



CONSTRUCTION INSIGHTS

FOR GLOBAL OCCUPIERS

SPRING 2026

Better never settles





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INTRODUCTION

Uncertainty has risen again as trade tensions and [escalating conflicts in the Middle East](#), including the de facto closure of the Strait of Hormuz, disrupt global supply chains.

Forward-looking indicators point to continued uncertainty in the construction sector. Structural labor constraints are limiting the development pipeline for major projects, as construction for data centers and infrastructure continue to absorb a growing share of specialized, high-value labor.

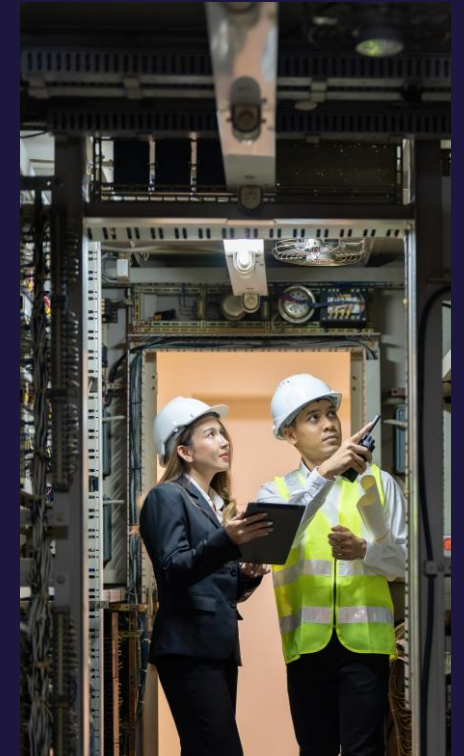
Improvement in the global construction sector will depend on stabilization in trade policy, easing input costs and relief in labor shortages.



Supply chain pressures are increasing, as reflected in the Global Supply Chain Pressure Index (GSCPI), which continues to signal elevated stress driven by ongoing global economic uncertainty and policy dynamics.



Labor pressures are expected to persist through late 2026, with uneven improvement across regions. Most markets—outside Mainland China, Hong Kong and the U.S.—are expected to see some relief by 2027 as additional labor supply comes online.



New supply is increasingly concentrated in specialized formats—particularly large-scale infrastructure, energy and data center projects—while development activity across more traditional CRE asset classes remains limited.

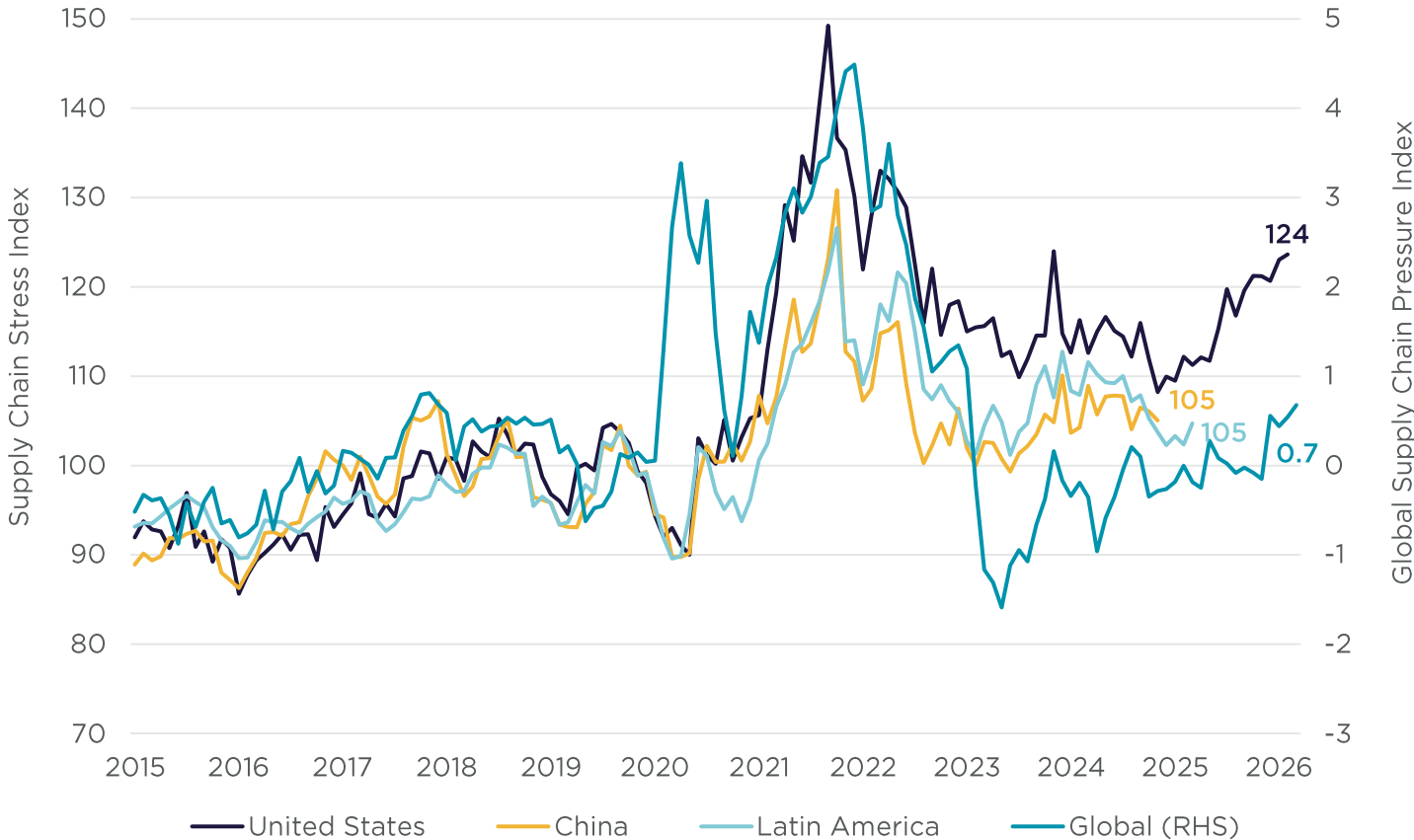
01

**ECONOMIC
DRIVERS**



SUPPLY CHAIN PRESSURES REMAIN

Global uncertainty persists in early 2026

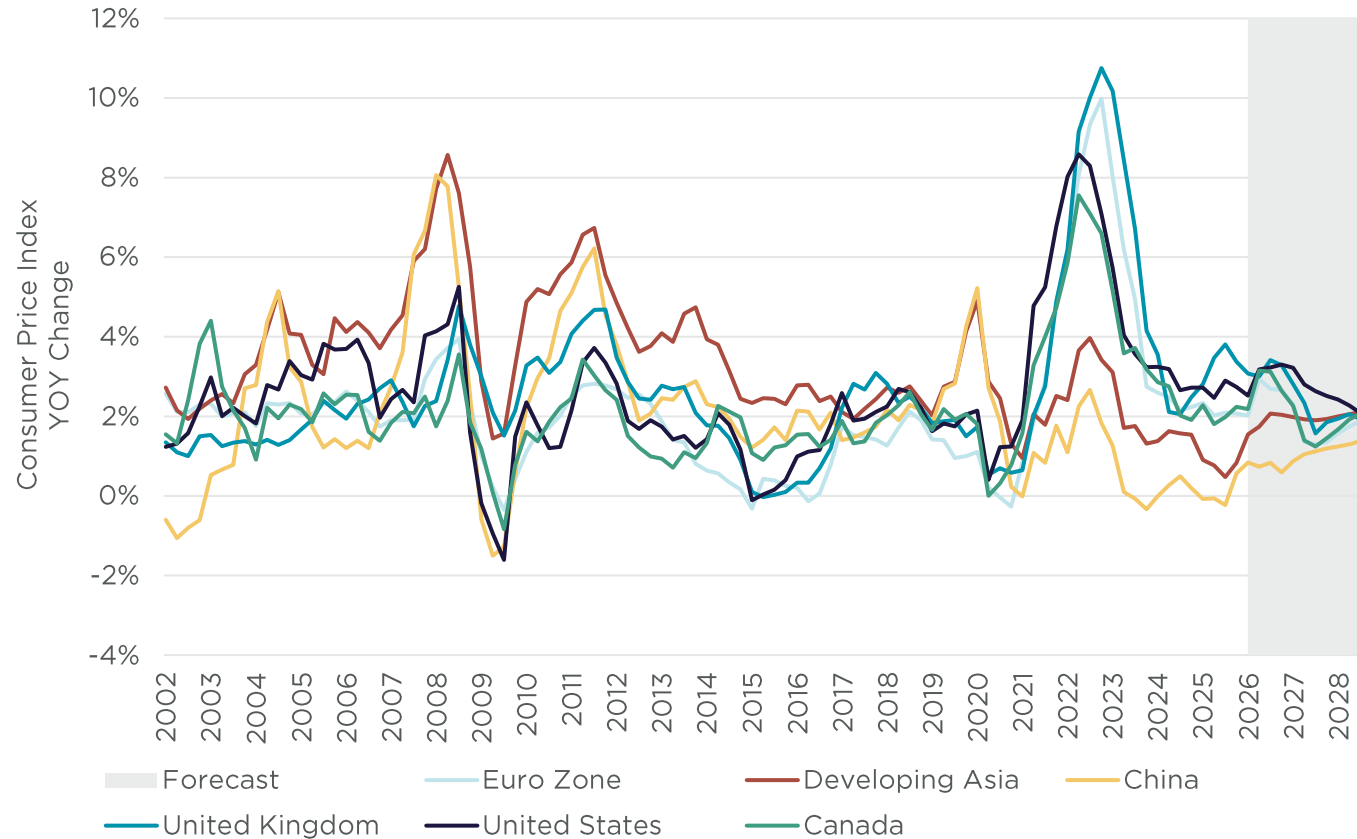


Note: Global data is based on the Global Supply Chain Pressure Index while non-global data is based off Supply Chain Stress Indices
 Source: Federal Reserve Bank of New York, Moody's Analytics

- As of March 2026, global supply chain stress levels have increased both month-over-month (MOM) and year-over-year (YOY). The GSCPI indicates above-average supply chain stress when values are above zero and below-average pressure when values fall below zero.
- Global supply chain indicators have been tracking steadily upward since the brief post-pandemic normalization, rising 0.9 points—0.8 points above the previous 12-month average. Trade tensions in North America and global oil supply constraints have pushed both the GSCPI and U.S. index higher since the fourth quarter of 2025.
- **Outlook:** Ongoing geopolitical disruptions in the Middle East continue to constrain the global oil supply, increasing shipping costs across supply chains. Without resolution, sustained pressure on global supply chains is expected.

INFLATION TRENDING HIGHER

Macro concerns pushing inflation up in the short term

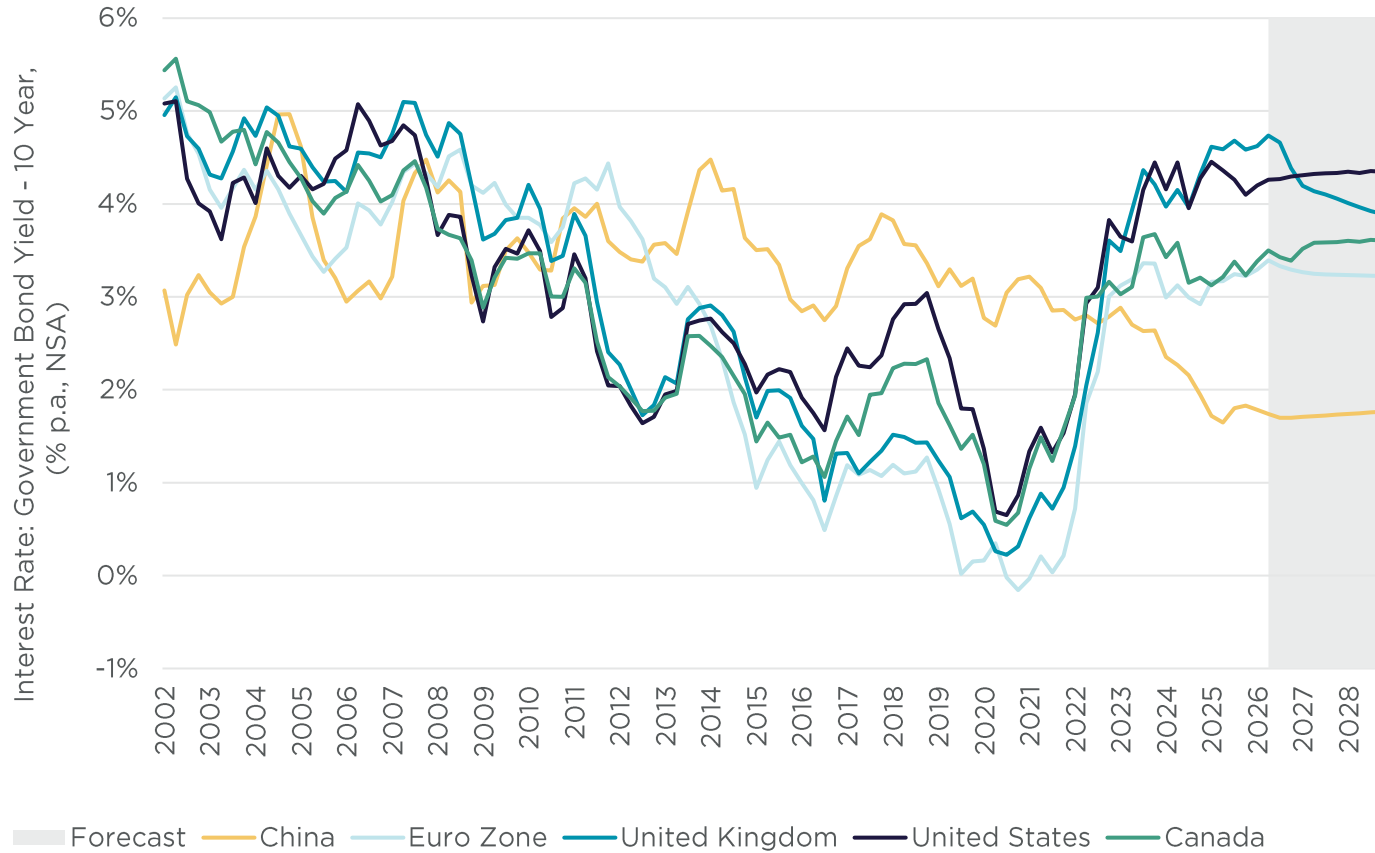


Note: Data for China is based on historical Q4 2020 figures while the remaining regions are based on forecasted Q4 2025 data
Source: The World Bank; Moody's Analytics

- After falling from pandemic highs, global inflation remains sticky in the first quarter of 2026, driven by higher transportation and labor costs. The recent increase in inflation is largely tied to trade tensions and heightened instability in the Middle East. The IMF's April 2026 Outlook projects global inflation to fall from 4.4% in 2026 to 3.2% in 2030.
- Excess capacity and property-sector drag in China is resulting in a disinflationary environment, though inflation is expected to gradually increase into 2028.
- Compared to other developed economies, the U.S. is expected to have a more gradual return to inflation targets within the 2% range.
- **Outlook:** While recent events have reignited cost pressures, global inflation is expected to normalize over the long term. The expected recovery will be uneven across regions and remains vulnerable to energy and geopolitical shocks.

RATES HELD ACROSS THE BOARD

Maintaining optionality moving forward



Note: Data for China is based on forecasted Q4 2025 figures while the remaining regions are based historical Q4 2025 data
Source: The World Bank; Moody's Analytics

- Most central banks are holding inflation at bay through relatively high 10-year bond rates, with China as the exception.
- In North America, both the U.S. and Canada have held rates, seeking optionality amid the evolving situation in the Middle East. Similar guidance exists in the United Kingdom (UK), where rates have been held in late April 2026.
- Short-term inflation is expected to increase throughout continental Europe as energy prices continue to rise, leading central banks to hold rates in early 2026.
- Persistently high interest rates continue to be a headwind for construction by increasing project costs and limiting access to capital.
- **Outlook:** Central banks are expected to hold rates in the near term to maintain flexibility amid geopolitical uncertainty.

