

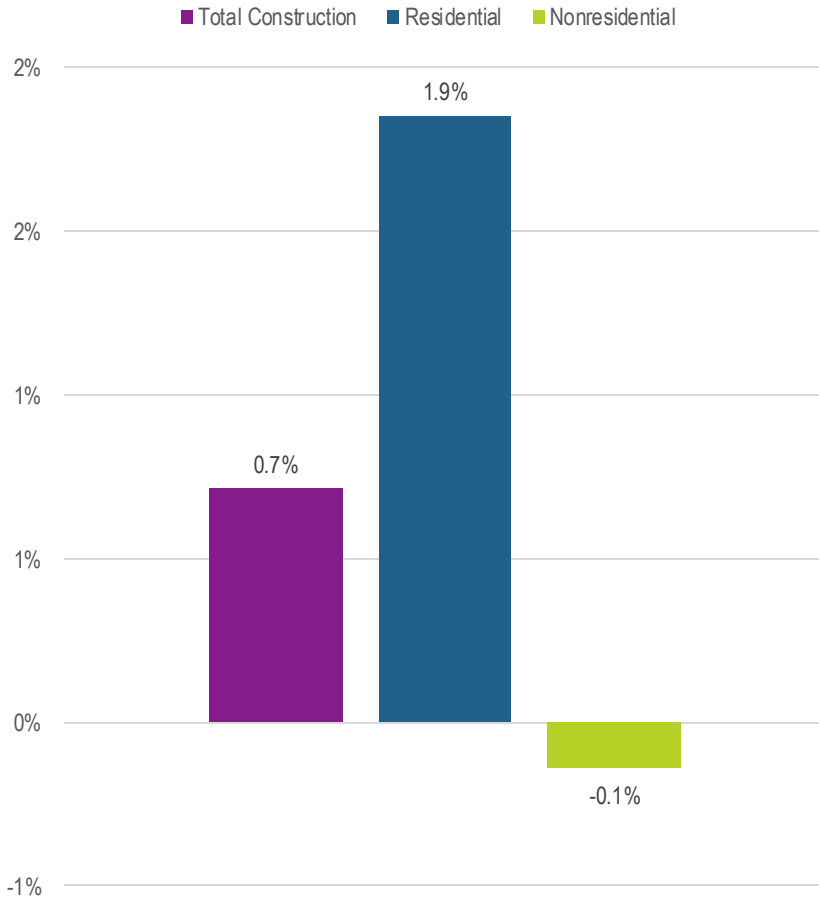
2025 Construction Spending Update

February 1 Data Release

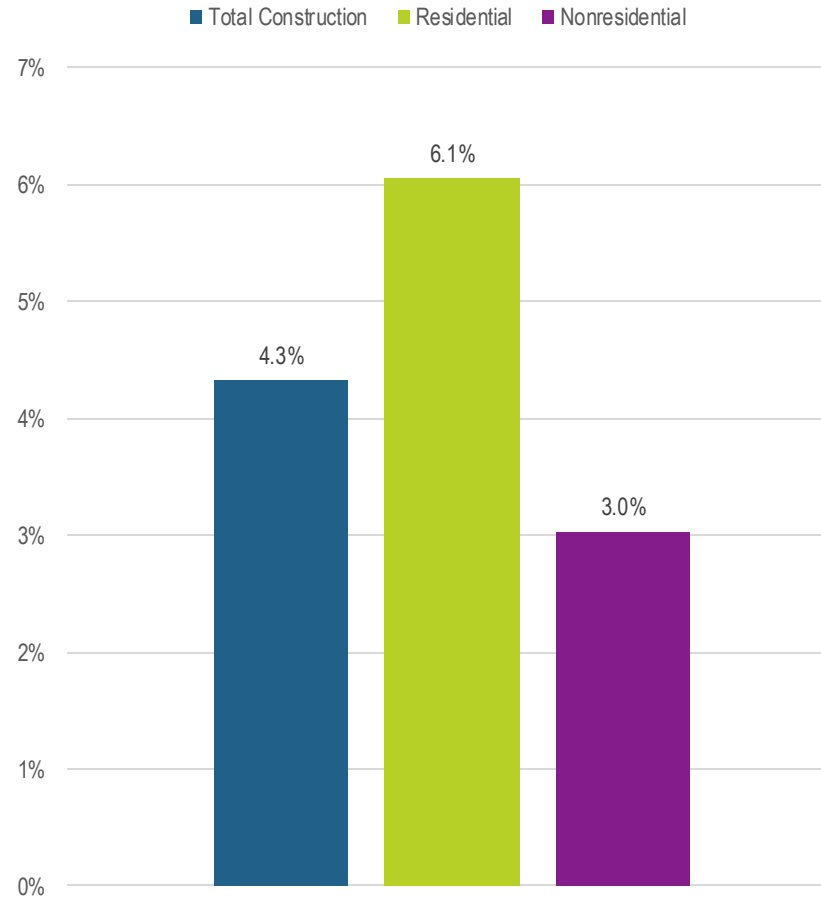
CONTINUUM 
Advisory Group

Overall Construction Spending

Quarterly Change in Total Construction October to December 2024



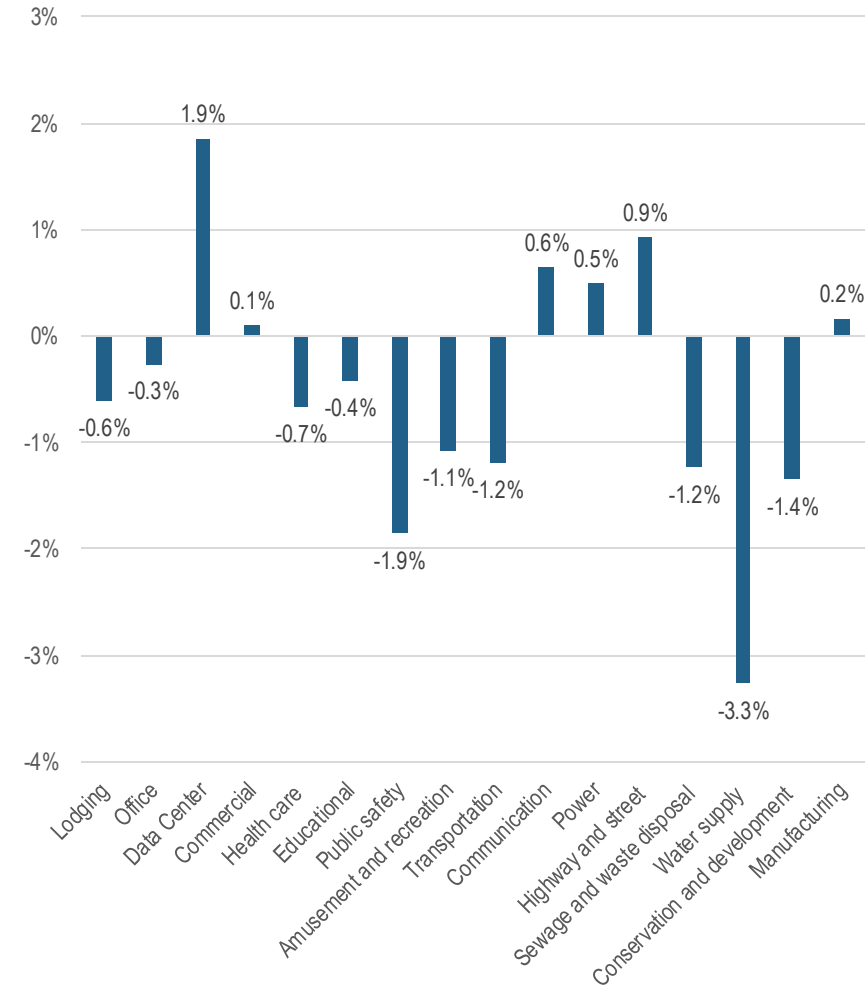
Annual Change in Total Construction December 2024 to December 2025



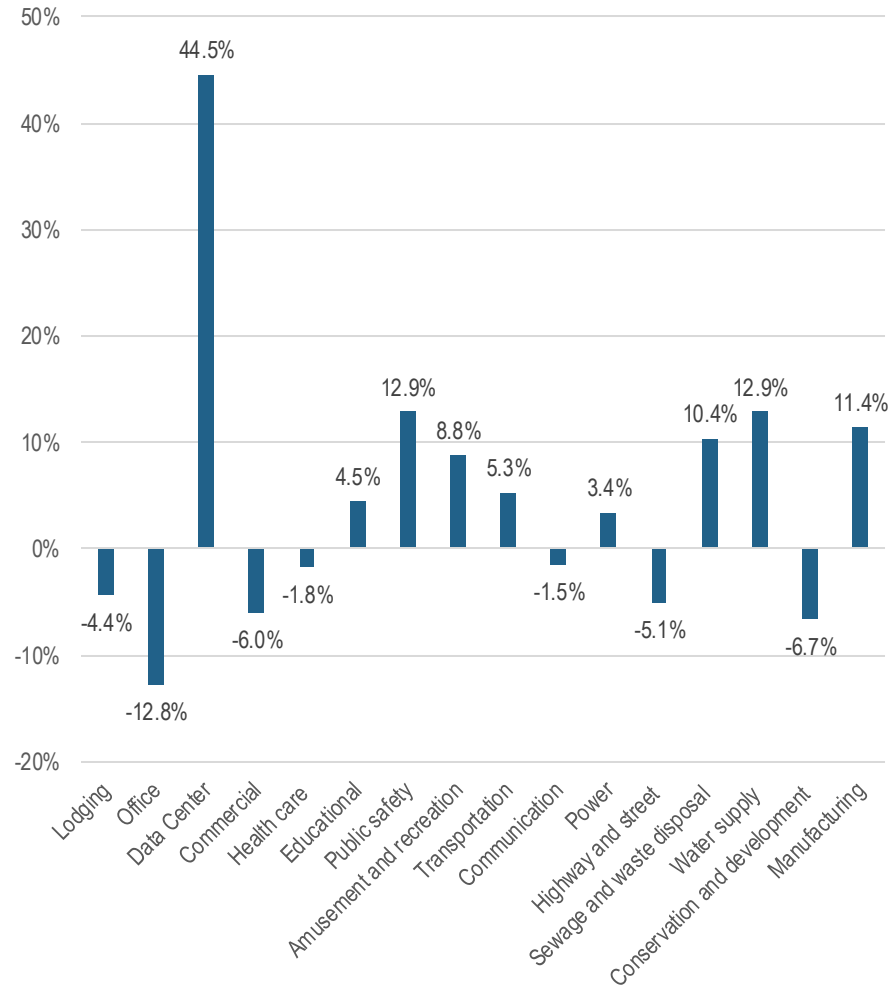
- Nonresidential construction spending was flat for Q4 2024, while residential spending rebounded from a relatively slow summer.
 - Note: The 2024 residential summer slowdown was far less severe than 2023.
- Now that we have full-year data for 2024, we can compare it to 2023. Key observations:
 - The growth of the overall US economy slowed in 2024, with GDP expanding by 2.5% vs. growth of 3.2% in 2023.
 - At the macro level, both residential construction spending (up 6.1%) and nonresidential (up 3.0%) were positive.
 - Residential spending was similar in 2023 (up 6.8%) and consisted of growth in both single and multi-family. In 2024, growth was based on single-family and remodeling, while multi-family declined significantly.
 - Nonresidential had 3% annual growth in 2024, well below the 20% growth rate of 2023. 2023 growth was driven by a 60% increase in manufacturing spending along with solid growth in public spending on roads, water/wastewater, and public safety. Although high growth rates ceased, historically high spending levels continued across many of these market sectors.

