

Summer 2025 (Published: June 2025)

U.S. Put-in-Place Construction Forecasts

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Michael Guckes has over 20-years of economics experience including 8-years in civil construction and 6-years in manufacturing. During these years he spent 5 as Chief Economist. In 2022 Michael joined ConstructConnect's economics team, shifting his focus to the nonresidential and civil construction markets. He received his BA in economics and political science from Kenyon College and his MBA from The Ohio State University.

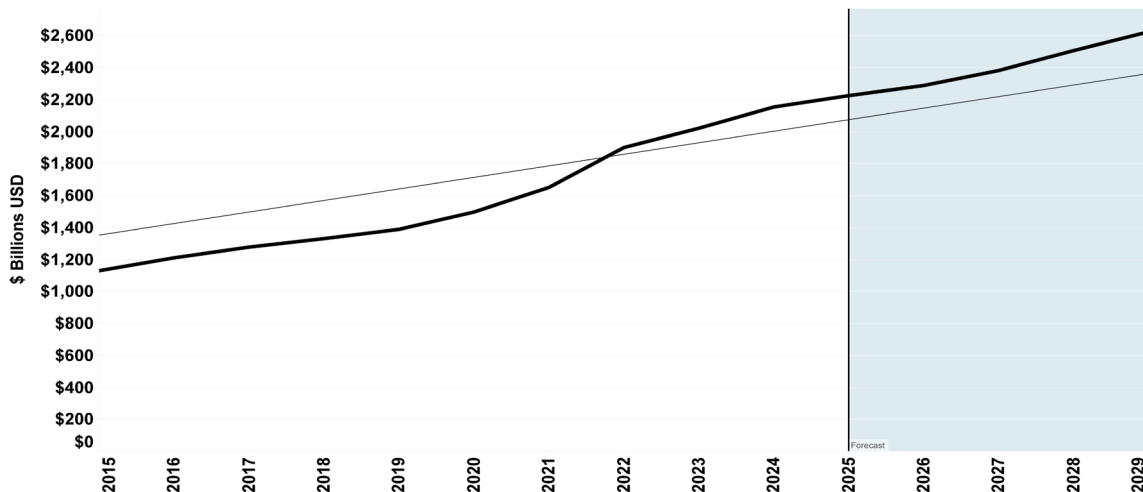
Quarterly U.S. Put-in-Place Construction Forecast Report, Summer 2025

Significant changes to our U.S. economic outlook since January have had a profound impact on our expectations for the construction sector.

Total put-in-place construction spending for 2025 is now projected at \$2.23 trillion, representing an expansion of 3.3%, a modest decline from our previous quarter's expectation of \$2.24 trillion in 2025 with spending growth of 4.1%. ConstructConnect's 5-year outlook through 2029 anticipates a compounded annual growth rate of 4.2%; however, much of this growth is now expected during the latter half of our outlook period. All three summary categories —Residential, Nonresidential building, and Civil— are expected to expand for the year, yet at rates slower than previously forecasted. Civil, Residential, and Nonresidential Building are now anticipated to grow at 6.3%, 3.6%, and 1.0%, respectively. Near-term

Cont'd on page 2

Graph 1: U.S. Grand Total Construction Spending Put-in-place (PIP) Investment



Graph includes a 'best fit' linear trend line.

Source of actuals: U.S. Census Bureau/Forecasts: Oxford Economics and ConstructConnect.
Chart: ConstructConnect.

'Starts' versus Put-in-place (PIP) Statistics

'Starts' compile the total estimated dollar value of all projects on which ground is broken in any given month. By way of contrast, put-in-place capital spending statistics are analogous to work-in-progress payments as the building of structures proceeds to completion.

Consider a \$100 million mixed use complex for which ground is broken in June 2024. For the 'starts' series, the entire estimated value (\$100 million) will be entered in June 2024. In PIP numbers, it will be captured as spending of approximately \$25 million in 2024; \$60 million in 2025; and the final \$15 million in 2026.

