CONSTRUCTION INSIGHTS

FOR GLOBAL OCCUPIERS

SUMMER 2026

Better never settles

CONTENTS

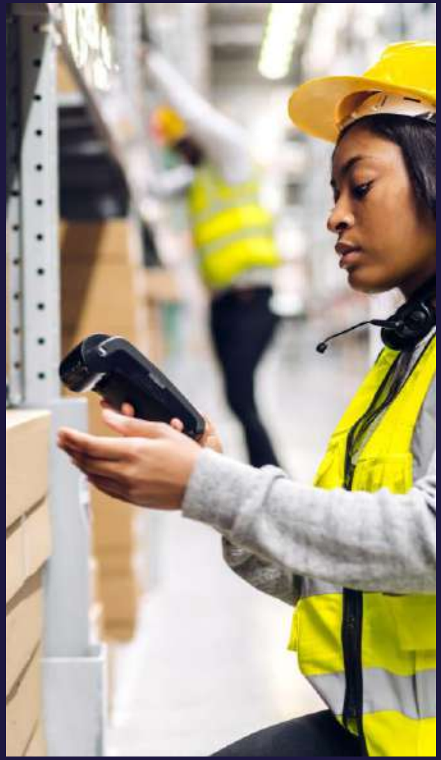
INTRODUCTION

Energy disruptions due to the conflict in the Middle East continue to evolve, while the *potential trade friction in North America eases as a new trade deal emerges.*

Construction cost pressures are *increasingly concentrated in materials*. Metals and equipment prices are rising more rapidly, alongside broader commodity price increases, while *labor cost growth continues to cool*.

Improvement in the global construction sector will depend on continued easing of geopolitical risk, greater stability in North American trade policy, and relief from structural metals supply constraints.

Supply chain pressures are easing globally, as reflected in the Global Supply Chain Pressure Index (GSCPI), which has fallen sharply from its April 2026 peak as some of the pressure from the Middle East disruption unwinds.



Materials cost pressure is expected to persist through 2026, with uneven relief across product categories. Structural copper and aluminum supply constraints will keep base metals elevated, with equipment costs forecast to accelerate further.

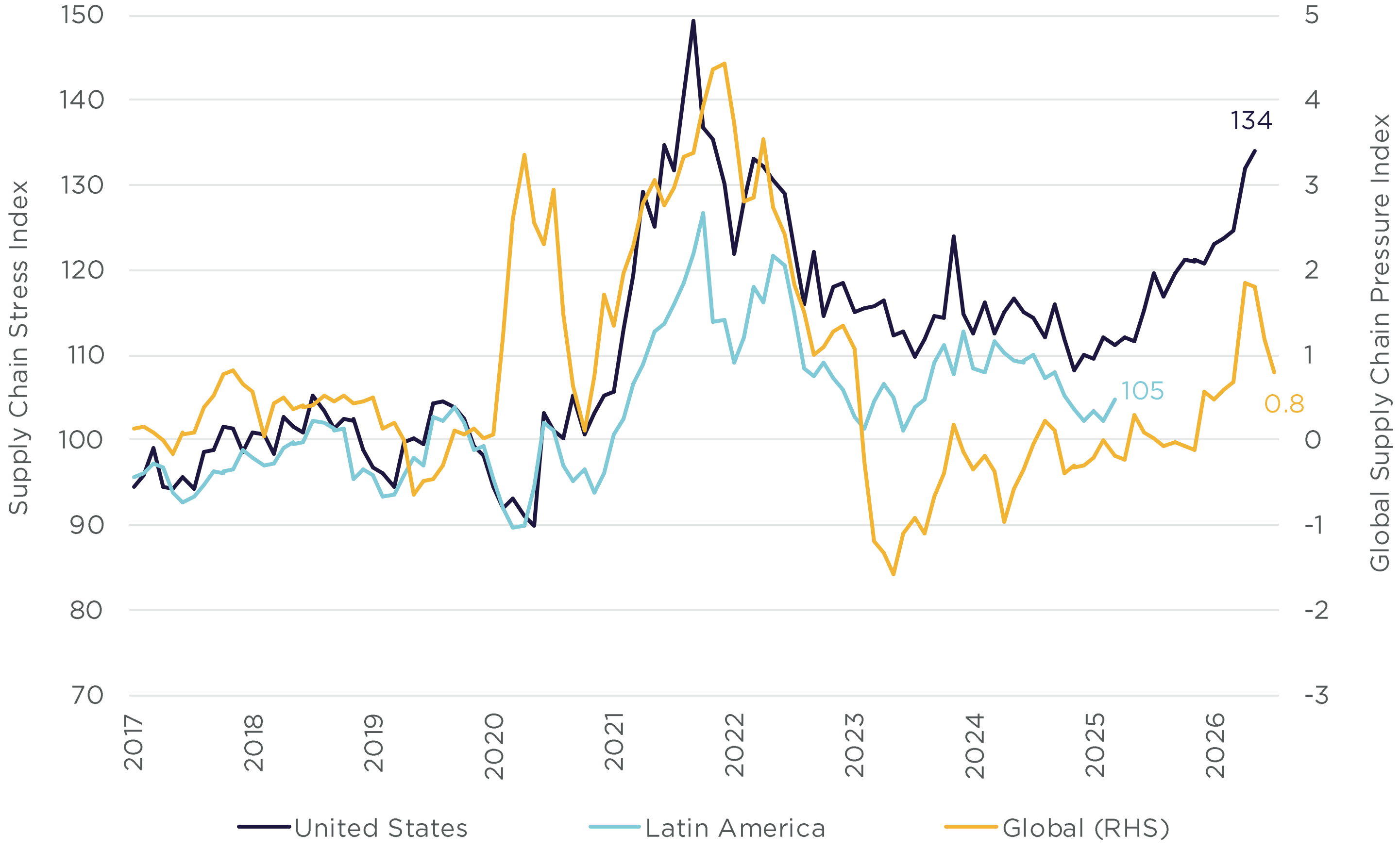
Infrastructure, energy, and data center projects continue to drive construction activity, while industrial pipelines strengthen across the Americas and APAC despite subdued development in most traditional CRE sectors.

