 12 cents) for flatbed. Contract freight rates also increased in April, up 13 cents from March for van, 12 cents for reefer, and 28 cents for flatbed.
- › When truckload rates increase due to demand, spot rates are typically higher than contract rates. However, due to the disproportionate influence of fuel prices due to the conflict in the Middle East, contract rates exceeded spot rates for all truckload types in April, with much of the recent rate increases being absorbed by fuel costs rather than improving carrier margins. 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 intermodal shipments plus carloads excluding coal and grain, rose to its highest level in 16 months in April 2026. This trend reflects improving momentum in the goods sector. The FRI provides a gauge of underlying freight demand tied to industrial production and consumer goods flows.
- › Intermodal volumes rose for a third consecutive month in April 2026 and recorded one of the strongest April readings on record, demonstrating resilience in containerized trade and consumer-related freight demand.
- › Carload volumes rose year-over-year for the fourth consecutive month in April 2026. Additionally, carload volumes in April 2026 reached their strongest April level since 2019.
- › Among select construction-related materials, chemical rail traffic reached near-record levels in April 2026, providing one of the strongest signals of underlying industrial activity in the U.S. economy. However, coal traffic remained soft, reflecting longer-term structural pressure tied to changes in the U.S. energy mix. Meanwhile, steel-related traffic was mixed. Finished steel shipments remained weak, reflecting lower imports, but stronger rail volumes for steel scrap indicated that domestic steel production remains relatively resilient.



Supply Chain Spotlight:

Supply Chain Impacts of Surging Demand for Data Center Projects

- › Data center spending increased 31 percent year-over-year in January 2026, reaching \$46.9 billion (at a seasonally adjusted annual rate) according to AGC. Data centers continue to move forward, despite higher interest rates, due to strong capital backing and AI-driven demand.
- › Booming data center construction demand is contributing to material price increases, straining the availability of labor, cutting into capacities along the supply chain, and leading trade contractors to increase their fees in response to demand.
- › Data center construction also creates economic spillovers, extending the impact beyond the job site. For example, it generates demand for upstream suppliers through increased orders for inputs such as transformers, electrical components, cooling systems, and building materials, as well as services such as architectural, engineering, and trucking services.
- › Meanwhile, non-data-center projects are experiencing a reduced availability of top-tier MEP firms, greater sensitivity to schedule delays, and increased pricing volatility between estimate and buyout.

Equipment and Material Impacts:

- › Data center construction demand is heavily impacting the price and availability of equipment and materials related to electrical distribution. Specifically, switchgear, substations, panelboards, transformers, MV cabling, generators, automatic transfer switches, power distribution units, and MV busways are exhibiting higher costs and longer lead times.
- › On the mechanical side, data center construction demand is elevating the price and limiting the availability of HVAC materials, most notably fans and motors. Most manufacturers have multiple sourcing options, but shortages and delays can trigger resubmittal processes.
- › Conversely, as data centers are moving toward dielectric cooling in their hot aisle containments, there are instances of overproduction for chillers, cooling distribution units, and associated hydronics. Some suppliers are setting up dedicated lines or locations specifically for chillers intended for use in the data center market.
- › Lead times for steel are also increasing due to the high volume of fabricated steel products needed in data center projects. While capacity may play somewhat of a role, this is also largely due to schedule slippage as steel mill backlogs continue to grow.

Labor Impacts:

- › Securing MEP trade contractor resources is particularly critical for data center projects, and most data center projects have Labor Attraction and Retention Programs (LARPs) which can be very favorable to skilled labor.
- › Nonetheless, MEP trade contractor availability and labor capacity are concerns within the data center market. To offset the risk of scarcity and/or premiums, the data center market is rapidly transitioning to Off-Site Modular/Manufactured (OSM) MEP systems, wherein large units of the project are manufactured/prefabricated offsite, shipped, and rigged into place on-site with a fraction of the labor otherwise needed to do traditional “stick build.”
- › Across the United States, multiple active sectors, including mission-critical, healthcare, research, sports, and advanced manufacturing, are drawing from the same limited pool of skilled labor as data centers. This constraint is leading to the following trends:
 - › Sustained labor absorption
 - › Increased competition for electricians, pipefitters, sheet metal, and MEP supervision
 - › Above-historical growth in total labor compensation packages



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