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headwinds across the industry will keep Residential construction growth sluggish through 2026 before picking up to 5.5% in 2027 and 6.2% in 2028. Nonresidential Building (NRB) is expected to struggle disproportionately under future market conditions with activity now anticipated to contract by 1.7% in 2026 and then remain almost flat in 2027. It is now predicted that it will not be until 2028 and thereafter that growth will once again exceed 3%.

Total Nonresidential construction, the combination of Civil construction (also called Heavy Engineering) and Nonresidential Building is now expected to expand by 3.1% in 2025, and then by 2.2% in 2026. However, this slowing growth outlook is not representative of all subcategories as several are expected to grow by more than 10% during the first half of our forecast period. These include Religious (16.0%) and Power (11.2%). Private Offices are expected to grow by 5.8% this year as surging data center construction is offset by weak office activity.

Private sector activity is anticipated to handily outperform its public sector equivalent based on forecasted 5-year compounded annual growth rates (CAGR) through 2029. The 5-year CAGR for

total private construction at 4.6% is more than double that of its public sector equivalent at 2.0%. Leading this private sector growth will be Power (12.1%), Public Safety (10.0%), Lodging (8.6%), and Transportation (7.0%). In contrast, the most prosaic public segments are expected to grow at just 4.2% (Transportation, Power). Fully half of the public sector segments have anticipated 5-year CAGRs of less than 1.5%.

The public construction segment is anticipated to experience slowing growth from 3.3% in 2025 to just 0.2% in 2026 before slowly reaccelerating to 2.7% by 2029. However, this lull in public activity is not expected to be uniform as public Civil construction is expected to perform consistently throughout the forecasted period with a 3.2% CAGR. Rather, we expect public Nonresidential Building activity to suffer most of the anticipated slowdown led by public Offices, public Residential, and Public Safety. Despite this, only public Office, and public Residential are expected to experience negative CAGR rates across the forecasted period, with contractions reaching a bottom in 2026.

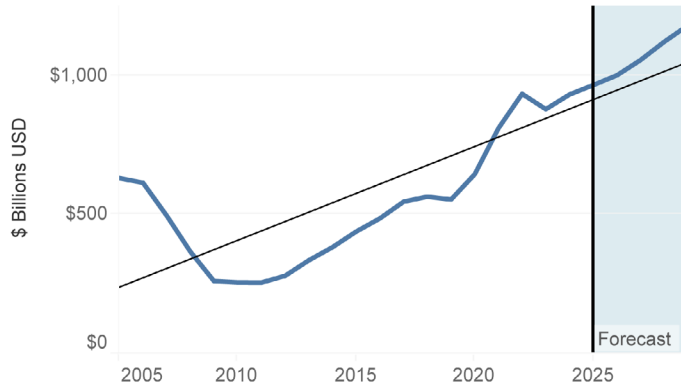
Table 1: U.S. Construction Spending (put-in-place investment)
(billions of "current" \$s)