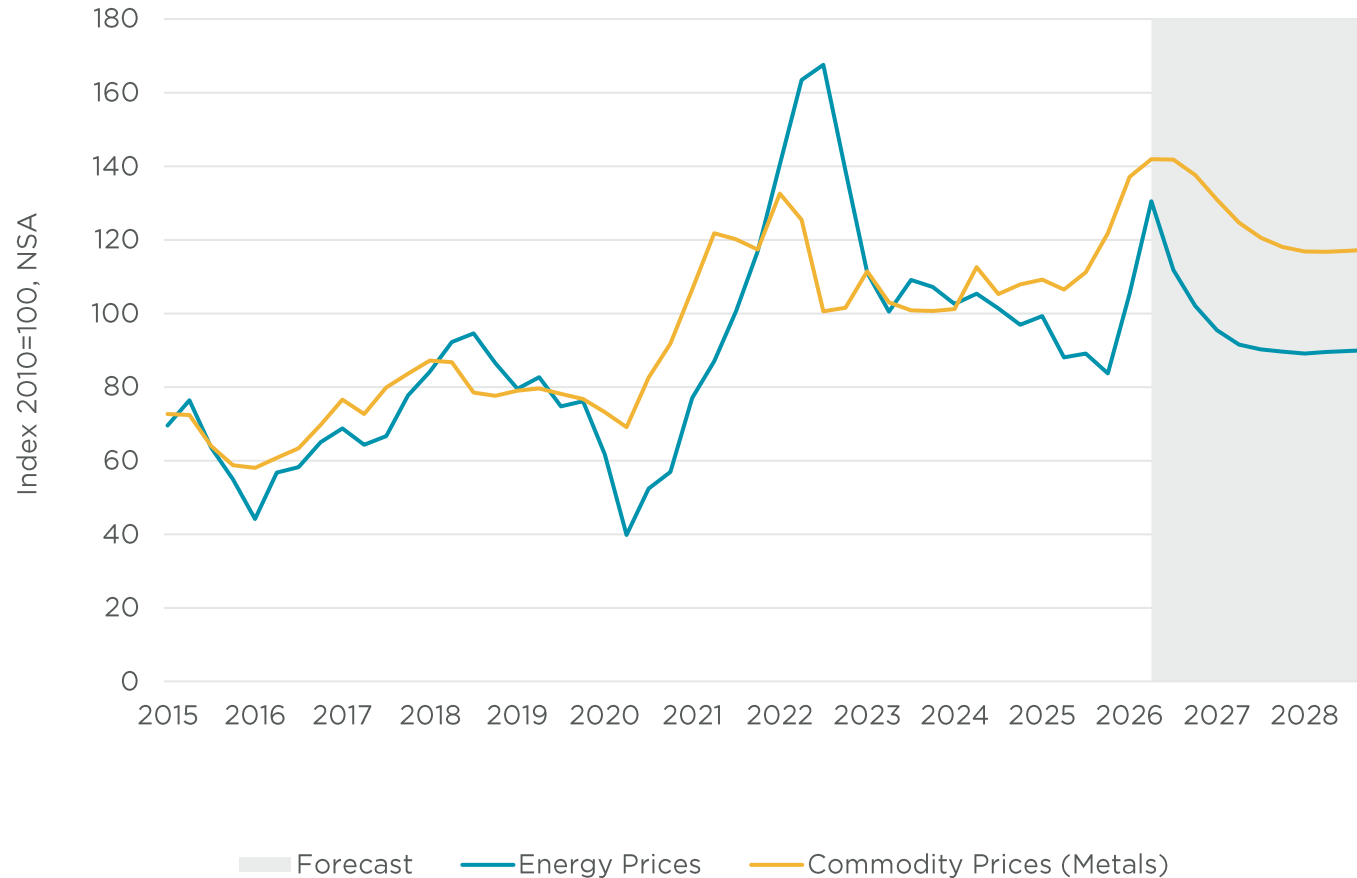
02

CONSTRUCTION
COSTS



ENERGY AND COMMODITIES

Global energy prices continue to rise in the short term

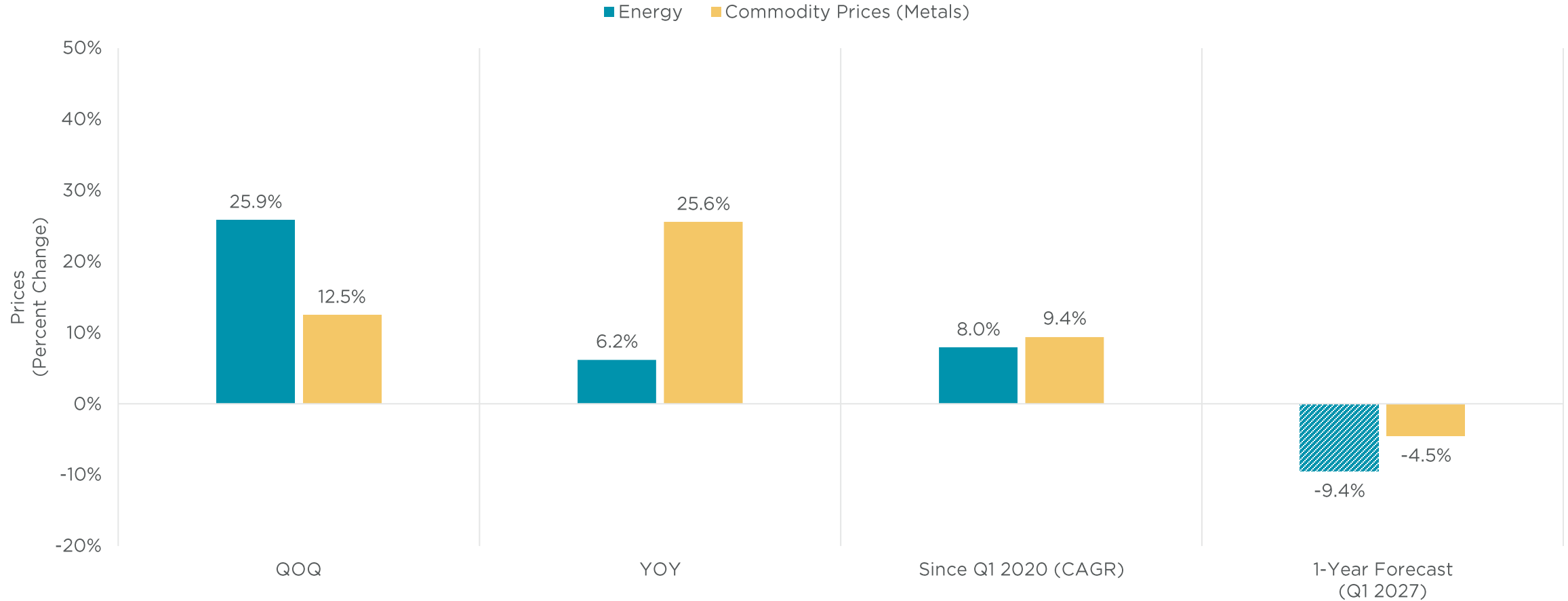


Source: The World Bank; Moody's Analytics

- Global energy prices rose 25.9% in the first quarter of 2026 and 6.2% YOY, with recent spikes driven by supply shocks linked to disruptions in the Middle East and the de facto closure of the Strait of Hormuz. Persistent disruptions to global energy markets are expected to keep energy prices inflated in the near term.
- Global commodity prices increased sharply, led by industrial metals. Prices rose 12.5% quarter-over-quarter (QOQ) and 25.6% YOY, reflecting resilient global demand and tight market conditions. Continued electrification, grid expansion and data center buildouts are driving demand for metals.
- **Outlook:** Energy prices are expected to remain elevated in the near term before easing in late 2026 as supply conditions normalize. Metal prices are expected to peak around mid-2026 before moderating, though they should remain above historical averages.

ENERGY AND COMMODITIES

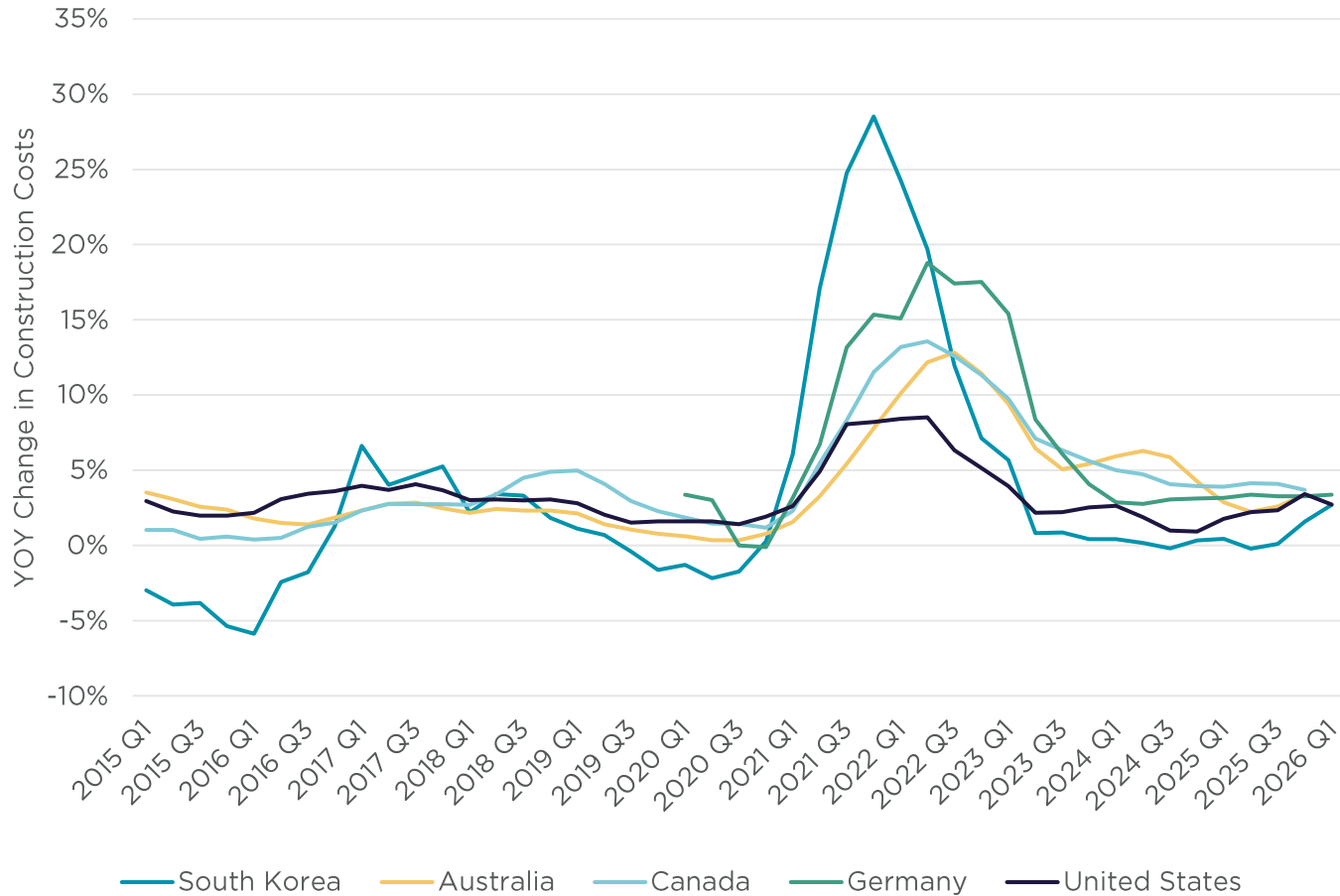
Energy prices pushed upward by macro events



Source: The World Bank; Moody's Analytics

REGIONAL CONSTRUCTION COSTS

Costs normalize



Source: Moody's Analytics

Cushman & Wakefield

- Globally, construction cost inflation has normalized from the pandemic-related peaks of 2022 but remain elevated from pre-pandemic levels. Canada and Australia have sustained the highest YOY cost escalation over the past two years.
- South Korea and Germany are experiencing accelerated construction costs in 2026, driven by raw material prices and ongoing supply chain constraints. In contrast, the U.S. has seen a QOQ decline following short-term peaks in late 2025.
- Global trade tensions are expected to increase risks across many projects over the coming year, adding further uncertainty to procurement and delivery.
- **Outlook:** Global construction cost growth is expected to remain elevated in 2026, although more muted than prior peaks. If the conflict in the Middle East persists, rising input costs and supply chain pressures are expected to continue driving prices in core markets.

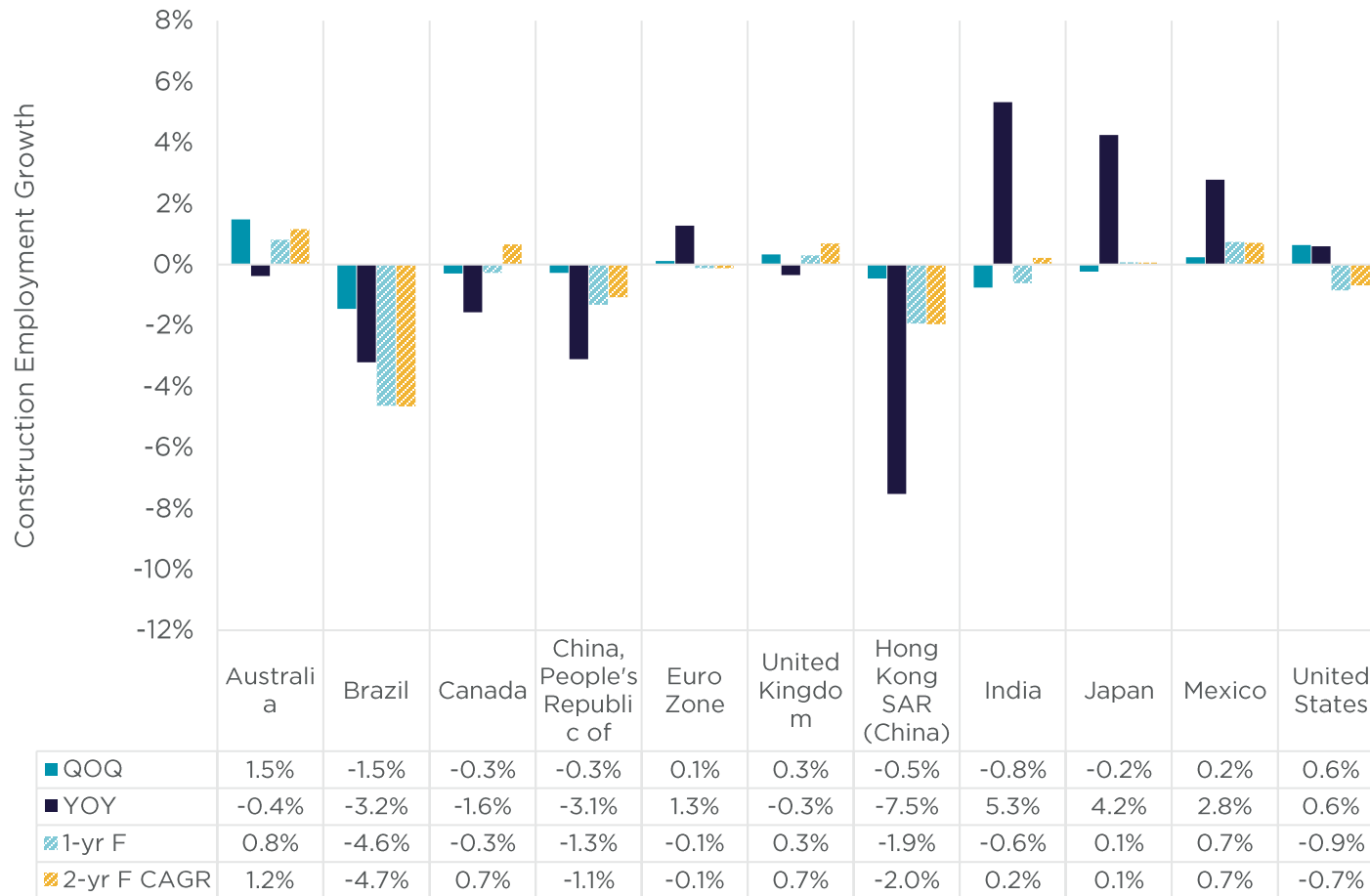
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**CONSTRUCTION
EMPLOYMENT**



CONSTRUCTION EMPLOYMENT

Long-term growth expected to return



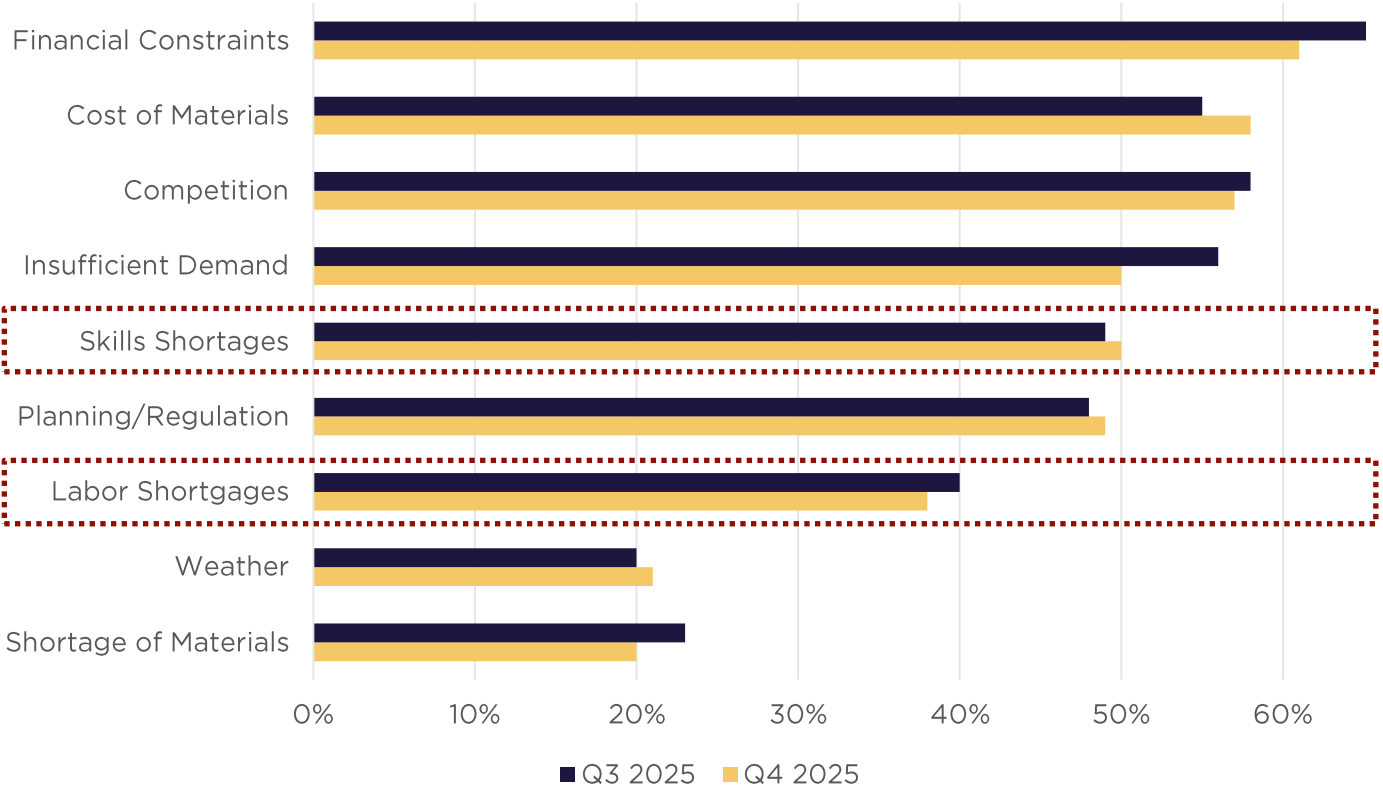
Source: Moody's Analytics

Note: Australia and U.S. data is based on historical Q1 2026 figures, remaining regions are based on forecasted Q1 2026 data

- Through the first quarter of 2026, global employment declined 0.1% QOQ and 0.2% YOY. Persistent labor shortages in the construction sector continue to significantly constrain on project delivery worldwide.
- Employment trends diverged across markets. The U.S., Australia, Mexico and the Eurozone have all recorded recent QOQ gains in construction employment levels.
- In Canada, federal programs are being introduced to accelerate construction training pathways, targeting up to 100,000 new workers. These efforts could support an estimated two year labor force growth rate of 0.7% annually, broadly in line with projected growth in Mexico and the UK over the same period.
- **Outlook:** Moody's expects construction employment to decline by 0.7% in 2026, with the pace of contraction easing to an average annual decline of 0.5% over the following two years.