Nonresidential Construction

Quarterly Change in Construction Put in Place
October to December 2024



Annual Change in Construction Put in Place
December 2023 to December 2024



- Quarterly numbers are negative across most segments. Strong growth in data center, along with modest growth in the large segments of highway/street, power, and manufacturing resulted in a flat spending number for overall nonresidential construction spending despite declines across many of the vertical markets such as lodging, office, healthcare, and education.
- For 2024 overall, results across segments were mixed. Data center is the clear breakout source of growth, up 44.5% for the year. The publicly funded segments of public safety and water/wastewater continued to build on a solid 2023, up over 10% in 2024. Manufacturing also continued at high levels, though growth plateaued in June, with spending flat since then.

Drivers of 2024 Spending Growth & Future Outlook

Total nonresidential spending increased by \$37 billion in 2024. Two segments had the largest impact on this change.

SEGMENT	2024 CHANGE	OUTLOOK
MANUFACTURING	INCREASE OF \$24 BILLION	Currently at record levels, manufacturing spending is driven by the CHIPS Act and the Inflation Reduction Act, which generated large investments in microchip manufacturing and automotive battery plants. The new administration is likely to change course on these policies, and we have already seen some delays in future phases of these projects. These projects are typically multi-year, so any changes will take a year or two to have a major impact on spending levels. Moving forward, the new administration's approach to support the growth of manufacturing in the US is unclear. There will likely be resistance in Congress to scraping all elements of the CHIPS Act and the IRA as they support major spending and job creation across many republican districts. The administration will likely have its own plans to continue the return of American manufacturing we have seen over the last several years. In the short to medium term, we expect manufacturing construction spending to slowly decline, absent some type of economic shock leading to significant investment pullback.
DATA CENTER	INCREASE OF \$10 BILLION	Data center is quickly becoming the biggest driver of nonresidential construction spending growth in the US. This growth should also drive spending in the power segment. Between late 2024 and early 2025, we saw multiple announcements of new data center projects to support the growth of the AI industry. On the first day of his administration, the president announced a \$500 billion investment by a JV, including OpenAI, SoftBank, and Oracle. The administration promised regulatory changes to support the construction of this infrastructure. We would expect data center construction spending to only increase over the next two years. One area of concern is Chinese competition in the AI space, which has raised some apprehension about the need for such high levels of data center investment moving forward.