Type of Construction:	Actuals		Forecasts				
	2023	2024	2025	2026	2027	2028	2029
Grand Total	2,023.7	2,156.5	2227.9	2290.9	2384.9	2509.4	2626.9
(year vs previous year)	6.4%	6.6%	3.3%	2.8%	4.1%	5.2%	4.7%
Total Residential	877.6	930.4	964.3	999.1	1054.1	1119.8	1178.5
	-5.9%	6.0%	3.6%	3.6%	5.5%	6.2%	5.2%
Total Non-residential	1,146.1	1,226.1	1263.6	1291.8	1330.8	1389.6	1448.4
	18.2%	7.0%	3.1%	2.2%	3.0%	4.4%	4.2%
Total Commercial/for Lease	265.4	251.3	257.0	265.8	275.4	290.7	305.3
	7.4%	-5.3%	2.3%	3.4%	3.6%	5.5%	5.0%
Lodging	24.7	23.4	23.8	25.3	28.4	32.4	35.4
	22.3%	-5.5%	1.7%	6.4%	12.3%	14.0%	9.3%
Office	99.0	101.3	105.6	106.7	107.1	108.5	112.0
	3.8%	2.3%	4.2%	1.0%	0.4%	1.3%	3.2%
Commercial (retail/warehouse)	141.7	126.6	127.6	133.8	139.9	149.8	157.9
	7.8%	-10.6%	0.8%	4.8%	4.5%	7.1%	5.4%
Total Institutional	240.1	262.6	271.5	269.1	272.0	282.5	294.7
	15.1%	9.4%	3.4%	-0.9%	1.1%	3.9%	4.3%
Health Care	65.4	68.8	71.6	74.2	77.0	82.1	87.6
	12.6%	5.2%	4.0%	3.7%	3.6%	6.6%	6.8%
Educational	120.2	130.5	134.0	129.7	129.0	131.8	136.2
	15.6%	8.5%	2.7%	-3.2%	-0.5%	2.2%	3.3%
Religious	3.8	4.2	4.9	4.6	4.5	4.5	4.6
	19.3%	10.5%	16.0%	-6.0%	-2.5%	0.6%	1.5%
Public Safety	14.4	18.9	18.6	18.0	17.7	17.7	17.8
	22.9%	30.9%	-1.3%	-3.2%	-1.7%	-0.3%	1.0%
Amusement and Recreation	36.2	40.2	42.4	42.6	43.9	46.5	48.5
	14.8%	11.1%	5.3%	0.5%	3.0%	6.0%	4.4%
Total Engineering/Civil	447.0	479.2	509.2	550.3	584.9	616.1	645.6
(year vs previous year)	14.8%	7.2%	6.3%	8.1%	6.3%	5.3%	4.8%
Transportation	65.2	68.2	72.3	77.7	81.9	84.7	87.5
	7.1%	4.6%	6.0%	7.4%	5.4%	3.4%	3.3%
Communication	28.0	28.6	29.6	31.6	33.5	35.5	37.5
	14.9%	2.2%	3.3%	6.8%	6.2%	5.9%	5.7%
Power	134.0	148.0	164.6	192.4	213.7	231.9	248.1
	10.2%	10.5%	11.2%	16.9%	11.1%	8.5%	7.0%
Highway and Street	138.1	143.9	150.0	157.8	164.4	170.7	177.0
	19.4%	4.2%	4.3%	5.2%	4.1%	3.9%	3.7%
Water Supply & Waste Disposal	69.9	78.8	80.9	78.8	79.2	80.9	83.0
	22.0%	12.8%	2.6%	-2.6%	0.6%	2.1%	2.6%
Conservation and Development	11.7	11.6	11.9	12.0	12.2	12.4	12.5
	24.8%	-0.9%	2.0%	1.6%	1.4%	1.4%	0.7%
Total Industrial/Manufacturing	193.6	233.0	226.0	206.6	198.4	200.3	202.8
	54.9%	20.4%	-3.0%	-8.6%	-3.9%	0.9%	1.2%

"Current" means not adjusted for inflation.

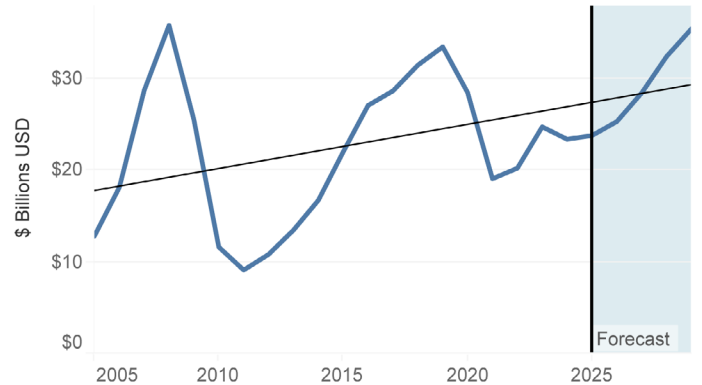
Source of actuals: U.S. Census Bureau/Forecasts: Oxford Economics and ConstructConnect/Table: ConstructConnect.