SKILLS SHORTAGES PERSIST

Labor shortages moderating globally while skills shortages persist



Source: Royal Institution of Chartered Surveyors (RICS) Q4 2025 Global Construction Monitor

- According to the Royal Institution of Chartered Surveyors’ (RICS) fourth-quarter 2025 survey of more than 2,300 companies worldwide, the financial constraints and material costs remain the primary concerns, with skills shortages gaining importance QOQ.
- While approximately 55% of respondents cited the cost of materials as a major impediment in the third quarter of 2025, this rose to approximately 58% in the fourth quarter of 2025, reflecting persistent inflation and geopolitical trade tensions.
- Skills and labor shortages vary considerably across markets. Countries attracting skilled workers include those in the Middle East, select European markets, the U.S. and Canada. Mainland China and Hong Kong are experiencing shortages for both current and forward-looking (12-month) headcounts.
- **Outlook:** RICS survey data suggests global skills and labor shortages will continue to ease in 2026, though conditions will vary by location.

04

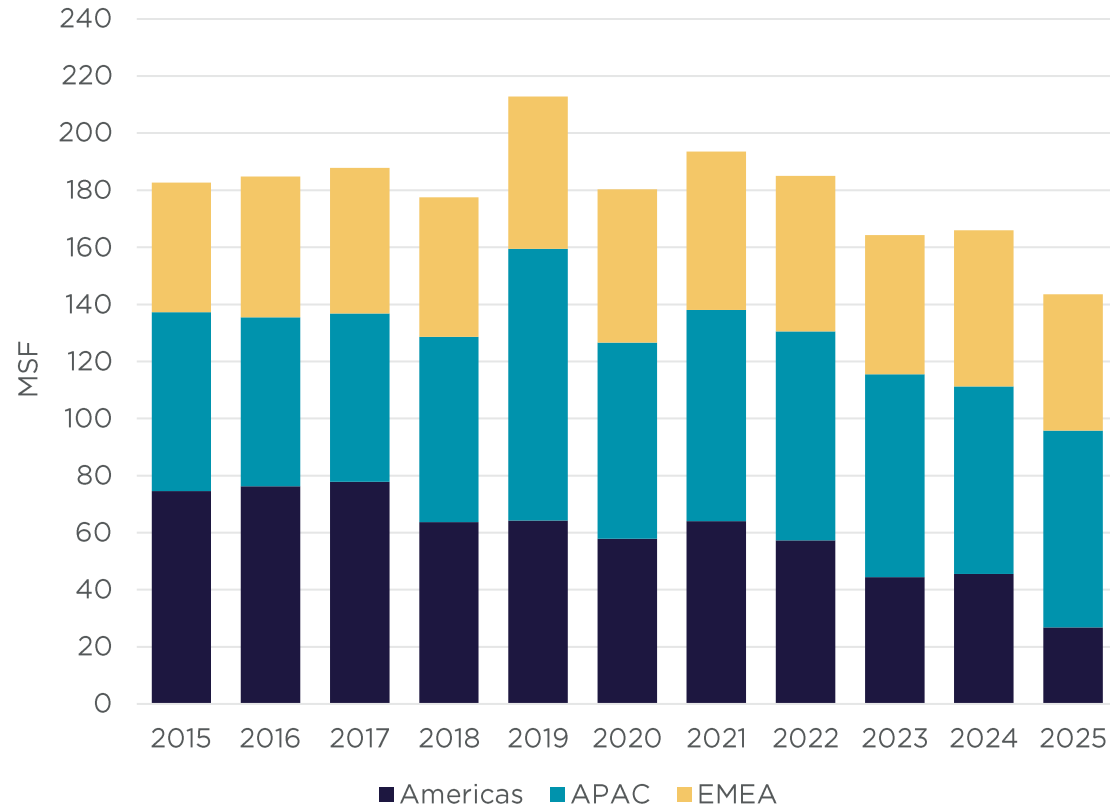
SECTOR
SPOTLIGHTS



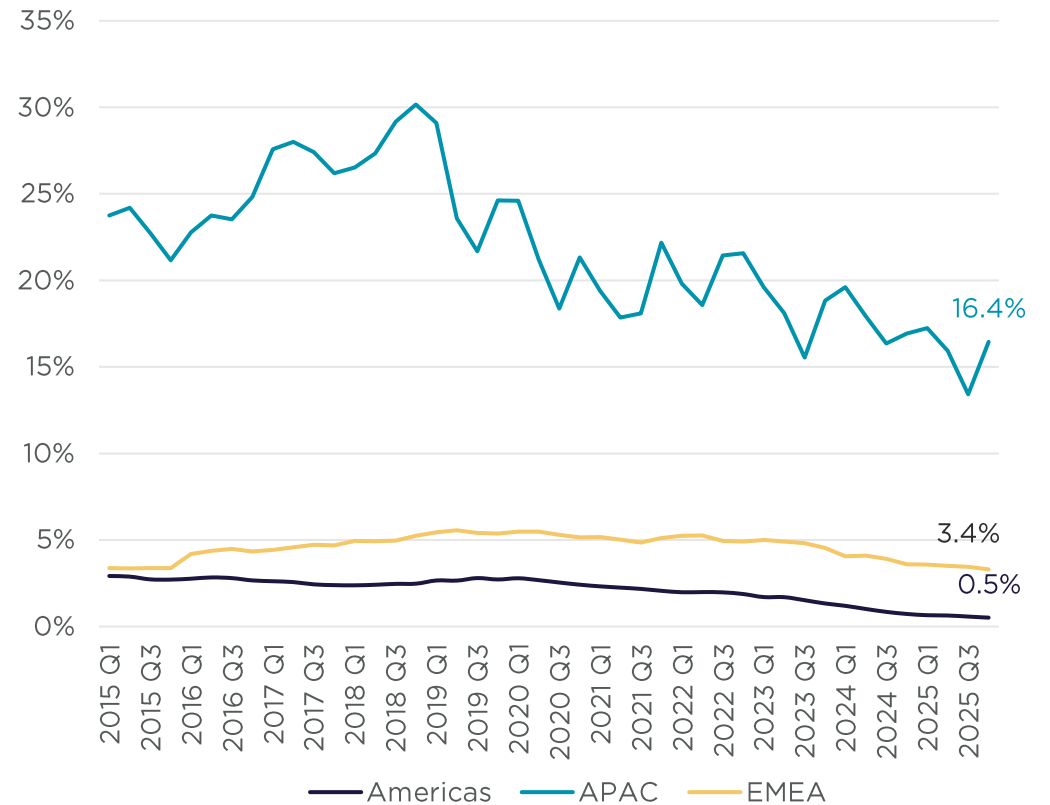
GLOBAL OFFICE PIPELINE CONTINUES DOWNWARD TREND

Square footage under construction falling below 2024 levels across regions

Office Deliveries by Region



Under Construction as a % of Inventory

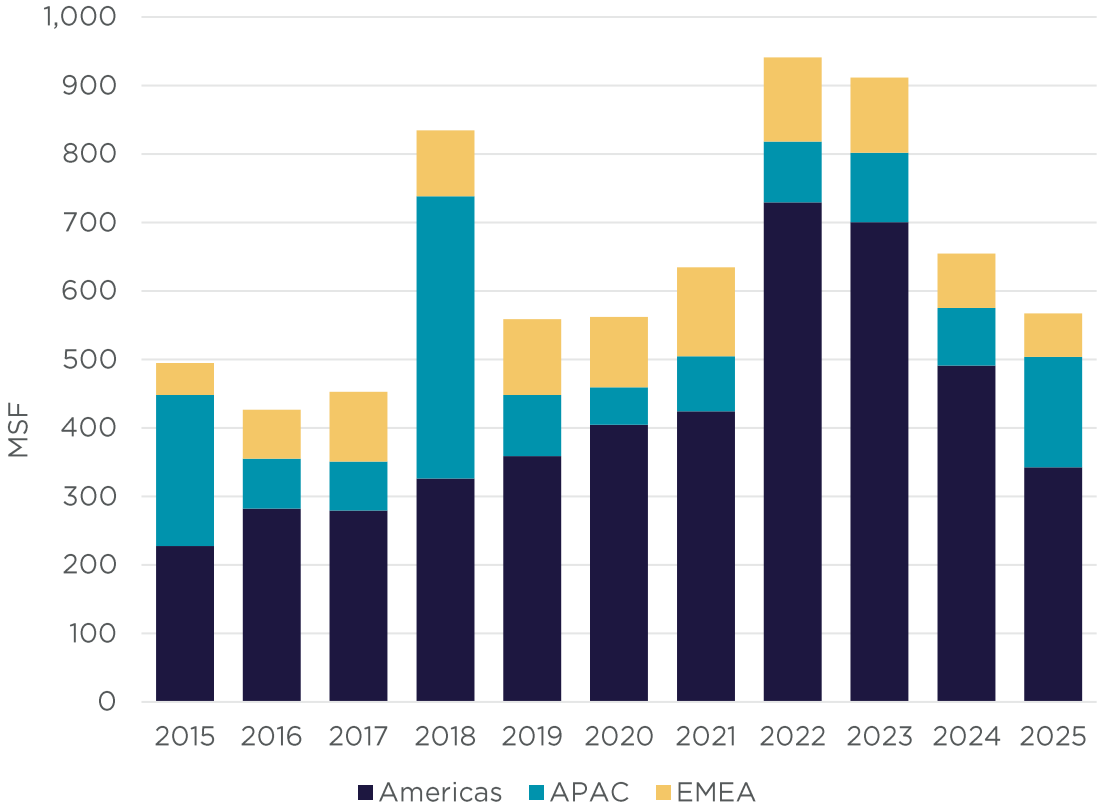


Source: Cushman & Wakefield Research

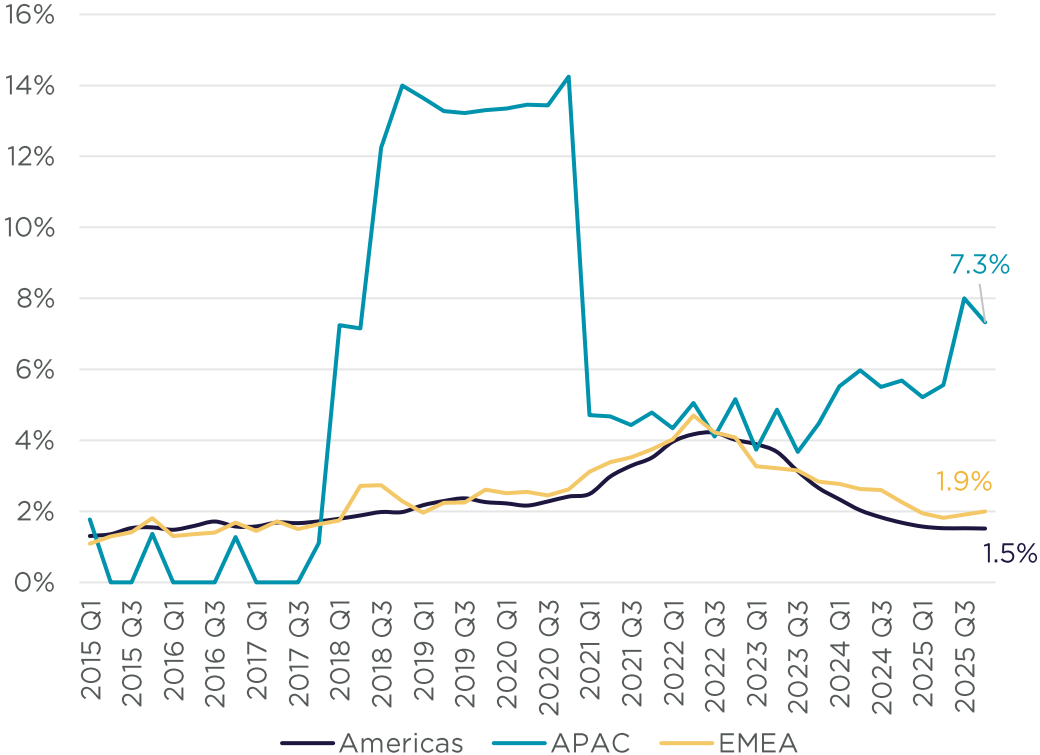
APAC INDUSTRIAL DELIVERIES CLIMB IN 2025

Construction activity in other regions lags

Industrial Deliveries by Region



Under Construction as a % of Inventory

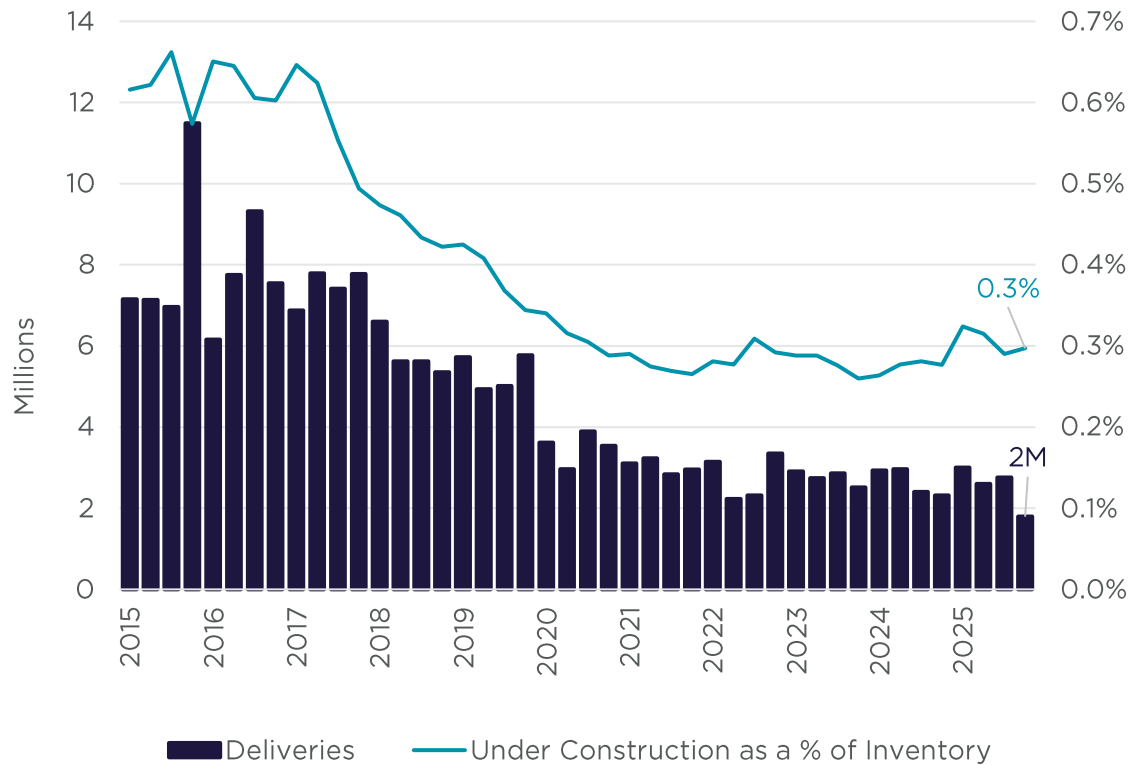


Source: Cushman & Wakefield Research

MULTIFAMILY DELIVERIES REBALANCE AFTER '23 PEAK

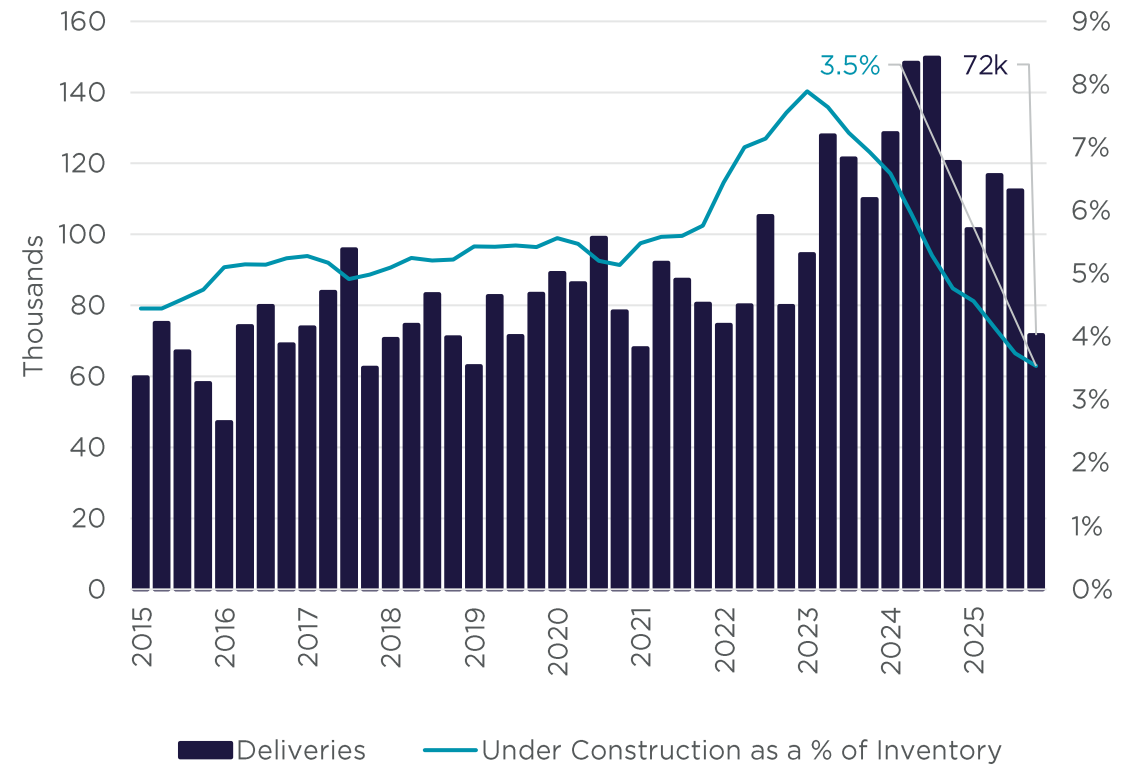
Limited availability drives modest uptick in retail construction activity