Drivers of 2024 Spending Decline & Future Outlook

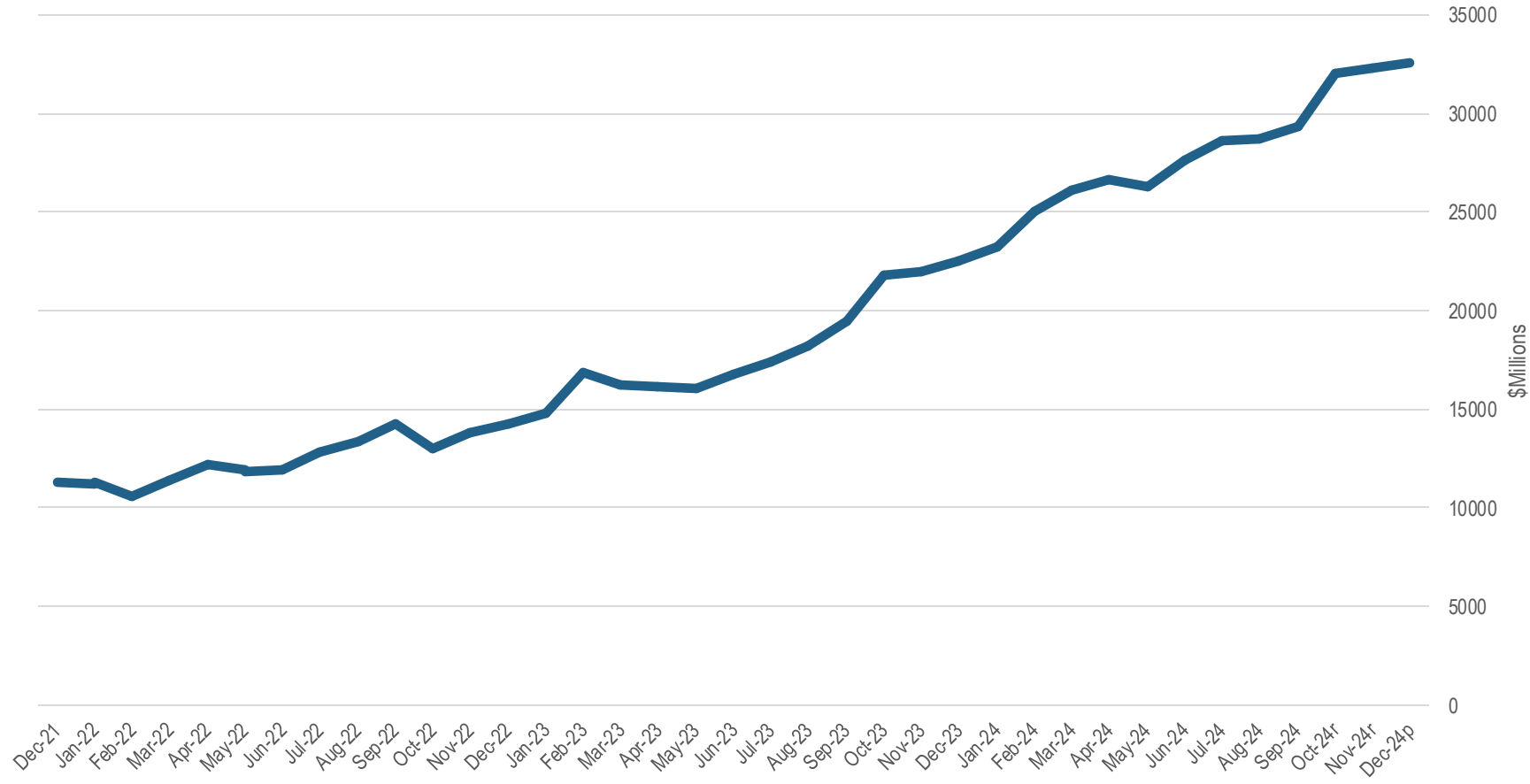
While overall nonresidential spending increased by \$37 billion in 2024, several segments showed significant decline.

Two segments declined the most.

SEGMENT	2024 CHANGE	OUTLOOK
COMMERCIAL	DECLINE OF \$8 BILLION	This decline was almost entirely the result of a contraction in warehouse and distribution center spending. Automotive declined slightly, and the rest of the commercial market was flat for the year. Warehouse spending peaked at \$75 billion in July 2023 and fell back to \$60 billion by July 2024. Since then, the market has stabilized at that level. In the long term, this market will be supported by continued growth in e-commerce and increased manufacturing in the US. It appears the market was overbuilt during and immediately after COVID-19. We expect the underlying fundamentals to support the market moving forward, maintaining current spending levels with growth potential returning in 2026 or 2027.
HIGHWAY/ STREET	DECLINE OF \$8 BILLION	From 2017 to 2021, US spending on highways and streets averaged around \$100 billion annually. As the Infrastructure Act was implemented, spending increased from \$107 billion in January 2022 to a peak of \$152 billion in December 2023. It has since fallen back to \$144 billion. The outlook for this segment is highly dependent on government action. If the Infrastructure Act is allowed to play out as currently written (and not extended), we will see a decline back to 2021 spending levels over the next two years. If the Act is scrapped completely, we will see a more rapid decline this year. A third possible outcome is the extension or expansion of some elements of current federal infrastructure spending. Given the uncertainty, the most likely result is a declining market moving forward.