Graph 2: U.S. Construction Spending: Residential Put-in-place (PIP) Investment



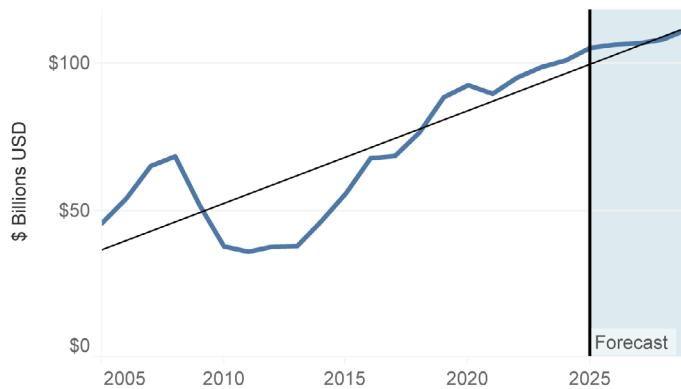
Source of actuals: ConstructConnect / Forecasts: Oxford Economics and ConstructConnect.
Chart: ConstructConnect

Graph 3: U.S. Construction Spending: Lodging Put-in-place (PIP) Investment



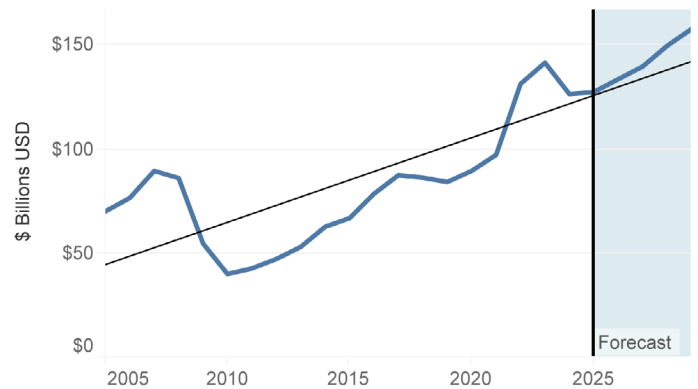
Source of actuals: ConstructConnect / Forecasts: Oxford Economics and ConstructConnect.
Chart: ConstructConnect

Graph 4: U.S. Construction Spending: Office Buildings Put-in-place (PIP) Investment



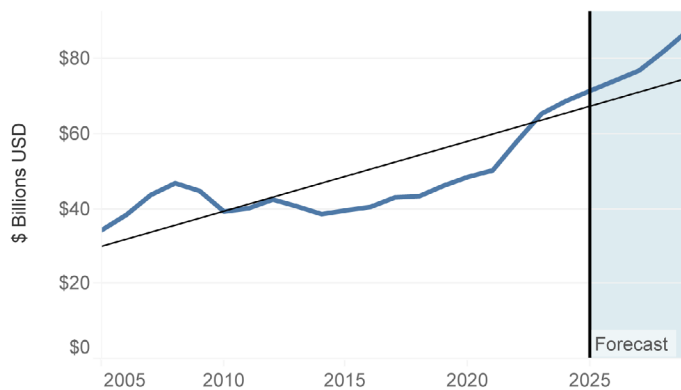
Source of actuals: ConstructConnect / Forecasts: Oxford Economics and ConstructConnect.
Chart: ConstructConnect

Graph 5: U.S. Construction Spending: Retail, Warehouse, Restaurant Put-in-place (PIP) Investment