United States Retail Pipeline



Source: Cushman & Wakefield Research

United States Multifamily Pipeline



Source: Cushman & Wakefield Research



05

**COUNTRY
DEEP DIVE**
UNITED STATES



CONSTRUCTION COSTS

Cost pressures remain elevated, driven by persistent service-side inflation and climbing material prices, particularly those tied to electrification and data center demand. While pricing pressure persists in some segments, uneven construction activity and rising competition are moderating broader cost pass-through. Looking ahead, cost increases are expected to track closer to long-term trends, with continued growth concentrated in infrastructure- and energy-linked segments.

STRUCTURAL COSTS GAIN MOMENTUM

Janitorial and waste services escalate as contractors restrain markup pass-through

Firms are facing mounting cost pressures across multiple fronts. Persistent labor constraints continue to push wages higher, while [tariff impacts are increasingly flowing through to material costs](#). However, amid generally subdued construction activity, contractors remain cautious on pricing—prioritizing competitiveness and backlog preservation over fully passing through rising costs. As of March 2026, non-residential and healthcare prices rose 3.3% YOY, in line with overall structural cost growth. Office and industrial structures recorded the largest gains, increasing 4.3% and 3.8%, respectively.

Contractor pricing rose 3.7% YOY, supported by a 5.3% increase in concrete contractor prices, reflecting elevated input and energy-related costs. Prices for services also saw notable gains: Waste collection prices jumped 3.9% MOM, while janitorial services climbed 9.1% YOY. Janitorial increases largely reflect delayed price pass-throughs typical of contract-based services, with providers now resetting pricing to account for wage inflation surge in 2022-2024.

	1-Month % Change	YOY % Change	Prior Year* % Change	% Change Jan-2020
STRUCTURES				
Non-residential	0.2%	3.3%	1.7%	43.1%
Office	0.1%	4.3%	2.7%	51.0%
Industrial	0.1%	3.8%	0.6%	45.2%
Warehouse	0.1%	2.1%	0.3%	46.8%
Healthcare	0.5%	3.3%	0.9%	38.7%
Average Change	0.2%	3.4%	1.2%	45.0%
CONTRACTORS				
Concrete Contractors	0.5%	5.3%	2.2%	38.9%
Roofing Contractors	0.1%	4.4%	3.4%	60.8%
Electrical Contractors	-0.1%	4.5%	2.7%	37.8%
Plumbing; HVAC Contractors	0.0%	0.6%	2.9%	32.0%
Average Change	0.1%	3.7%	2.8%	42.4%
SERVICES				
Utilities	-10.0%	0.9%	5.0%	34.3%
Janitorial	0.0%	9.1%	4.9%	28.1%
Waste Collection	3.9%	8.9%	7.2%	48.9%
Non-residential Bldg. Maintenance & Repair	0.0%	3.0%	7.6%	35.1%
Average Change	-1.5%	5.5%	6.2%	36.6%

Source(s): United States Bureau of Labor Statistics (www.bls.gov/ppi); *Prior year represents March 2025 YOY price change

COMMODITY SPIKES CONCENTRATED IN ELECTRIFICATION

Nonferrous metals surge while lumber remains subdued amid uneven demand

Higher costs for imported metals, reduced foreign competition and tighter domestic supply have enabled U.S. producers to reprice toward higher import-parity levels. Strong demand from electrification and infrastructure investment has further amplified these pressures, driving outsized increases in producer prices.

As of March 2026, construction-related commodity prices rose 9.3% YOY—nearly 1.8 times the prior year’s increase. Nonferrous metals led gains (+36.7%), while lumber remained below 2025 levels amid weaker housing activity. Although some nonferrous components are affected by tariffs, the recent surge is primarily driven by robust demand tied to electrification and advanced manufacturing. At the same time, structural supply constraints—including long project lead times and rising regulatory and geopolitical barriers—continue to limit supply and increase price volatility.

On average, costs are projected to be:

↑ 3.0% from current prices to June 2026

↑ 4.3% from current prices to September 2026

	1-Month % Change	YOY % Change	Prior Year % Change	3-Month Forecast* (Jun-2026)	6-Month Forecast* (Sep-2026)
Lumber	0.3%	-0.3%	1.8%	1.7%	3.0%
Hot rolled bars; plates & structural	3.3%	18.4%	-13.1%	1.8%	2.6%
Steel pipe and tube	0.9%	9.6%	-5.2%	2.8%	3.7%
Nonferrous metals	0.8%	36.7%	14.2%	-0.9%	0.5%
Nonferrous wire and cable	-0.5%	14.7%	9.6%	3.7%	5.0%
Fabricated structural metal	1.9%	7.8%	5.3%	0.6%	1.3%
Fabricated steel plate	0.0%	1.1%	12.7%	1.8%	2.9%
Prefabricated metal buildings	0.2%	5.8%	-1.8%	2.7%	3.7%
Miscellaneous metal products	0.3%	4.1%	2.7%	2.2%	3.6%
Glass	-0.1%	6.4%	1.1%	1.3%	2.6%
Concrete and related products	0.0%	3.3%	5.9%	2.4%	3.6%
Concrete products	0.5%	2.4%	1.5%	2.1%	3.4%
Asphalt felts and coatings	-1.6%	-0.2%	-0.3%	5.5%	7.7%
Other nonmetallic minerals	0.3%	0.7%	4.7%	2.6%	4.8%
Copper Base Scrap	-0.5%	19.3%	11.6%	9.2%	10.1%
Aluminum Base Scrap	-3.5%	19.2%	33.9%	8.8%	10.0%
Average Change	0.2%	9.3%	5.3%	3.0%	4.3%

Source(s): United States Bureau of Labor Statistics (www.bls.gov/ppi); *Prior year represents March 2025 YOY price change

EQUIPMENT COSTS ESCALATE

Switchgear and electrical components face persistent supply-demand imbalance

Equipment prices continue to climb, with March 2026 marking a 6.0% YOY increase, up from 3.9% in 2025.

Switchgear prices have seen the sharpest gains, rising more than 17% over the past two years, reflecting strong demand for electrical equipment. This trend is driven in part by its critical role in supporting high-demand facilities such as data centers, as well as utilities' investment in grid modernization and renewable integration to meet growing electricity demand.

These dynamics highlight the imbalance between accelerating electrification demand and constrained manufacturing capacity for critical electrical components. At the same time, elevated costs—particularly for copper—are further increasing procurement costs for construction projects.

On average, equipment prices are projected to be:

↑ 2.5% from current prices to June 2026

↑ 4.2% from current prices to September 2026

	1-Month % Change	YOY % Change	Prior Year % Change	3-Month Forecast* (Jun-2026)	6-Month Forecast* (Sep-2026)
Switchgear; switchboard; etc. equipment	0.1%	11.2%	5.8%	2.4%	4.7%
Metalworking machinery and equipment	0.2%	4.7%	3.4%	2.3%	3.9%
Pumps; compressors; and equipment	0.2%	5.4%	5.9%	2.3%	4.1%
Fans and blowers; except portable	0.1%	2.5%	1.5%	2.6%	4.4%
Electrical machinery and equipment	0.8%	11.5%	2.1%	-0.1%	1.1%
Motors; generators; motor generator sets	-0.2%	2.5%	5.6%	2.6%	3.9%
Transformers and power regulators	0.0%	4.4%	1.6%	5.9%	7.7%
Process control instruments	0.0%	6.2%	5.0%	1.8%	3.3%
Average Change	0.2%	6.0%	3.9%	2.5%	4.2%

Source(s): United States Bureau of Labor Statistics (www.bls.gov/ppi); *Prior year represents March 2025 YOY price change

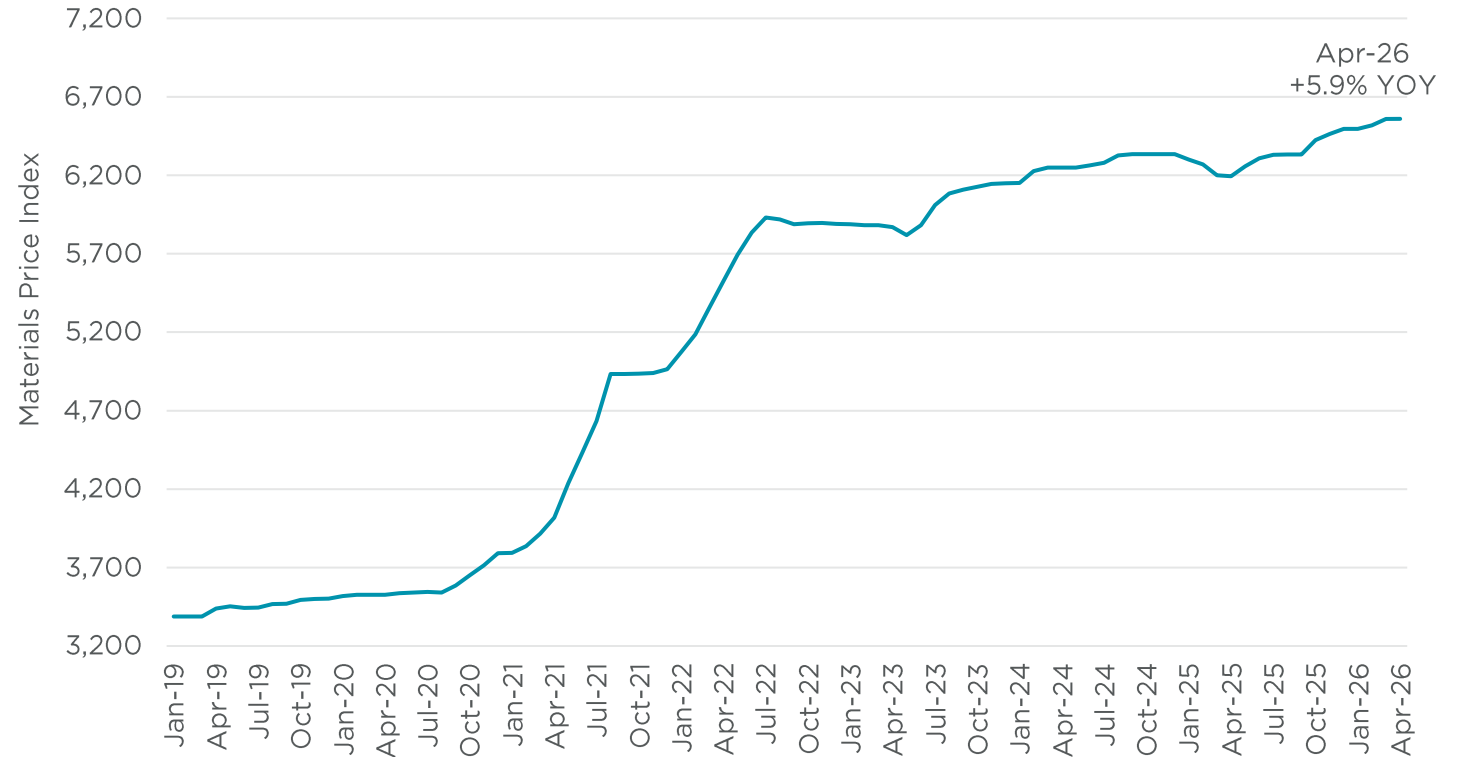
MATERIAL PRICES REACCELERATE AFTER STABILITY

Tariff impacts and infrastructure demand begin filtering through supply chains

Despite tariff-related uncertainty in 2025, materials price growth remained relatively subdued.

More recently, prices have begun to reaccelerate as cost pressures filter through supply chains and demand for key materials outpaces supply. In April 2026, material costs posted their largest increase in 22 months, rising 5.9% YOY.

Outlook: Material prices are expected to increase at or near long-term averages in 2026, as tariff-related cost pressures continue to materialize and demand tied to infrastructure and electrification remains firm. However, gains are likely to vary by material, with supply constrained categories—particularly metals—facing greater price pressure. Overall, price growth should remain more stable and less volatile than during the pandemic, though periodic spikes may occur as supply chains adjust.



Source: Engineering News Record (ENR) (McGraw-Hill); structural steel, portland cement and two-by-four lumber

LABOR PRESSURES EASE OUTSIDE SPECIALIZED TRADES

Wage growth moderates broadly, though skilled workers remain constrained

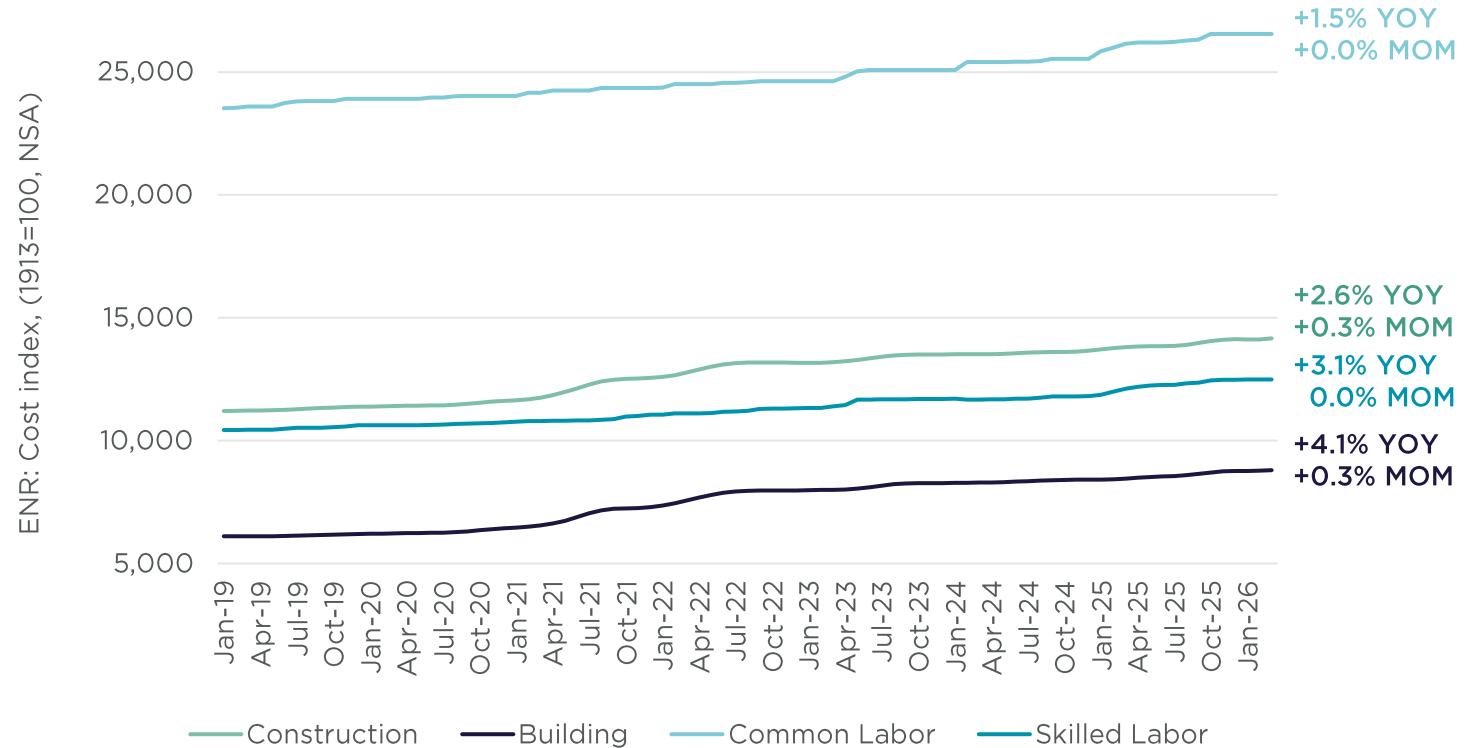
While labor constraints persist, uneven construction demand—now concentrated in data centers and energy—has eased upward pressure on wages. Labor costs remain high, but contractors are increasingly absorbing expenses to submit competitive bids.