Datacenter construction continues to be the fastest growing segment of construction

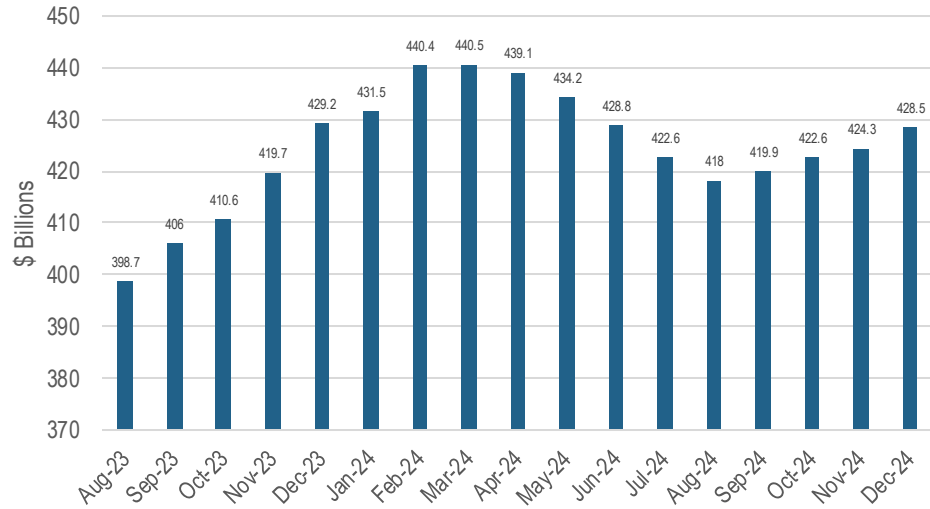
Data Center Construction Annual Spending Rate



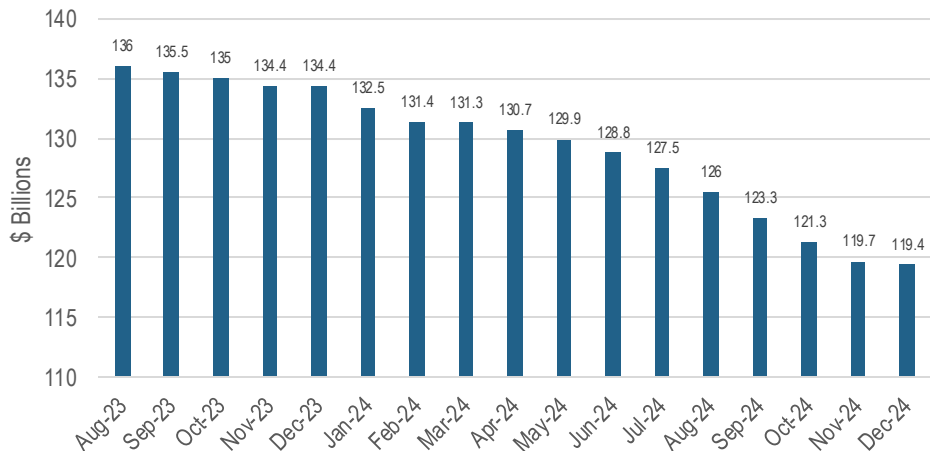
- From 2016 through the end of 2021, data center construction grew from \$5 billion annually to \$10 billion.
- Beginning in 2022 and accelerating in 2023, this spending has grown to \$33 billion annually.
- Several major investments in this market were announced in December 2024 and January 2025 that are not yet reflected in the current spending. Additional rapid growth in this segment seems likely.
- A concern recently arose based on Chinese AI platforms and should be monitored to see if it has any effect on US data center investment plans moving forward.