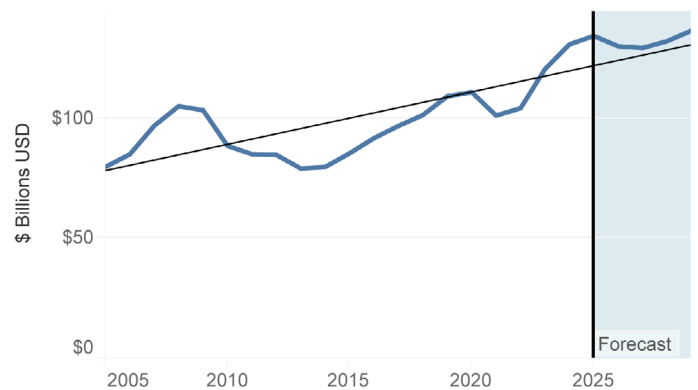
Source of actuals: ConstructConnect / Forecasts: Oxford Economics and ConstructConnect.
Chart: ConstructConnect

Graph 6: U.S. Construction Spending: Health Care Put-in-place (PIP) Investment



Source of actuals: ConstructConnect / Forecasts: Oxford Economics and ConstructConnect.
Chart: ConstructConnect

Graph 7: U.S. Construction Spending: Educational Put-in-place (PIP) Investment

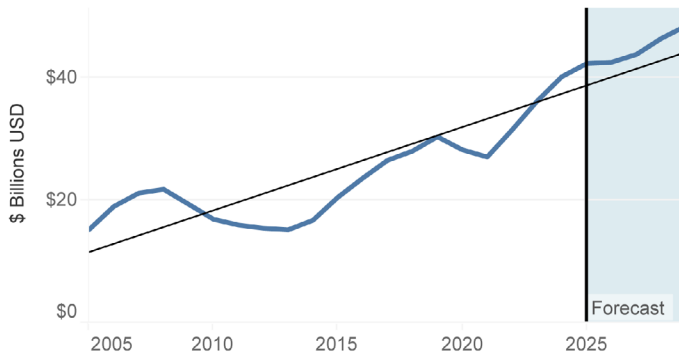


Source of actuals: ConstructConnect / Forecasts: Oxford Economics and ConstructConnect.
Chart: ConstructConnect

Graphs include a 'best fit' linear trend line.

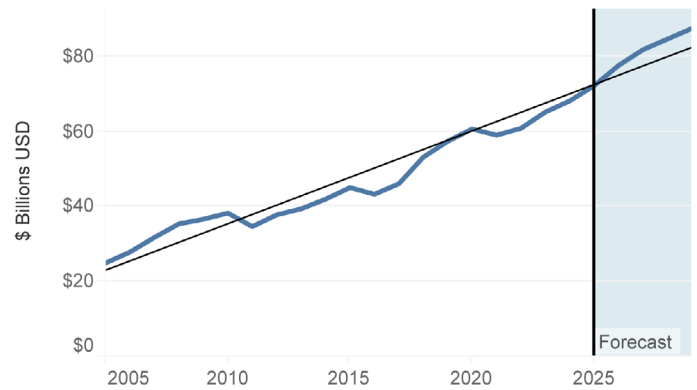
Source of actuals: U.S. Census Bureau/Forecasts: Oxford Economics and ConstructConnect/Charts: ConstructConnect.

Graph 8: U.S. Construction Spending: Amusement and Recreation Put-in-place (PIP) Investment



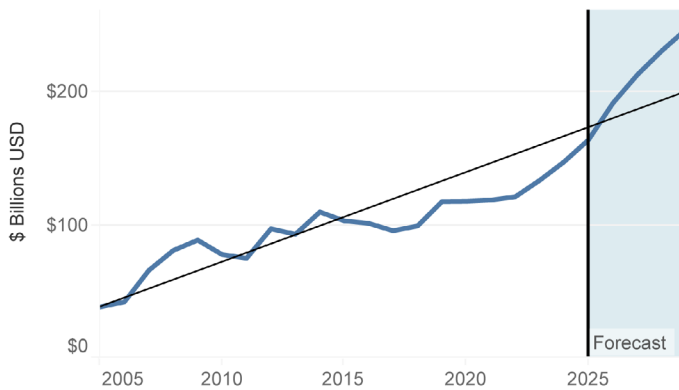
Source of actuals: ConstructConnect / Forecasts: Oxford Economics and ConstructConnect.
Chart: ConstructConnect