Common labor costs rose 1.5% YOY, while skilled labor costs climbed 3.1%, reflecting more persistent pressure in specialized trades.

The Construction Cost Index, which tracks common labor, rose 0.3% MOM and 2.6% YOY. The Building Cost Index, which incorporates skilled labor, increased 0.3% MOM and 4.1% YOY.

Skilled labor remains a key cost driver, particularly in trades tied to data centers and electrical infrastructure.

Outlook: Building costs in 2026 are expected to track near long-term growth trends. Despite elevated labor and material expenses, contractors are prioritizing competitive pricing by limiting cost pass-throughs.



Source: Engineering News-Record (ENR) (McGraw-Hill)

COMMERCIAL STARTS FALL DESPITE BROADER REBOUND

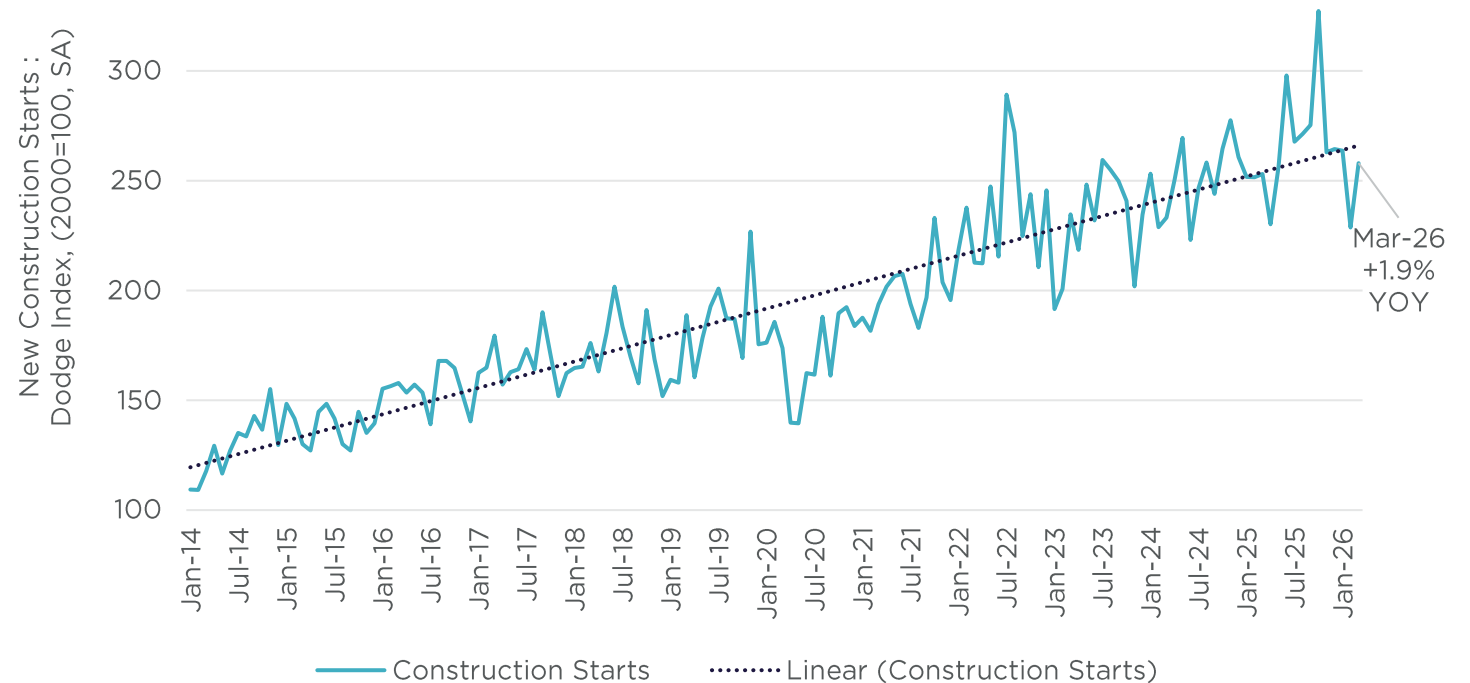
Power and utility projects offset continued softness in commercial activity

After a dip in February, new construction starts rose 12.8% MOM in March 2026. Growth was broad-based, with the South Central region leading (+41.7%), followed by the West (+22.1%), while the Midwest was the only region to decline (-15.1%).

Non-residential building starts increased 6.3% MOM, though commercial starts—a key subset of non-residential—fell 9.2%. A surge in manufacturing construction helped offset this weakness, rising roughly 250% over the month. Residential starts also increased modestly, up 2.6%.

Non-building starts surged 37.9% MOM, driven by a sharp increase in electric power and utility projects (+353.6%), highlighting the outsized influence of large-scale infrastructure activity.

Outlook: Construction activity remains uneven across sectors. Infrastructure and energy-related projects continue to drive growth, while reshoring and industrial policy investments are supporting a broader expansion in manufacturing construction. However, manufacturing starts remain highly volatile, often shaped by the timing of large, one-off project initiations.



Source: Dodge Data & Analytics

METRO CONSTRUCTION COST GROWTH VARIES

Select markets see firmer escalation despite overall deceleration trends

Based on the latest first-quarter 2026 data from Rider Levett Bucknall (RLB), metro-level construction costs climbed an average of 4.4% YOY, largely in line with the prior year's increase.

Cost trends varied by metro. Honolulu posted the largest annual gain at 5.9%, followed by Phoenix at 5.1%. The Hawaii construction market remains active, supported by ongoing development and rebuilding following the 2023 Maui wildfires. Elevated costs continue to reflect a limited local labor pool and geographic isolation, which increases reliance on imported materials.

Chicago recorded the smallest YOY increase at 2.9%, followed by Boston at 3.0%. On a quarterly basis, Honolulu recorded the largest jump at 1.6%, while Boston was the only market to avoid an increase in cost.

Outlook: Rising material expenses are expected to maintain upward pressure on construction costs despite recent moderations in wage growth.

Metro	QOQ % Change	YOY % Change (Q1 2026 vs. Q1 2025)	Prior Year % Change (Q1 2025 vs. Q1 2024)
Austin	0.92%	4.32%	---
Boston	0.00%	2.95%	4.81%
Charlotte	0.92%	4.66%	---
Chicago	0.23%	2.89%	5.47%
Dallas	1.05%	3.53%	---
Denver	1.05%	4.76%	4.15%
Honolulu	1.60%	5.89%	5.37%
Las Vegas	0.97%	4.97%	4.13%
Los Angeles	0.72%	4.00%	3.58%
Miami	0.85%	4.74%	3.82%
Minneapolis	0.67%	4.22%	---
Nashville	1.07%	4.78%	5.20%
New York	1.34%	4.40%	3.77%
Phoenix	1.24%	5.12%	4.18%
Portland	1.45%	4.77%	4.39%
San Francisco	0.72%	3.92%	3.88%
Seattle	1.01%	4.51%	4.46%
Washington D.C.	1.30%	3.98%	4.58%
Average	0.95%	4.36%	4.41%

Source: Rider Levett Bucknall, Rider Levett Bucknall (RLB)

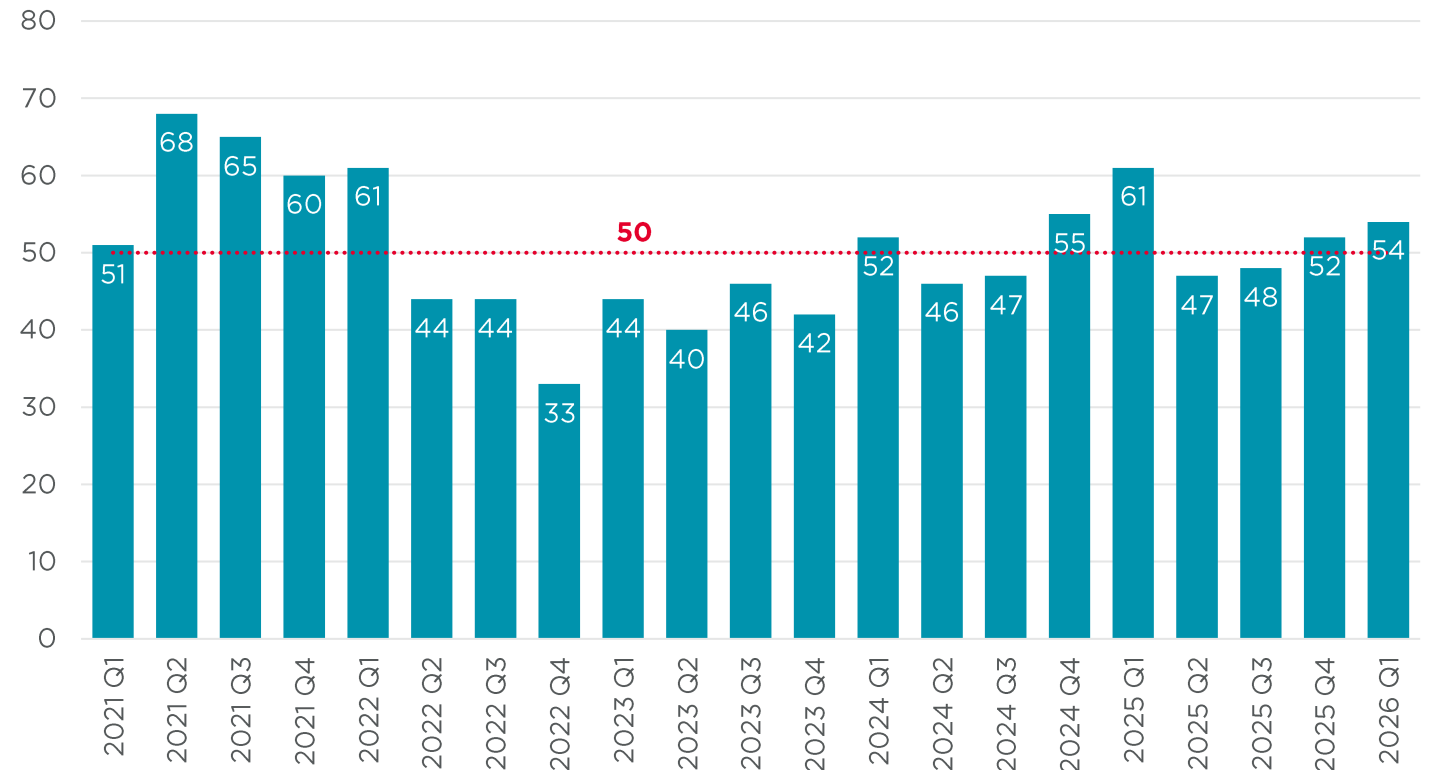
INDUSTRY SENTIMENT IMPROVES BUT REMAINS SELECTIVE

Optimism tied to energy and data centers amid rate and macro uncertainty

Firms surveyed in ENR's latest confidence index reported a modest increase in optimism, with sentiment rising slightly from the previous quarter on expectations for improved activity. However, industry executives continue to characterize the broader construction market as fragile, with strength largely concentrated in data centers and energy-related projects. Uncertainty around the timing and magnitude of potential interest rate cuts remains a key concern, particularly for rate-sensitive segments.

At the same time, executives noted that sustained momentum in high-growth sectors, such as data centers and energy, is providing a meaningful floor for overall activity, helping to offset weaker conditions elsewhere.

Outlook: Construction sentiment is more optimistic over the next 12 to 18 months. However, this outlook remains highly dependent on the timing and scale of interest rate cuts and broader macroeconomic stability, which will be critical to supporting activity beyond infrastructure- and energy-related segments.



Source: ENR/BNP MEDIA



LABOR

Construction labor conditions have cooled as softer project pipelines and financing uncertainty curb hiring, despite modest employment gains early in the year. While overall labor demand is easing, structurally constrained skilled trades continue to support wage pressures and limit rapid cost normalization. Looking ahead, labor conditions are expected to remain uneven, with high demand trades sustaining above-trend wage growth even as broader employment moderates.

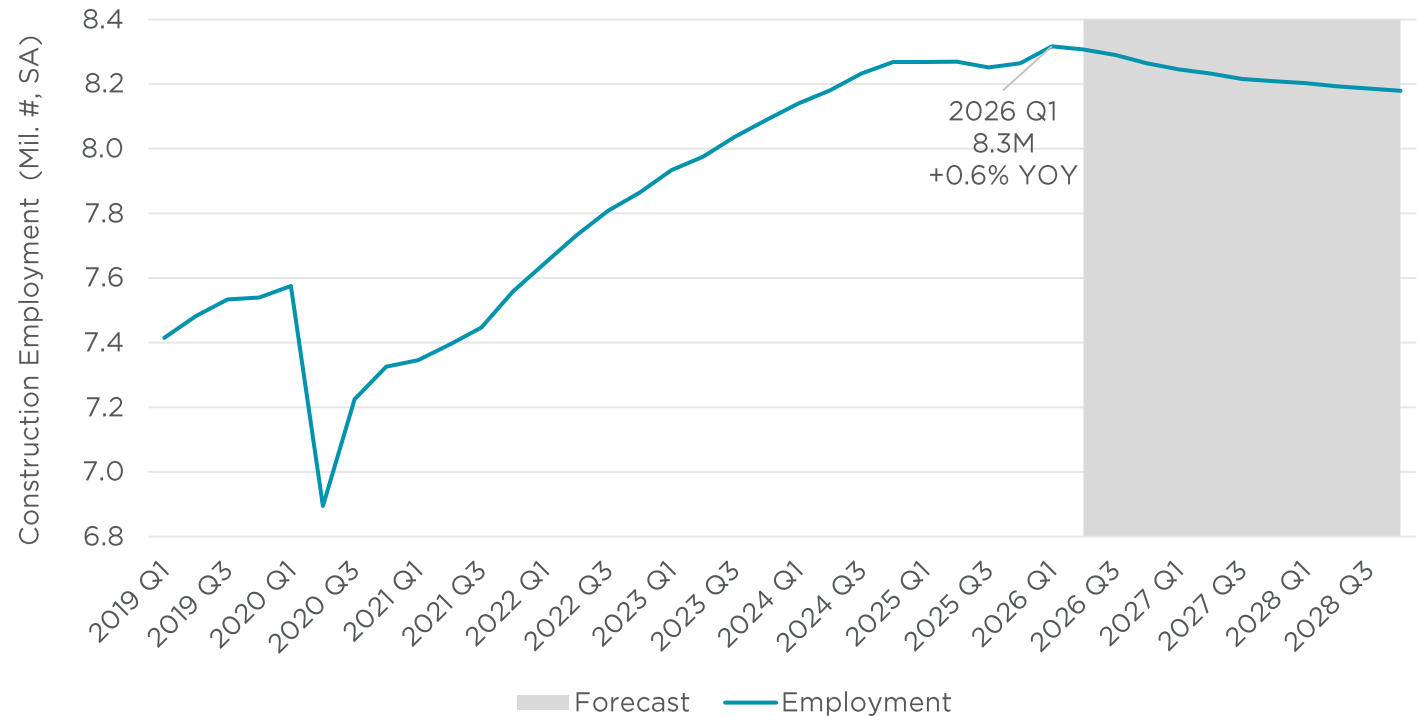
CONSTRUCTION HIRING EDGES UP IN EARLY 2026

Macroeconomic uncertainty and labor constraints limit growth

Construction employment increased in the first quarter, adding roughly 52,000 jobs (+0.6%) since the end of 2025, the strongest first-quarter gain since 2023. By comparison, growth across broader employment categories was muted, with total nonfarm and private employment each rising just 0.1%, while government employment declined 0.2%.

Prior to the first-quarter increase, construction employment had been flat over the previous three quarters. Hiring remains measured, reflecting softer project activity and persistent structural labor constraints, particularly among skilled trades.

Outlook: With the timing of potential rate cuts increasingly uncertain, Moody's forecasts that construction employment will decline 0.9% YOY in 2027 and a further 0.5% in 2028 as a declining project pipeline weighs on labor demand. A constrained labor pool and the gradual drawdown of backlogs are expected to limit construction hiring, even as shortages in skilled trades persist.