Residential Construction

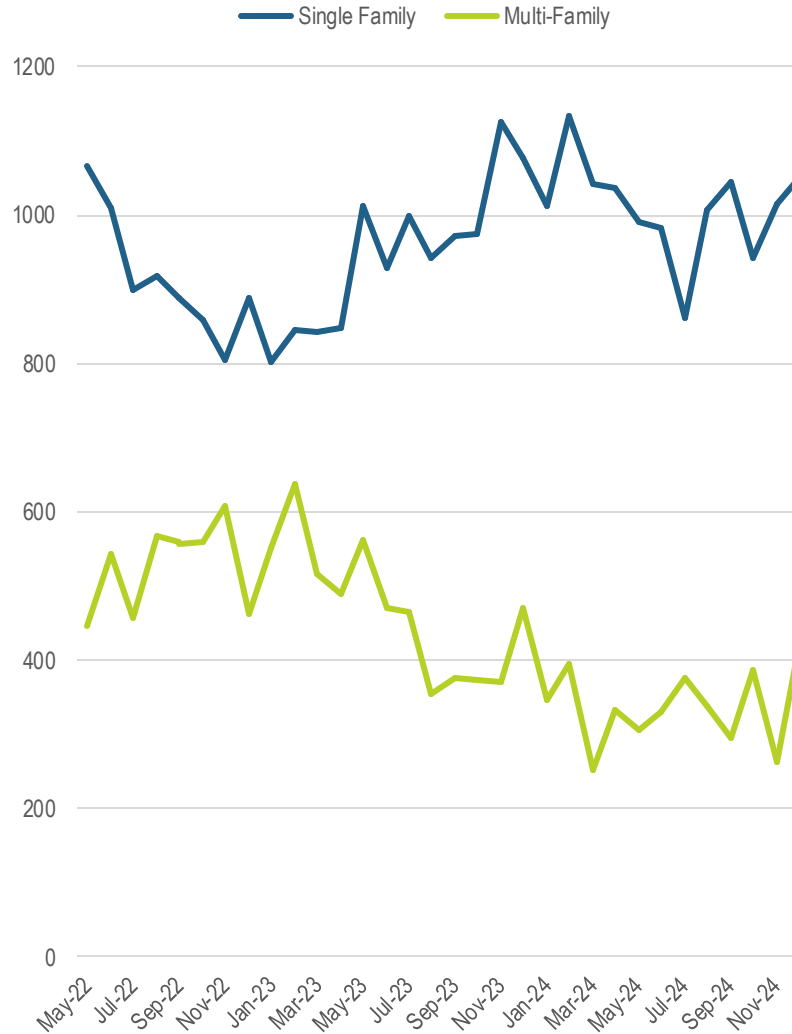
Single-Family Construction Put in Place



Multi-Family Construction Put in Place



Annual Housing Start Rate by Month



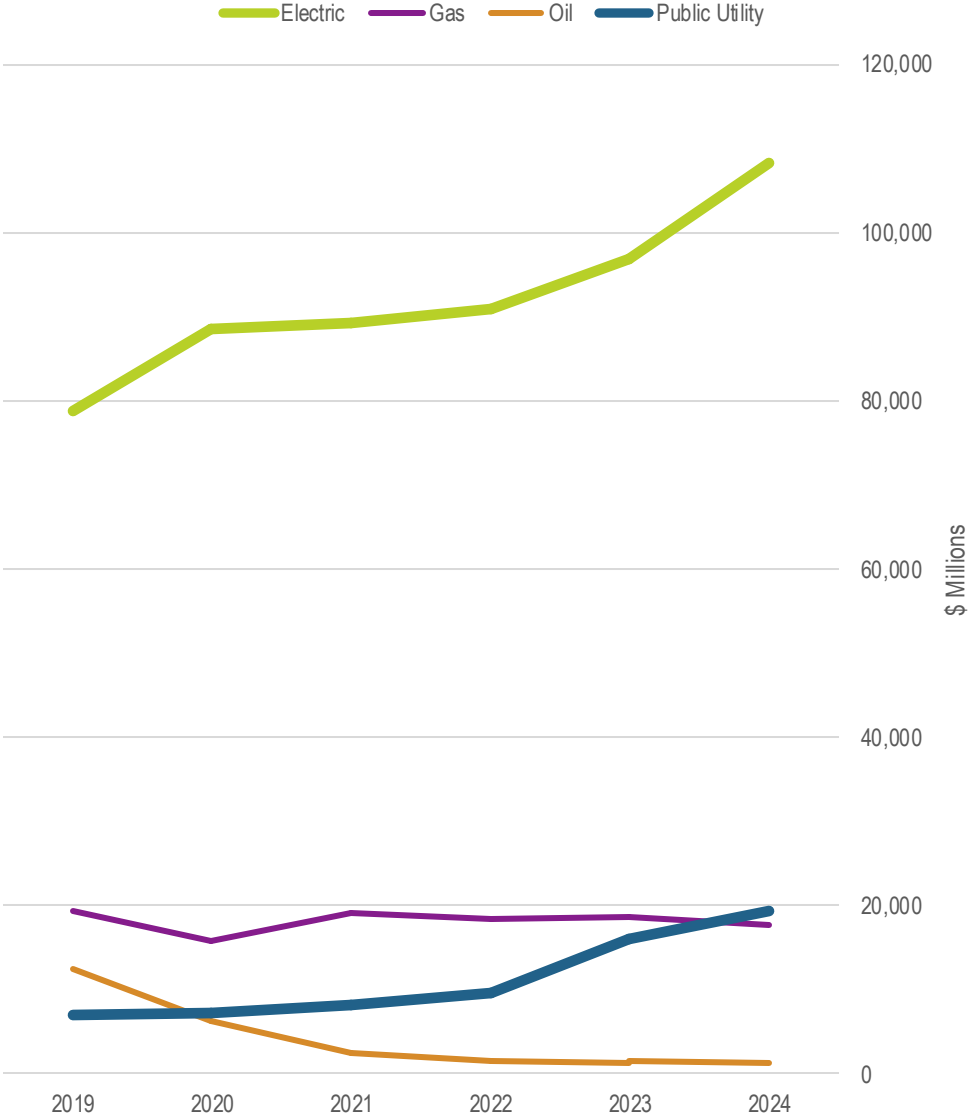
- In 2024, the single-family construction market outperformed 2023 throughout the year despite a slowdown during the summer. The market experienced steady growth through the fall. Starts in 2024 were consistently above 2023, except for a drop in July.
- Multi-family is the inverse of single-family. While 2023 was a strong year, 2024 spending consistently declined, with starts well below previous levels. The market is in a clear cyclical downturn. Looking forward, there is still a housing shortage in the US, and interest rates have begun to fall (though the Fed has paused interest rate reductions as of January 2025). December 2024 had the highest level of starts in a year, which could signal a turn in the market, though a true rebound may still be a year away.

Investments in electric generation capacity have driven accelerating growth in power construction.

- The electric power, gas, and oil segments shown are for private spending. The public utility segment includes both electric power and gas, with electric power accounting for more than 80% of that spending.
- We can assume, much like the private power segment, that almost all of the growth in the public utility segment is related to electric power.
- The oil and gas spending numbers include spending for gathering, transmission, distribution, and storage. It does not include spending on exploration and production.