Graph 9: U.S. Construction Spending: Transportation Put-in-place (PIP) Investment



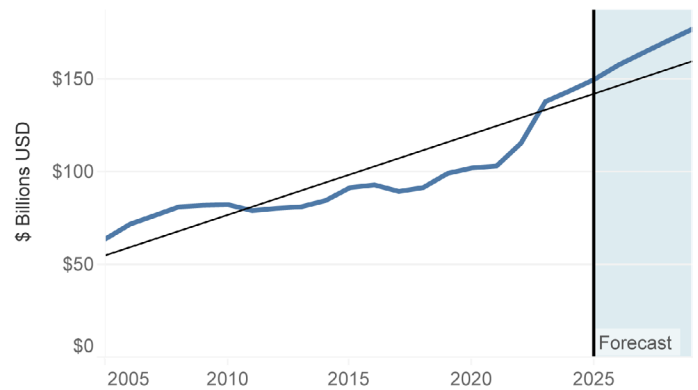
Source of actuals: ConstructConnect / Forecasts: Oxford Economics and ConstructConnect.
Chart: ConstructConnect

Graph 10: U.S. Construction Spending: Power Put-in-place (PIP) Investment



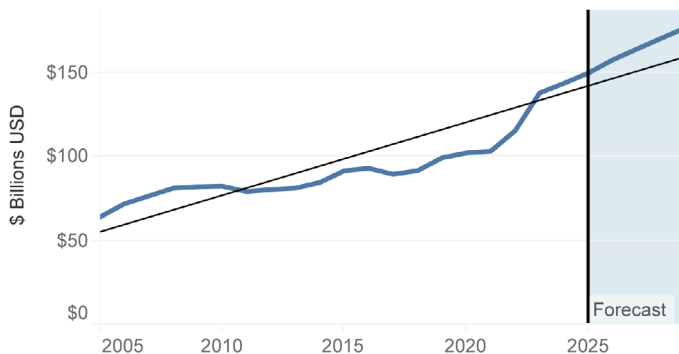
Source of actuals: ConstructConnect / Forecasts: Oxford Economics and ConstructConnect.
Chart: ConstructConnect

Graph 11: U.S. Construction Spending: Highways and Streets Put-in-place (PIP) Investment



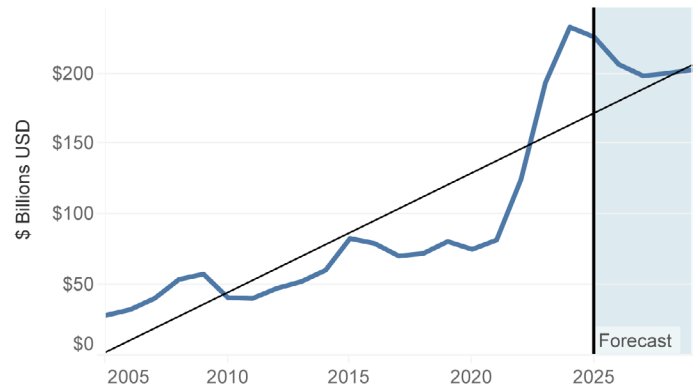
Source of actuals: ConstructConnect / Forecasts: Oxford Economics and ConstructConnect.
Chart: ConstructConnect

Graph 12: U.S. Construction Spending: Water Supply, plus Sewage & Waste Disposal Put-in-place (PIP) Investment



Source of actuals: ConstructConnect / Forecasts: Oxford Economics and ConstructConnect.
Chart: ConstructConnect

Graph 13: U.S. Construction Spending: Manufacturing Put-in-place (PIP) Investment



Source of actuals: ConstructConnect / Forecasts: Oxford Economics and ConstructConnect.
Chart: ConstructConnect

Graphs include a 'best fit' linear trend line.

Source of actuals: U.S. Census Bureau/Forecasts: Oxford Economics and ConstructConnect/Charts: ConstructConnect.