Source: U.S. Bureau of Labor Statistics (BLS); Moody's Analytics Forecast

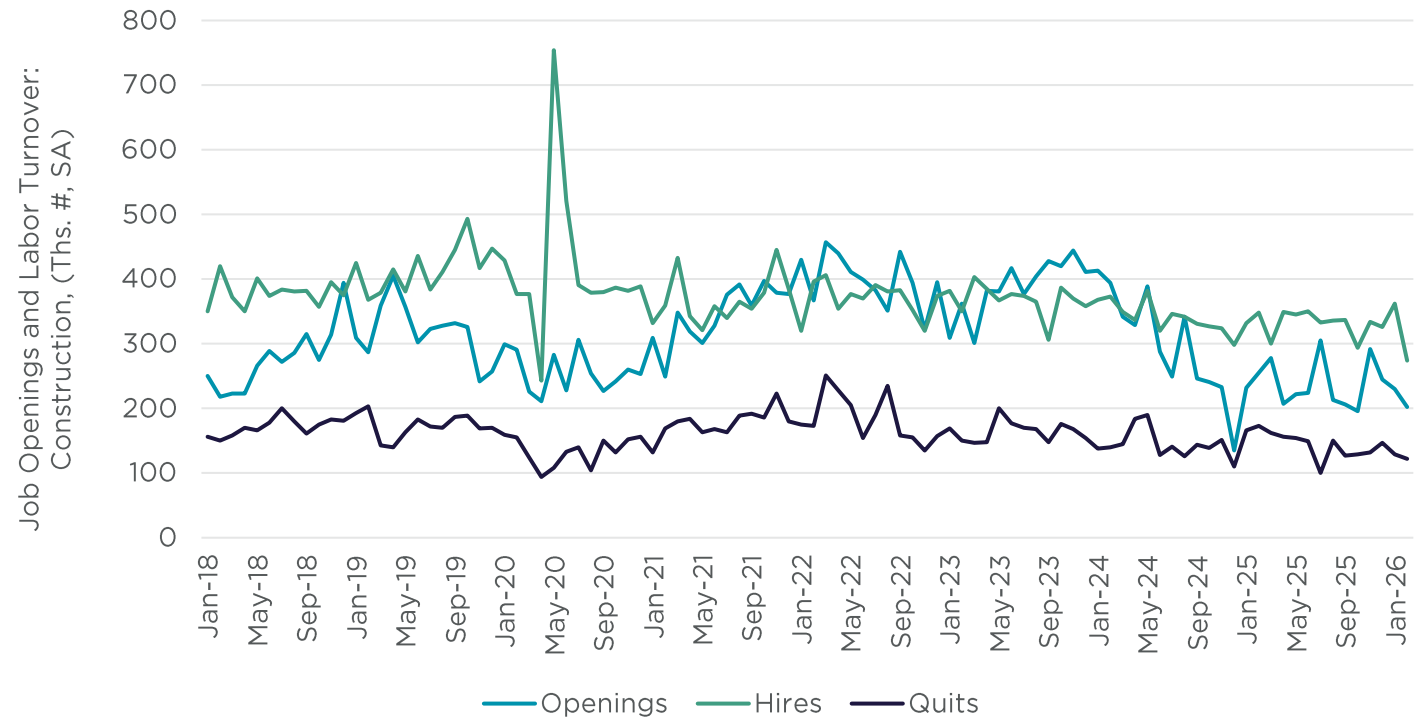
TURNOVER IS MODERATING

Openings, quits and hires fall as firms adopt cautious staffing strategies

Figures from February 2026 show a softening in construction job openings, hires and quits, with all three measures declining by 20% or more YOY.

Shifting expectations around the near-term financing environment, combined with subdued activity, have led firms to take a more cautious approach to workforce expansion. The decline in worker resignations also points to reduced employee leverage, as firms are less inclined to offer wage premiums to attract workers from competitors.

Outlook: Construction hiring is likely to remain subdued in the near term as firms await greater clarity on interest rates and broader macroeconomic conditions. Hiring should gradually stabilize as financing conditions improve and project pipelines firm, though gains are expected to be uneven across segments. Structurally tight supply in skilled trades will likely persist even as overall hiring moderates.



Source: U.S. Bureau of Labor Statistics (BLS)

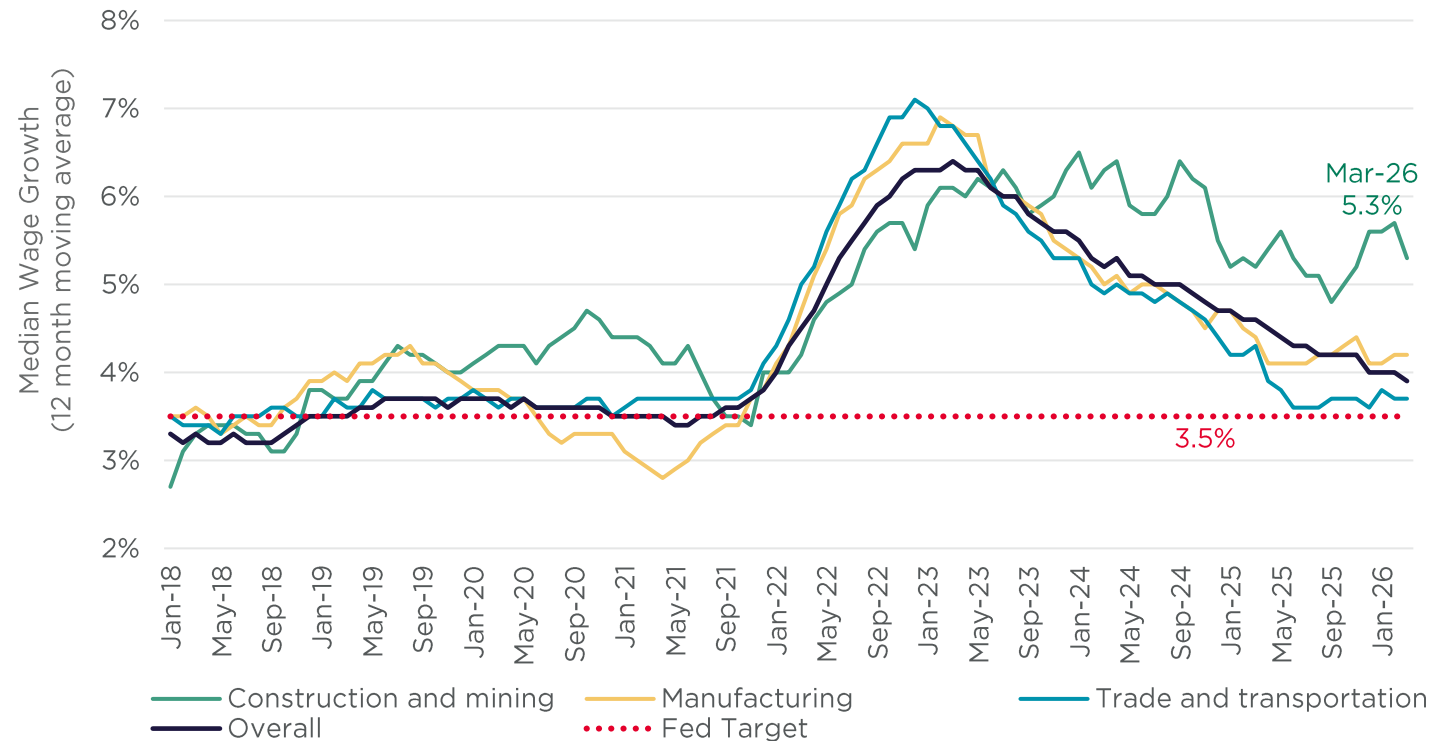
LABOR COSTS REMAIN STICKY

Skilled trade shortages slow wage normalization

Persistent labor constraints in the construction industry continue to place upward pressure on wages. Over the past 30 months, median wage growth in construction and mining has outpaced that of manufacturing, trade and transportation, and overall employment, reinforcing labor's role as a key driver of cost escalation.

However, momentum has begun to ease as many firms shift their focus toward cost discipline rather than expansion.

Outlook: While hiring activity is cooling, structural labor shortages—particularly in skilled trades—are expected to keep wage growth elevated relative to historical norms, even as broader pressures moderate.



Source: Federal Reserve of Atlanta; Note: October 2025 data is based on an average of recent data points



CONSTRUCTION ACTIVITY

U.S. construction activity is entering a more uneven phase, with backlog levels and architectural billings pointing to selective improvement in the non-residential pipeline. Strength remains concentrated in data centers and energy, while financing conditions and macroeconomic constraints continue to limit broader activity. Looking ahead, leading indicators suggest upside remains conditional and highly sensitive to interest rates and cost pressures.

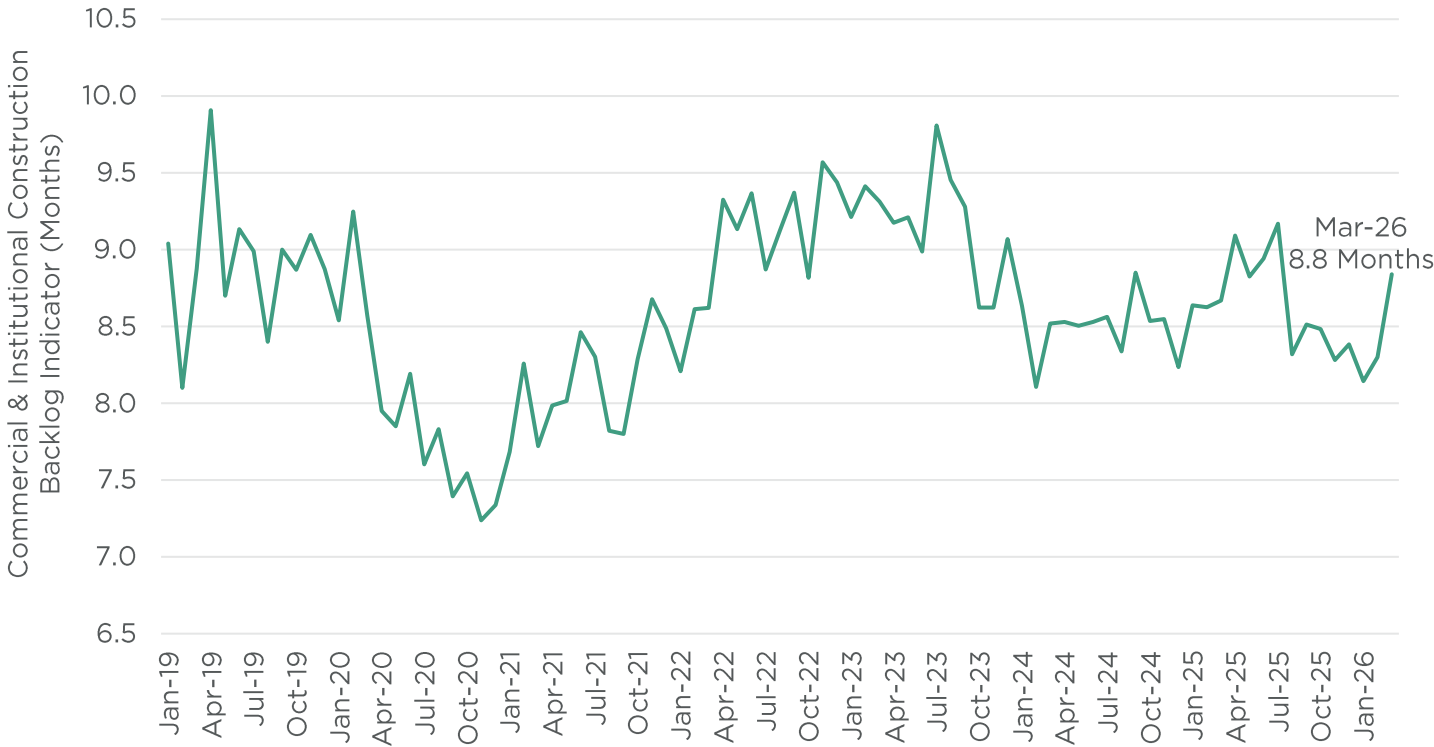
CONSTRUCTION BACKLOGS HOLD FIRM

Data centers and energy projects continue to support pipeline strength

The Associated Builders and Contractors (ABC) construction backlog for commercial and institutional projects reached 8.8 months in March 2026—up 0.5 months from February and 0.2 months above March 2025 levels. The Southern U.S. continues to hold the largest backlog at 10.3 months, followed by the Northeast at eight months.

Data center construction remains a key driver of national activity. According to ABC, contractors engaged in data center projects reported significantly higher backlogs (10.6 months) than those without such exposure (8.3 months), underscoring the sector’s outsized influence on overall pipeline strength.

Outlook: Backlogs may improve in 2026 if uncertainty eases and interest rates decline. However, growth is likely to remain uneven, with larger contractors, and those exposed to data center and energy projects, positioned to see stronger backlog expansion.



Source: Associated Builders and Contractors

Backlog is defined as “the amount of work, measured in dollars, that construction companies are contracted to do in the future.”

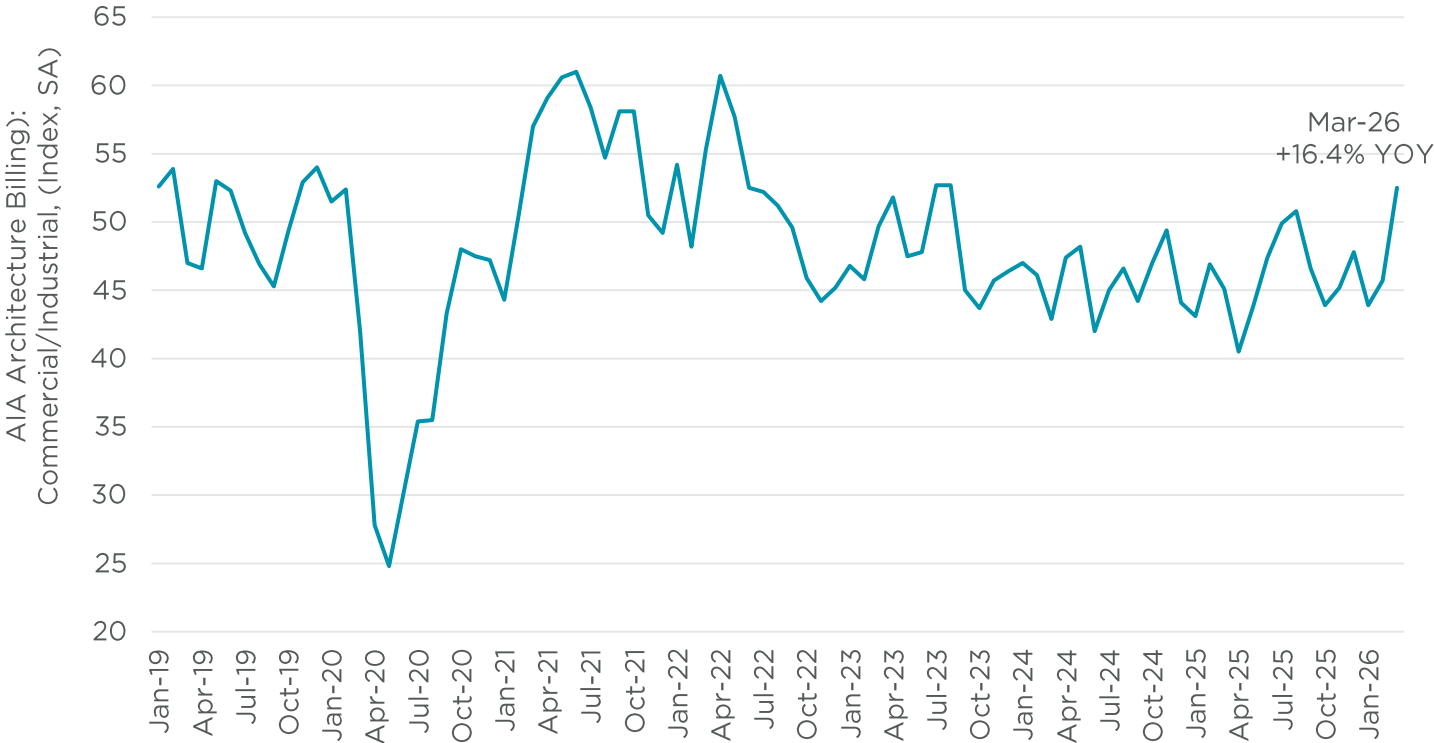
ARCHITECTURAL BILLINGS REENTER GROWTH TERRITORY

ABI expansion points to future non-residential momentum

Commercial and industrial architectural billings have rebounded, with the Architecture Billings Index (ABI) rising above the 50 threshold in March 2026, signaling an expansion in firm billings. While the commercial/industrial segment remains slightly below institutional billings, it continues to outpace multifamily residential, with all three sectors now above the breakeven level.

Architectural billings are widely viewed as a leading indicator of non-residential construction activity, typically leading construction spending by approximately nine to 12 months.

Outlook: The recent expansion in architectural billings points to a potential pickup in non-residential construction activity. However, the outlook remains sensitive to macroeconomic conditions, including geopolitical risks, trade policy, and elevated energy prices, which could weigh on project feasibility and timing if sustained.



Source: The American Institute of Architects (AIA)

06

COUNTRY
DEEP DIVE
CANADA





CONSTRUCTION COSTS

Canada's construction industry continues to face headwinds in 2026, with trade tensions, geopolitical shocks and labour shortages. Despite these challenges, larger nation-building projects are expected to drive activity in the short to medium term.