Segment	2024 Growth	Growth Since 2019
Electric Power	11.7%	37.4%
Gas	-6.1%	-9.0%
Oil	-6.3%	-89.5%
Public Utility	21.2%	171.8%

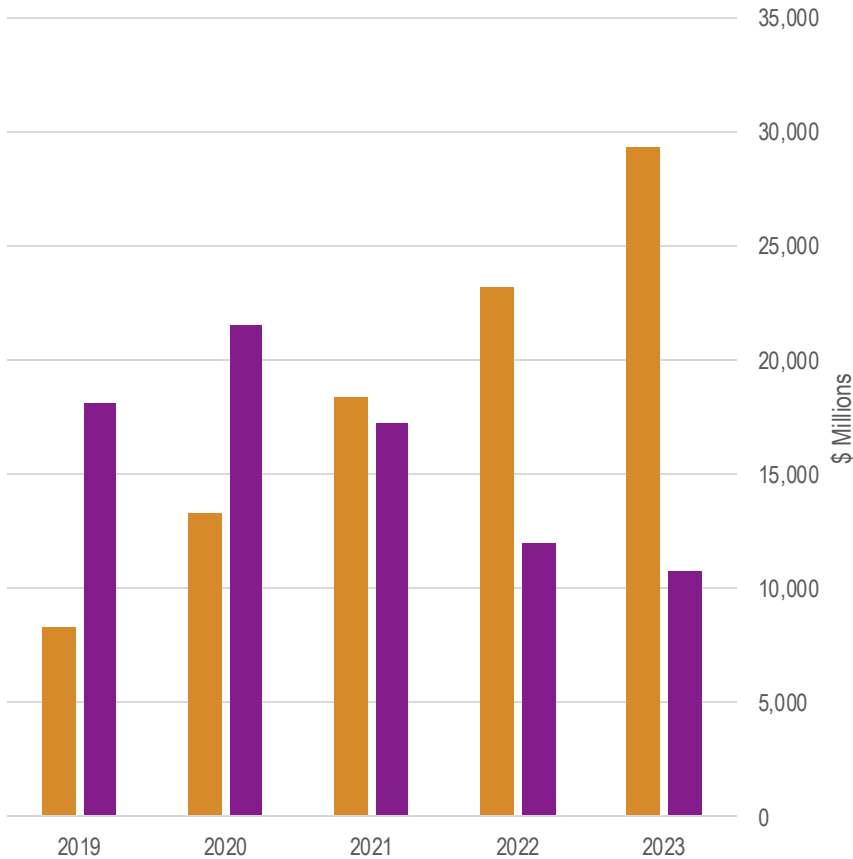
"Power" Construction Spending



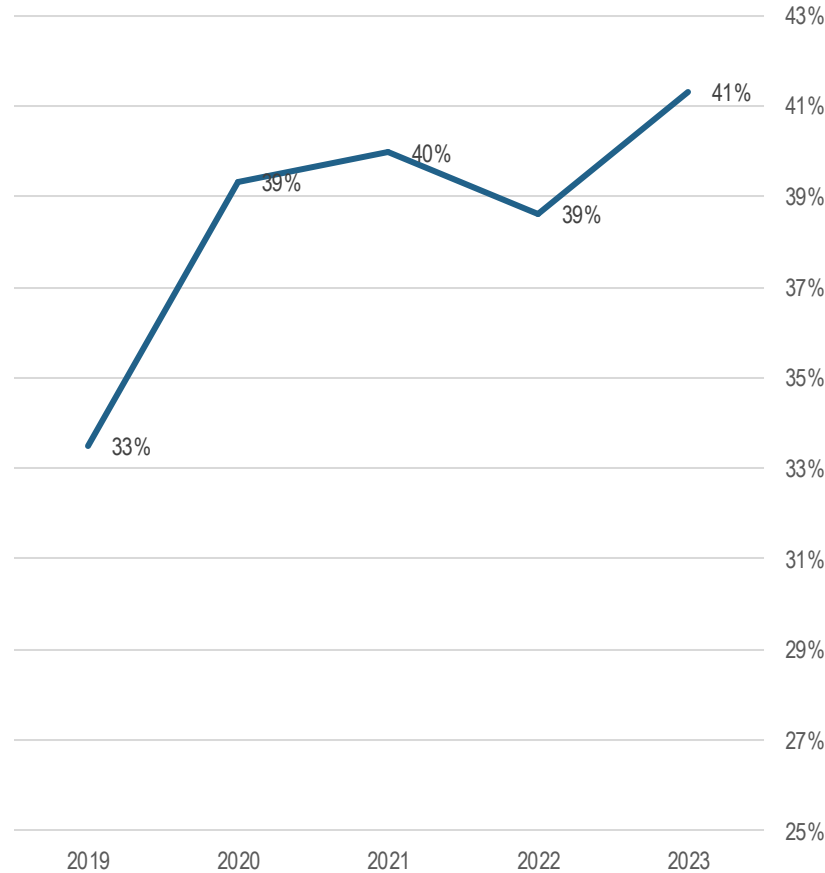
Investments in Solar Power have been the major growth driver.