ANALYZING CONSTRUCTION COSTS AND INFLATION: 2015–2029

In the years immediately following COVID, the construction industry experienced a sharp rise in both material and labor costs. As a result, project costs escalated rapidly, while the actual volume of physical construction grew at a much slower pace. This disconnect between spending increases and the actual work performed was particularly pronounced in 2021 and 2022. However, this phenomenon is always present to some extent, highlighting the need for a tool to track price changes relative to work performed—commonly referred to as a “deflator.”

The deflator table below, developed in collaboration with our partners at Oxford Economics, enables the industry to compare spending levels over time while adjusting for price distortions.

From 2015 to 2024, total construction

spending increased by over \$1 trillion, rising from \$1.132 trillion to \$2.156 trillion—a 90% increase. However, the volume of physical construction did not rise by an equivalent amount. To determine how much of this increased spending translated into actual construction activity, it is essential to measure how much construction prices changed over the same period.

According to the Census Bureau, the cost of a unit of construction work increased by 62.4% between 2015 and 2024. Comparing the 90% rise in spending against a 62.4% cost increase indicates that the majority of additional spending went toward higher labor and material costs rather than expanding construction output. Adjusted for today’s dollar value, the amount of work accomplished in 2015 would require \$1.838 trillion

today. Looking ahead, inflation-adjusted spending in 2029 is anticipated to be only 9% greater than it was in 2024.

Our inflation forecast has been adjusted higher in the near-term due to both strong wage growth and higher material prices in part due to rising import costs. Our current projection for construction cost inflation in 2025 is 2.9%; however, this could change significantly depending on the success of America’s ability to negotiate international trade terms with the rest of the world later this year. In 2018 and 2019, US construction inflation temporarily rose to 5% in part as a result of 25% tariffs just on steel and aluminum. If across-the-board tariffs in 2025 result in a similar or worse spike in costs, they could significantly erode real construction spending growth.

U.S. ‘Constant’ Dollar or ‘Real’ Put-in-Place Construction Spending

Year	Construction Output Price Index (2015 = 100)	Change in Price Index Y/Y	Current’ \$ PIP Construction Spending (\$ billions)	% Change Y/Y	Constant \$ PIP Construction Spending (\$ billions)	Real’ Y/Y % Change in Constant \$ PIP Construction Spending
2015	100.0		\$ 1,132.1		\$ 1,132.1	
2016	103.2	3.2%	\$ 1,213.2	7.2%	\$ 1,175.6	3.8%
2017	106.9	3.6%	\$ 1,279.9	5.5%	\$ 1,197.6	1.9%
2018	110.0	2.9%	\$ 1,333.2	4.2%	\$ 1,212.0	1.2%
2019	115.4	4.9%	\$ 1,391.1	4.3%	\$ 1,205.1	-0.6%
2020	118.7	2.8%	\$ 1,499.6	7.8%	\$ 1,263.8	4.9%
2021	121.9	2.7%	\$ 1,653.4	10.3%	\$ 1,356.6	7.3%
2022	142.1	16.6%	\$ 1,902.7	15.1%	\$ 1,339.1	-1.3%
2023	158.8	11.8%	\$ 2,023.7	6.4%	\$ 1,274.0	-4.9%
2024	162.4	2.2%	\$ 2,156.5	6.6%	\$ 1,328.1	4.3%
2025	167.0	2.9%	\$ 2,227.9	3.3%	\$ 1,333.9	0.4%
2026	171.5	2.7%	\$ 2,290.9	2.8%	\$ 1,336.1	0.2%
2027	173.7	1.3%	\$ 2,384.9	4.1%	\$ 1,372.8	2.7%
2028	177.4	2.1%	\$ 2,509.4	5.2%	\$ 1,414.5	3.0%
2029	181.4	2.2%	\$ 2,626.9	4.7%	\$ 1,448.3	2.4%

Source of Price Index: Oxford Economics

Table: ConstructConnect

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