CONSTRUCTION COSTS REMAIN ELEVATED

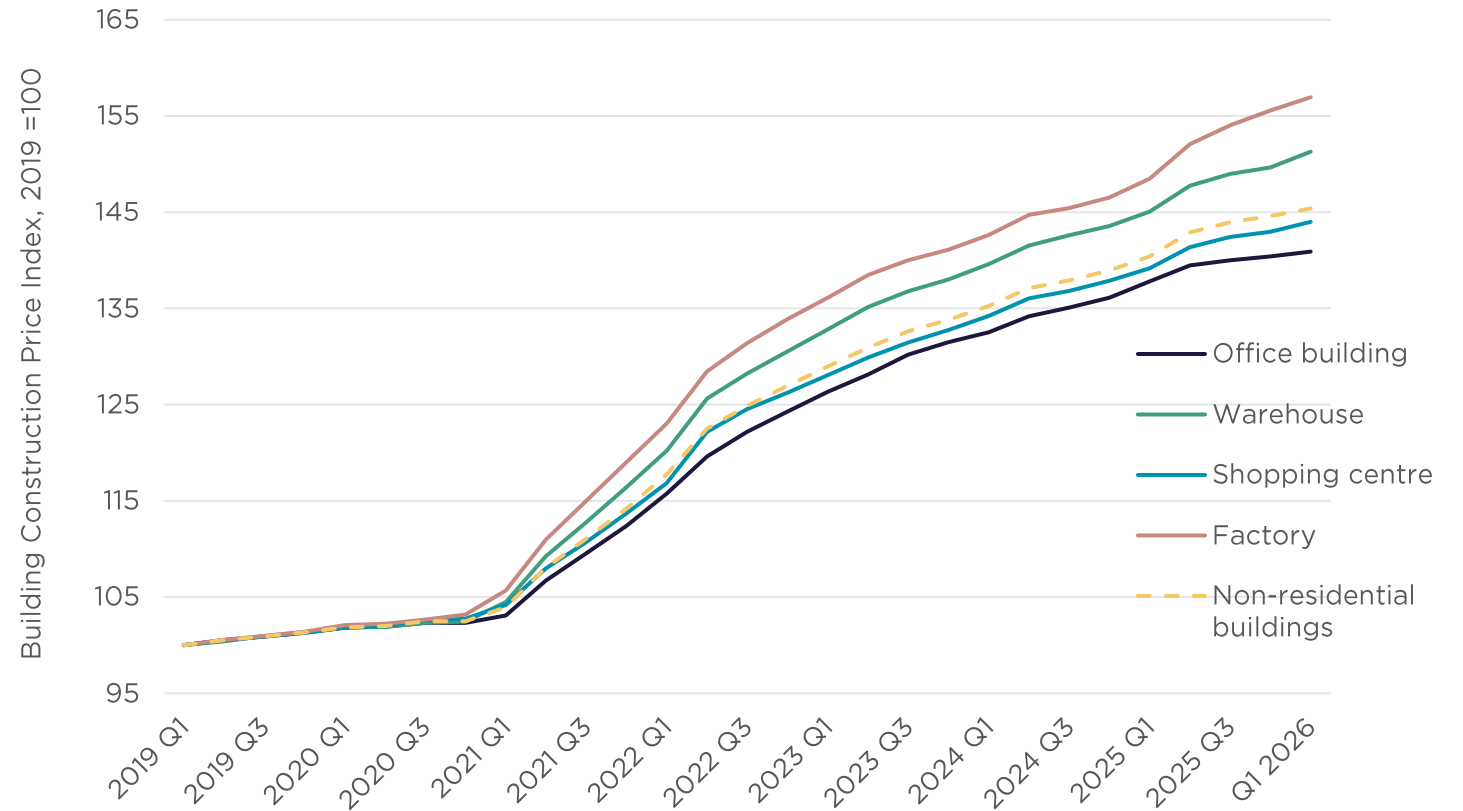
Industrial buildings leading annual growth

Building construction costs continue to rise in early 2026. Industrial buildings remain the primary driver of increases, posting the strongest annual gains among non-residential segments.

Industrial factories (5.7%) and warehouses (4.3%) are exceeding total non-residential buildings cost growth (3.6%) YOY, while shopping centers (3.5%) and office buildings (2.2%) trail below the non-residential YOY increase.

Industrial construction costs remain elevated, as these projects typically require higher volumes of steel and aluminum, increasing exposure to higher-priced imported materials.

Outlook: Continued trade tensions ahead of the July 2026 CUSMA review (referred to as USMCA in the U.S.), continued conflicts in the Middle East and persistent nationwide labour shortages are expected to continue to keep upward pressure on construction costs through 2026.



Source: Statistics Canada

REGIONAL DIFFERENCES NATIONWIDE

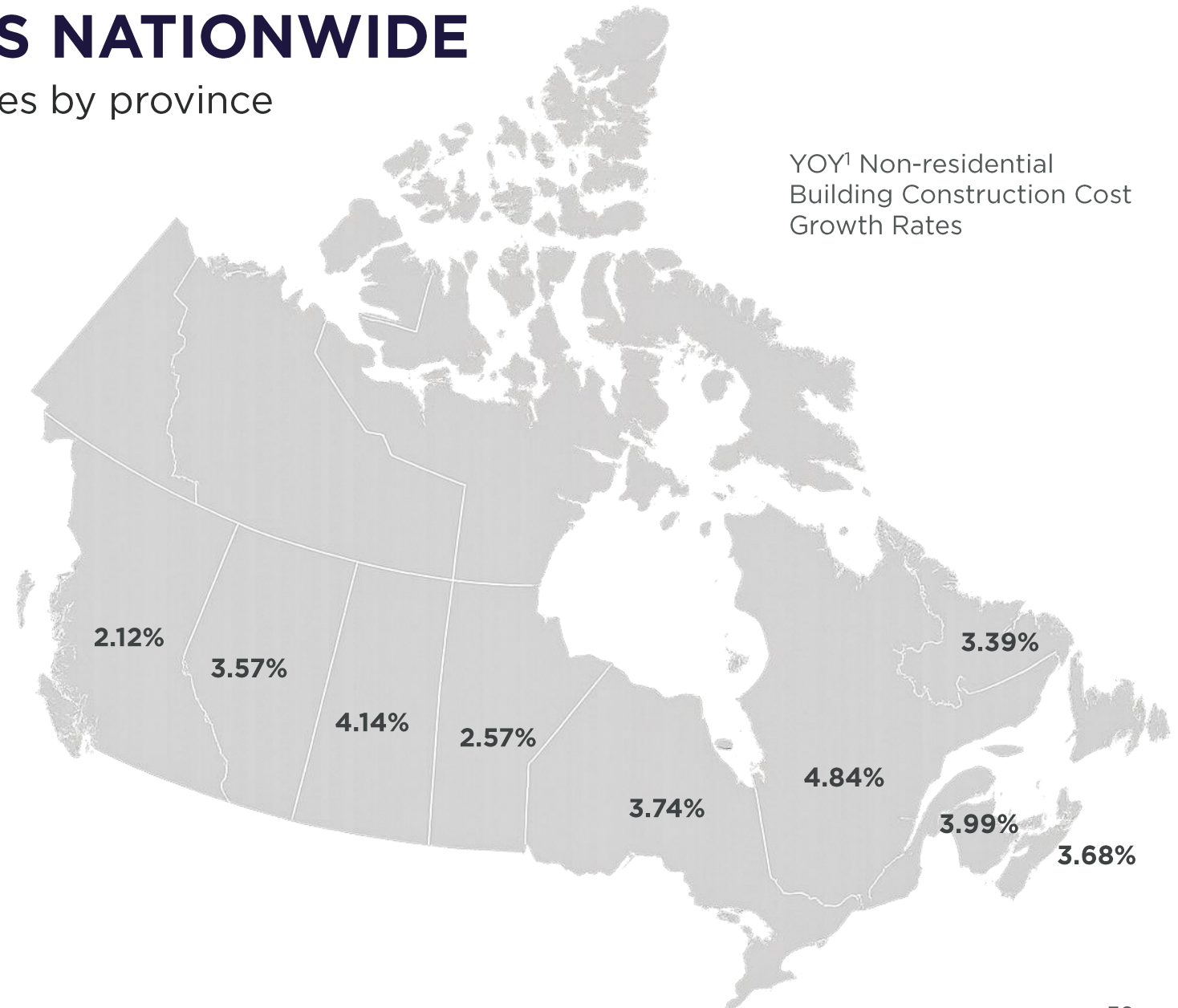
YOY building construction price increases by province

Construction costs continue to rise YOY, although not evenly across the nation.

Regional variation remains pronounced, with the strongest YOY cost increases concentrated in Quebec, the Prairie provinces and Atlantic Canada. These regions are more exposed to imported construction materials and higher transportation costs, amplifying cost pressures.

Ongoing trade tensions and tariff uncertainty, particularly for steel, aluminum, and fabricated metal products, are further contributing to upward pressure on material prices.

Outlook: While YOY construction cost growth has moderated from pandemic-related highs, continued trade tensions beyond the July 2026 CUSMA review are expected to sustain upward price pressures.



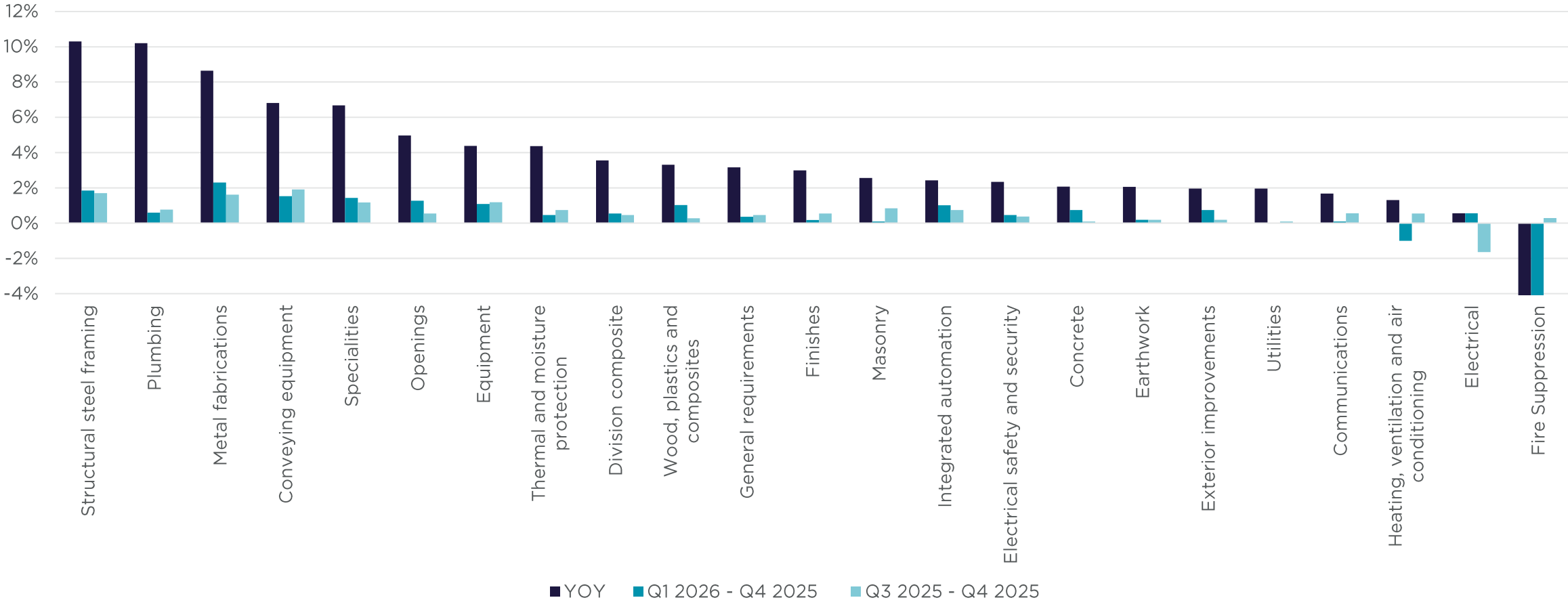
¹ YOY represents the change from Q1 2025 to Q1 2026

Source: Statistics Canada

CONSTRUCTION METALS DRIVING INFLATION



Metal-driven escalation leads construction cost increases



Source: Statistics Canada

INDUSTRIAL PRODUCT PRICES SURGE

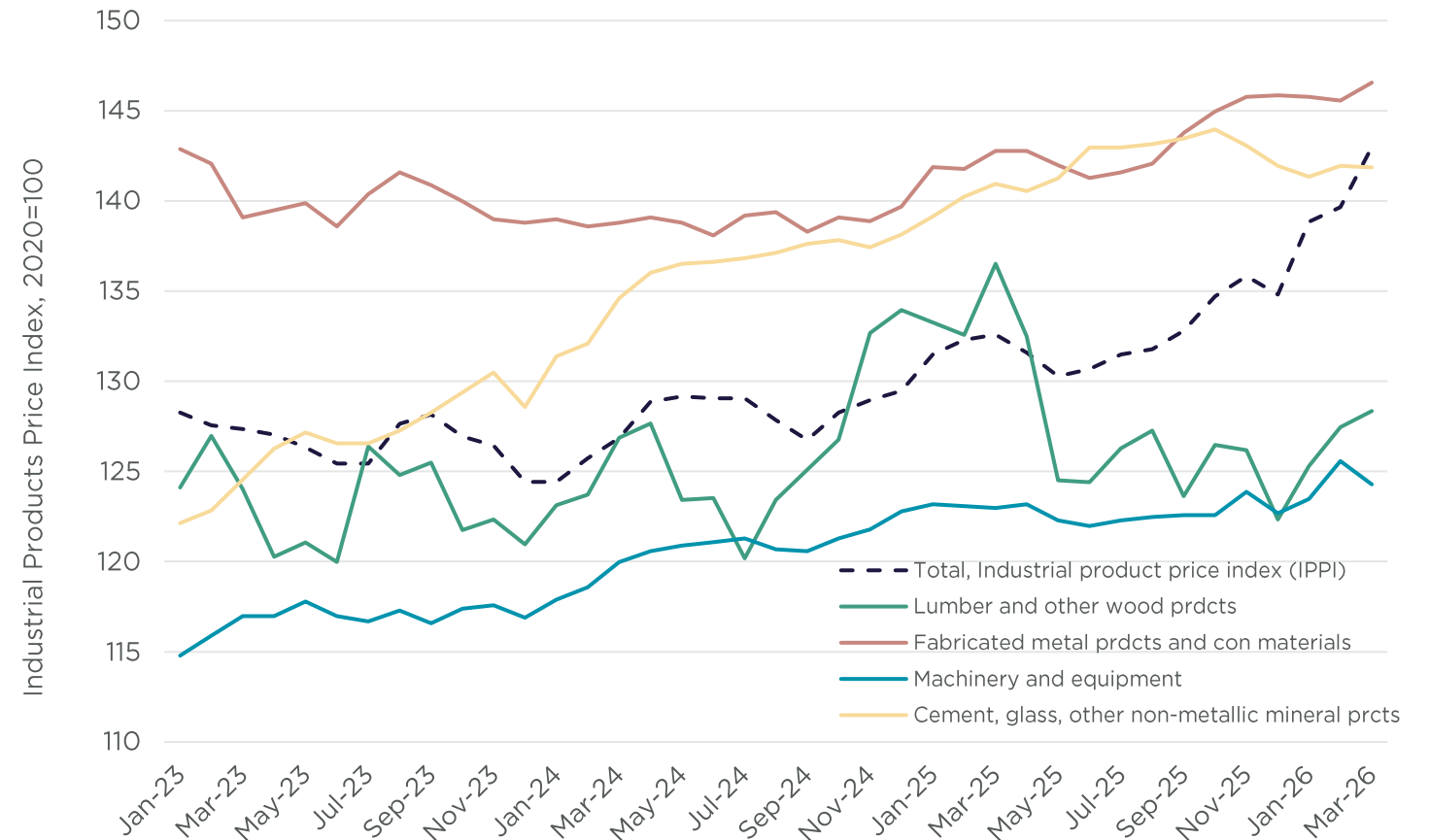
Industrial products experiencing renewed momentum

As of March 2026, the Industrial Products Price Index (IPPI) increased by 2.4% MOM, continuing an upward trend observed over the past three years. The latest reading represents one of the largest MOM gains recorded during this period.

Growth continues to be driven primarily by fabricated metal products and cement, glass and other non-metallic mineral products, which remain the largest contributors to upward pressure on the IPPI. In contrast machinery and equipment as well as lumber and other wood products have shown more moderate price movement.

Annual IPPI growth has accelerated in 2026, rising to 7.8% YOY, compared to 4.1% in 2025.

Outlook: Industrial product prices are expected to remain under upward pressure through 2026 amidst heightened global volatility. The late-February 2026 escalation in the Middle East and resulting shipping disruptions, have increased uncertainty around input costs, energy prices and supply chains.