Wind & Solar Construction Spending

■ Wind ■ Solar



Percentage of Total Electric Power Spending on Wind/Solar

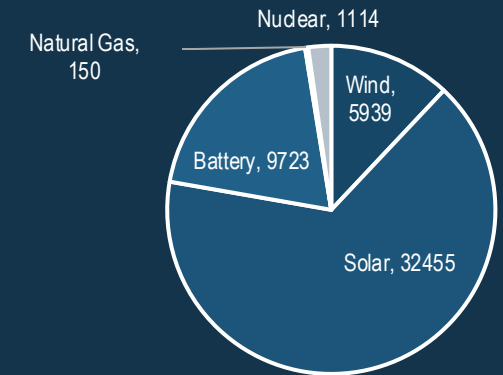


- Over the last five years, solar has surpassed wind as the primary form of renewable energy being built in the US.
- Since 2019, spending on solar has increased by 254%, while spending on wind has fallen by 41%.
- Renewable energy spending has become an increasingly important element of total electric power spending, increasing from 33% of the total in 2019 to 41% in 2023.
- Note that the increased spending on renewable energy also drives spending on transmission systems, which are not reflected in the renewable spending numbers.

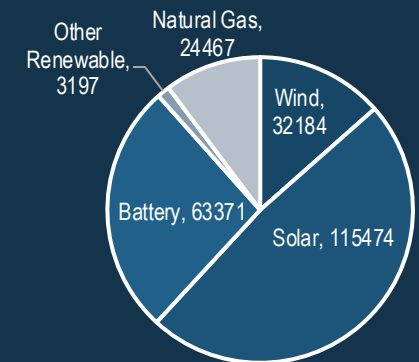
Spending on Electric Power Construction should remain strong, barring a sudden move away from Solar. US electric demand is forecast to steadily increase for the first time in 20 years.

- US electricity consumption grew by 2% in 2024 after nearly two decades of relatively steady demand. EIA forecasts electricity demand to continue growing at that rate in 2025 and 2026, which would be the first three years of consecutive growth in electricity demand since 2005–07. EIA expects electricity demand to grow fastest in the industrial sector—by 2% in 2025 and 3% in 2026—as new semiconductor and battery manufacturing operations come online. In the commercial sector, expected demand increases by 2% in both 2025 and 2026 as data center power consumption increases.
- Over the past year, 98% of new electric generation capacity was solar, wind, or battery storage. Coal power generation capacity fell by 4,295 megawatts over the same period.
- Moving forward, 90% of planned new generation is renewable, with 50% solar. There are currently no nuclear projects that have reached the stage where the EIA would classify them as “planned capacity.” Natural gas projects are the only significant fossil fuel-powered generation that is classified as planned, accounting for 10% of future generation projects.
- In addition to the 239,000 MW of planned new generation, 72,000 MW of generation is scheduled to be retired. Scheduled retirement is 66% coal and 31% natural gas.
- The Trump administration appears less committed to renewable energy (wind appears specifically disfavored) than the previous administration. Nuclear, including small-scale nuclear, is receiving increased focus both inside the administration and in the industry in general. This and other traditional fossil fuel-based generation is being considered to meet the forecast increase in US power demand.
- A shift to different forms of power generation, particularly nuclear, is possible in the future. We would expect any shift to be several years away from generating significant construction spending. Even with regulatory support, the time to plan, permit, and design nuclear or other traditional power projects is very long. Lawsuits would also further delay the process.

2024 New Electric Generation Capacity



Planned New Electric Generation Capacity



Leading Indicators: AIA



- The October billings index was positive, indicating increasing billings across the industry. Since then, conditions have deteriorated, with the index firmly in negative territory in December.
- The design contract index has remained in negative territory throughout the period.
- We would expect a decline in overall construction spending during the first half of 2025 based on these numbers.
- The AIA consensus construction forecast calls for slow growth in 2025 and 2026, with nonresidential construction spending increasing between 2% and 3% each year.

February 2025 Overall Observations

- The rapid growth in nonresidential construction seen in 2022 and 2023 came to an end in 2024. Spending levels are still high as the market has not significantly declined since then.
- There is significant uncertainty around infrastructure and manufacturing markets that benefited from Biden-era legislation, including the Infrastructure Act, the Inflation Reduction Act, and the CHIPs Act. This legislation was conservatively responsible for at least \$200 billion in additional nonresidential construction spending annually over the last few years. This \$200 billion represents 16% of total nonresidential construction spending. The actions Congress and the Trump administration take around this legislation moving forward will have significant impact on the future nonresidential construction market.
- Data center is likely to be the largest growth driver of nonresidential construction spending in 2025.
- Multi-family construction is in a cyclical downturn. A significant turnaround of this market, driven by a need for additional housing, will likely occur when and if interest rates decline.
- Electric power construction has seen strong growth, with that growth accelerating in 2024. Despite concerns about the new administration's support for renewable energy (a significant driver of this growth), increasing demand from manufacturing and data centers should continue to drive growth.