Source: Statistics Canada

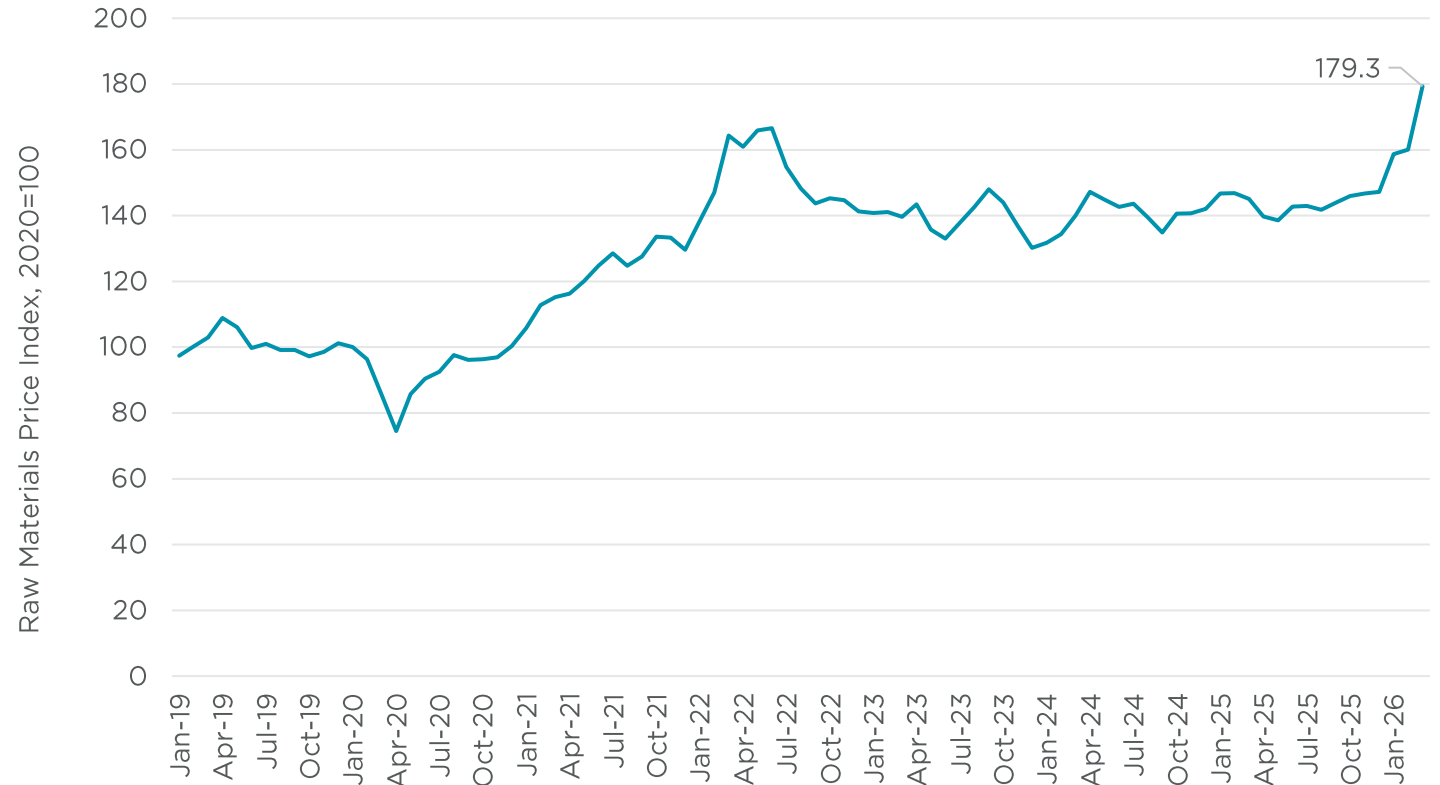
MATERIAL PRICE CONTINUE TO RISE

Material prices facing macro level headwinds

As of March 2026, the Raw Material Price Index (RMPI) increased by 12.0% MOM, marking the largest monthly gain since the COVID-19 pandemic. The surge was driven primarily by crude energy products, which rose 41% MOM, reflecting supply disruptions and the rising global energy prices that resulted.

Annual growth has accelerated in early 2026, rising to 23.6% YOY compared to 3.6% in 2025. This increase has been driven by higher energy prices alongside continued strength in metal ores and concentrates, reflecting robust global demand and constrained supply.

Outlook: Raw material prices are expected to remain under sustained upward pressure in 2026, supported by strong global demand for metal ores and concentrates, heightened international trade pressures and ongoing geopolitical tensions. Elevated raw material prices are likely to persist amidst the de facto closure of the Strait of Hormuz, with crude energy products particularly exposed to global energy supply chain disruptions.



Source: Statistics Canada

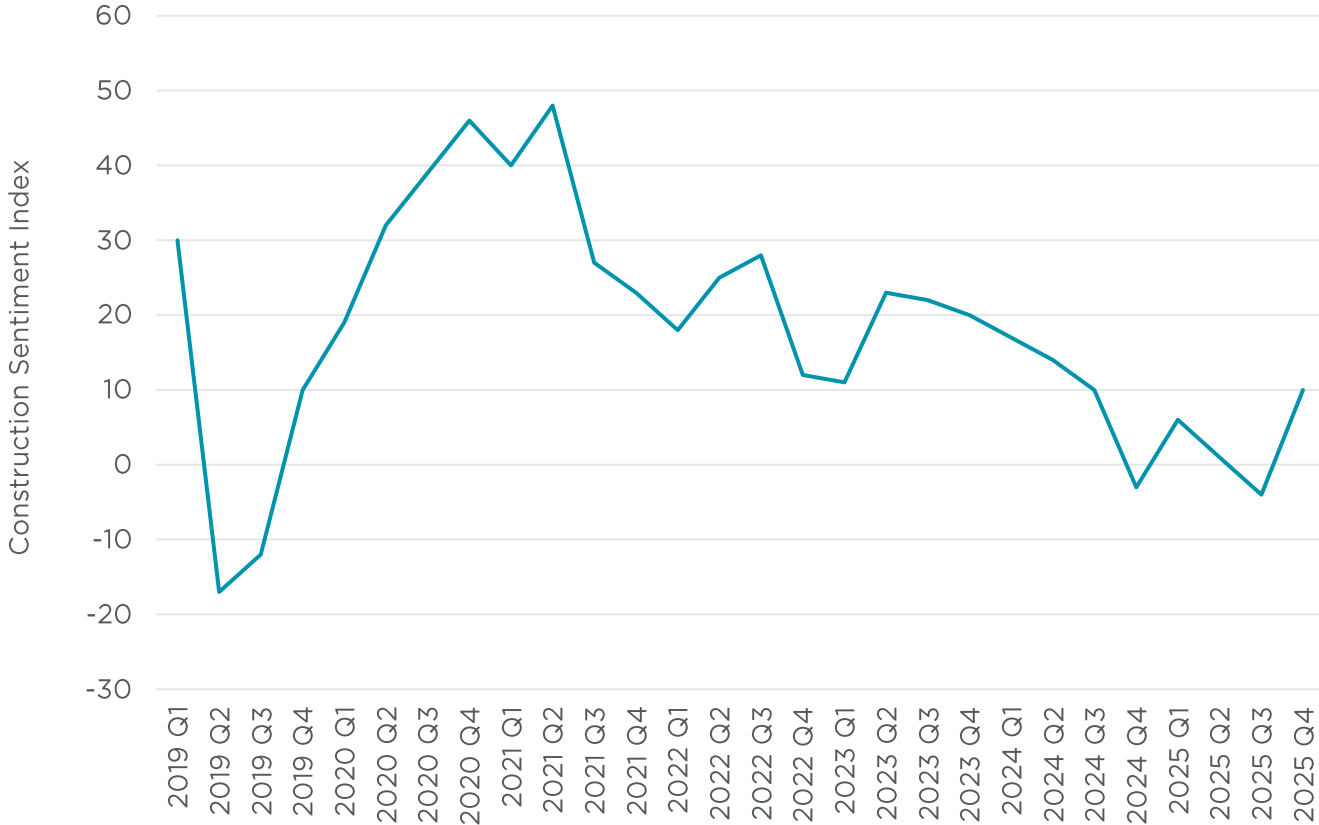
CONSTRUCTION INDUSTRY SENTIMENT SOFTENS

Sentiment is expected to remain weaker into 2026

The Royal Institution of Chartered Surveyors (RICS) and the Canadian Institute of Quantity Surveyors (CIQS) together produce the Canada Construction Monitor, which tracks the Construction Sentiment Index (CSI).

Fourth-quarter 2025 data shows a modest improvement in overall construction sentiment, following weakness earlier in the year. Improvement is driven by infrastructure activity, while conditions in the non-residential sector remain subdued.

Outlook: Looking ahead into 2026, expectations remain cautious, reflecting persistent pressures from elevated construction costs, compressed profit margins and ongoing skilled labour shortages. Overall sentiment continues to be supported by large, nation-building infrastructure projects, particularly in the transportation and energy sectors.



Note: The construction sentiment index is a composite measure encompassing variables on current and expected market activity as well as margin pressures.

Source: RICS and CIQS



LABOUR

The skilled labour market remains tight, with constraints expected to intensify as retirements outpace new entrants. In response, the federal government has outlined plans to expand the skilled trades workforce through investments in training, recruitment and workforce development aligned with nation-building priorities.

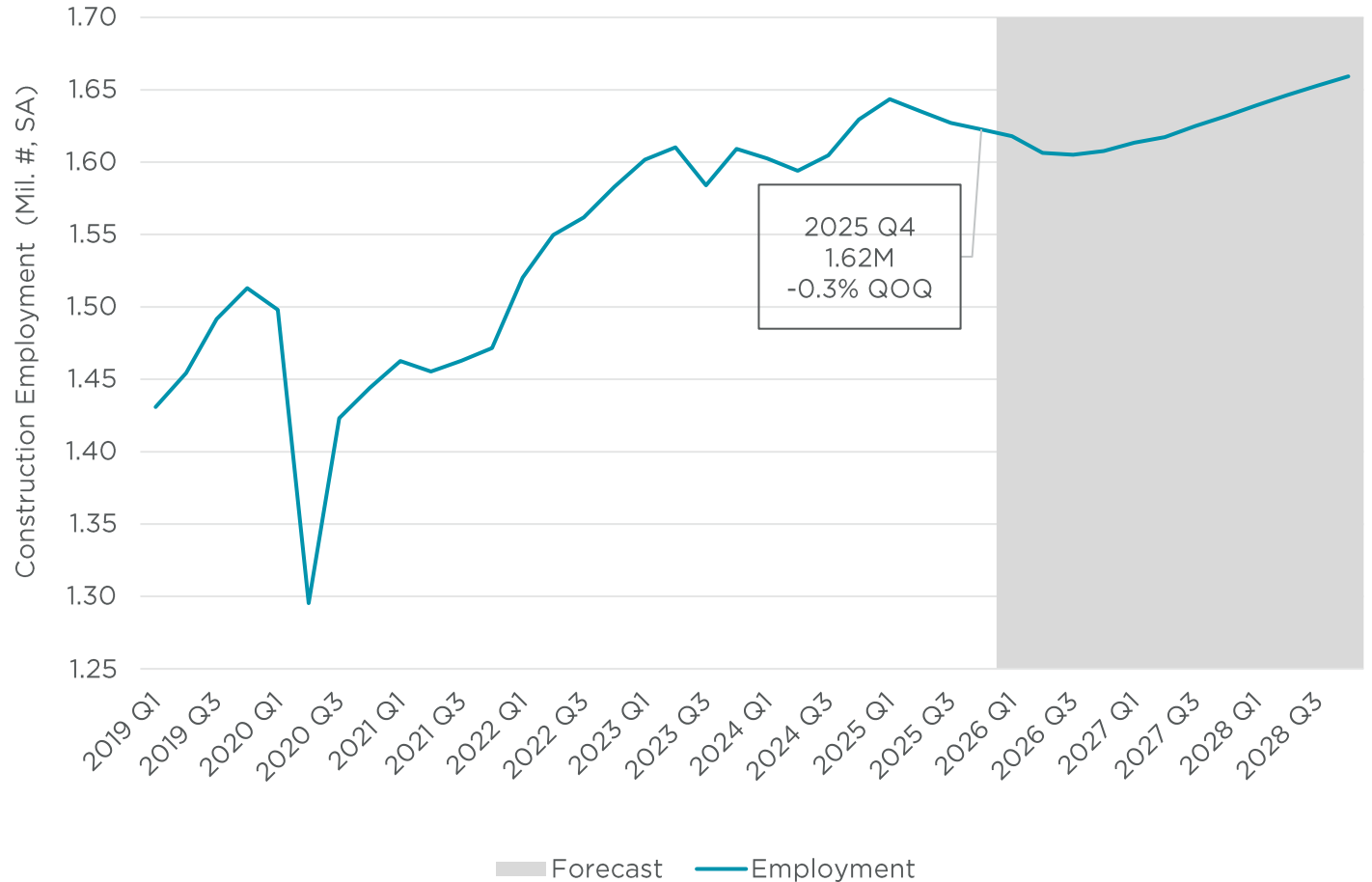
CONSTRUCTION LABOUR SHORTAGE

Persistent skilled labour shortages expected to gradually ease

Canada's construction sector continues to face persistent skilled labour shortages, contributing to project delays, rising costs and reduced overall output. This labour imbalance is expected to remain a structural challenge, with estimates suggesting that approximately 150,000 additional construction workers will be needed by 2034 to meet long-term infrastructure and housing needs nationwide.

To address the projected shortfall, the federal government announced in the Spring Economic Update that \$6 billion will be invested over five years to recruit, train and integrate up to 100,000 new skilled trade workers through accelerated training programs tied to nation building priorities.

Outlook: Moody's forecasts that construction employment will decline by 0.9% YOY in 2026, reflecting softer near-term activity and ongoing cost pressures. Despite this contraction, underlying shortage of skilled labour are expected to continue constraining construction capacity in the short-term.



Source: Statistics Canada; Moody's Analytics Forecast; BuildForce Canada;



CONSTRUCTION ACTIVITY

Financing constraints have led many residential and commercial developers to postpone or cancel projects, creating a split market in which publicly funded infrastructure advances while private sector activity lags. Nation-building infrastructure projects are expected to lead construction activity in 2026.

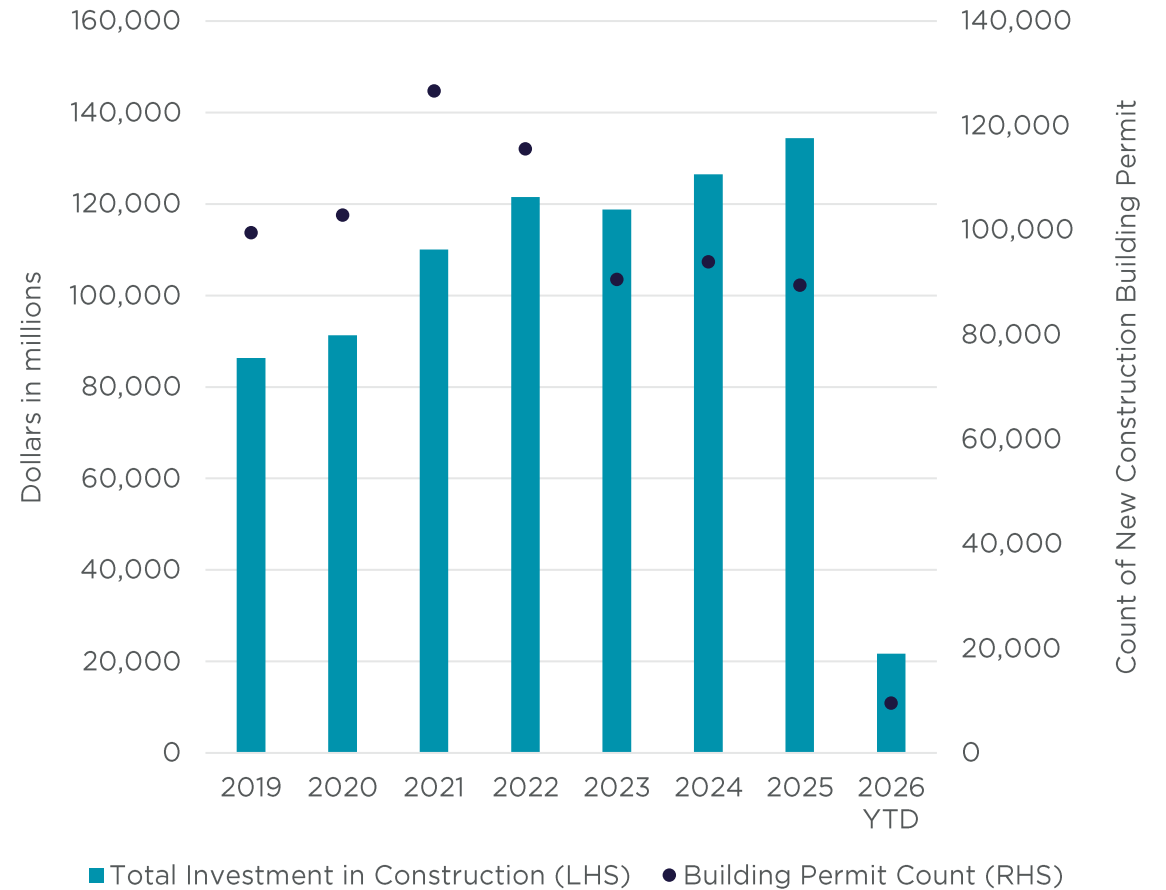
NEW CONSTRUCTION STARTS DOWN SINCE 2021

Construction activity cooling

Early 2026 indicators point to a cooling in construction activity, following several years of strong growth. Total construction investment across residential and non-residential sectors increased 1.7% YOY, decelerating from the robust gains observed in 2024 and 2025. While investment remains elevated relative to pre-pandemic levels, momentum has weakened amid rising costs, tighter financing conditions and heightened uncertainty.

Forward-looking indicators reinforce this moderation. The number of building permits issued in the first two months of 2026 declined 17.8% YOY. The pullback signals a slower pipeline of new projects, particularly in the private sector.

Outlook: The construction sector is expected to face a challenging operating environment throughout 2026. Elevated material costs, labour shortages and constrained financing conditions are likely to limit new residential and private non-residential project starts, despite ongoing housing and infrastructure needs. Construction activity is expected to remain subdued but supported at the margin by public and infrastructure-led investment.



Notes: Total residential and non-residential buildings

Source: Statistics Canada

CONSTRUCTION INSIGHTS KEY TAKEAWAYS



KEY TAKEAWAYS

Global uncertainty continues to pressure the construction sector

01

Economic Drivers

- Uncertainty around project financing, construction costs and permitting is making developers more cautious about greenlighting new projects.

02

Construction Costs

- Trade tensions and geopolitical uncertainty are driving volatility in global construction costs.
- Global demand for nonferrous metals is a significant contributor to construction cost inflation.

03

Construction Labor

- Data center construction is driving backlog growth, underscoring demand for specialized trades.
- Elevated demand for skilled labor continues to drive wage growth divergence across trades.



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