01

ECONOMIC DRIVERS

GLOBAL SUPPLY CHAINS EASE

While the U.S. picture remains unclear



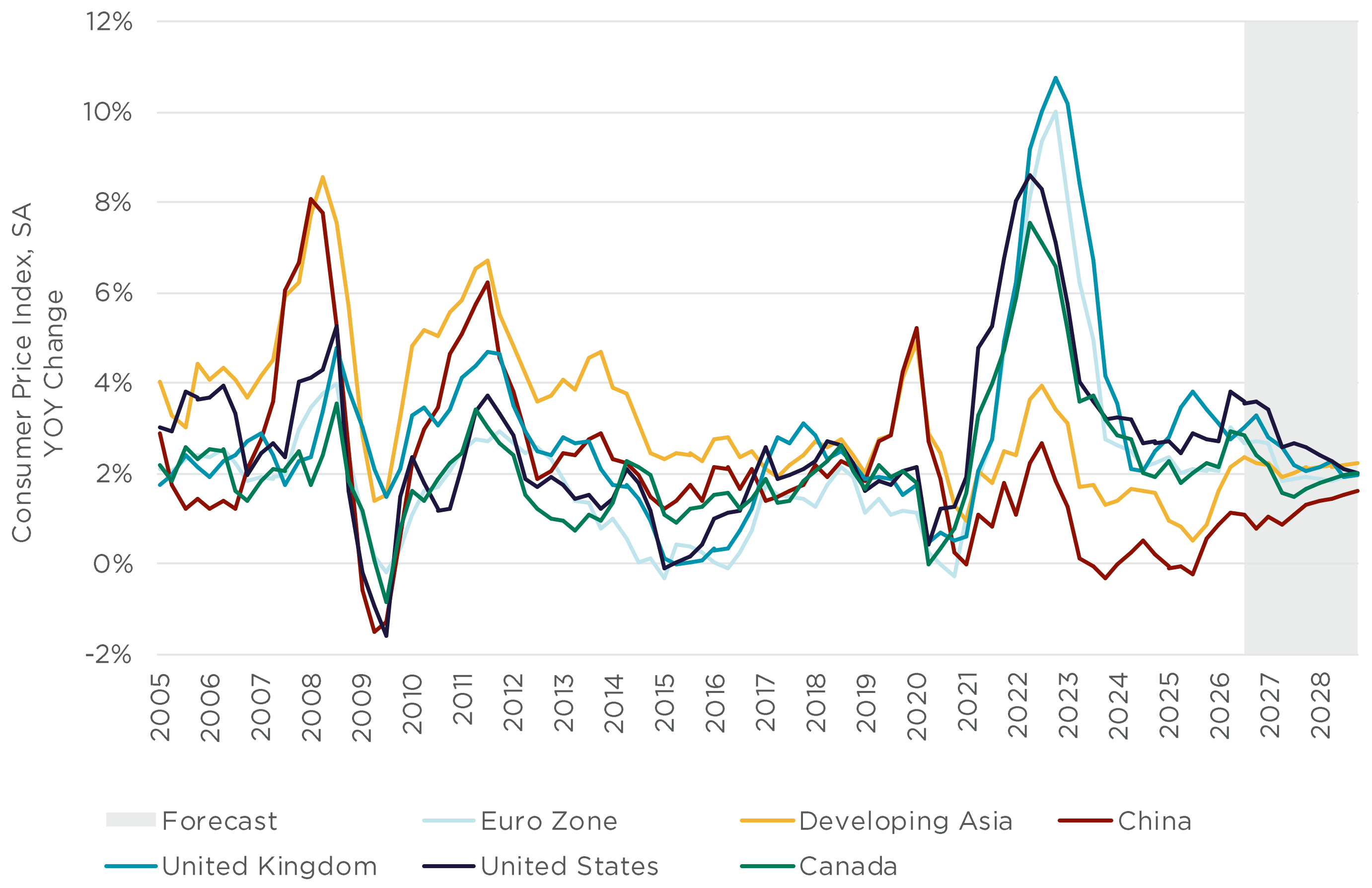
Note: Global data is based on the Global Supply Chain Pressure Index while non-global data is based off Supply Chain Stress Indices

Source: Federal Reserve Bank of New York, Moody's Analytics

- Through April 2026, the Global Supply Chain Stress Index (GSCPI) and the U.S. Supply Chain Stress Index (SCSI) moved in tandem, both spiking sharply in April, with the U.S. SCSI holding at 134.1 (11.4 points above its 12-month average). Since then, the GSCPI has fallen sharply, from its April peak of 1.8 to 0.80 by July, signaling normalization. Comparable U.S. data for June and July isn't available yet, so whether the SCSI has followed the GSCPI lower or is diverging from it remains an open question.
- Both indicators rose steadily from Q4 2025 through their April 2026 peaks, driven by trade tensions in North America and global oil supply constraints. The GSCPI's easing suggests some of that pressure has begun to unwind, while U.S. conditions have yet to ease.
- **Outlook:** Ongoing geopolitical disruptions in the Middle East continue to constrain the global oil supply, increasing shipping costs across supply chains. Despite the recent GSCPI decline, renewed global pressure remains a risk.

U.S. INFLATION LEADS THE PACK

As oil supply shortages fuel broader price increases



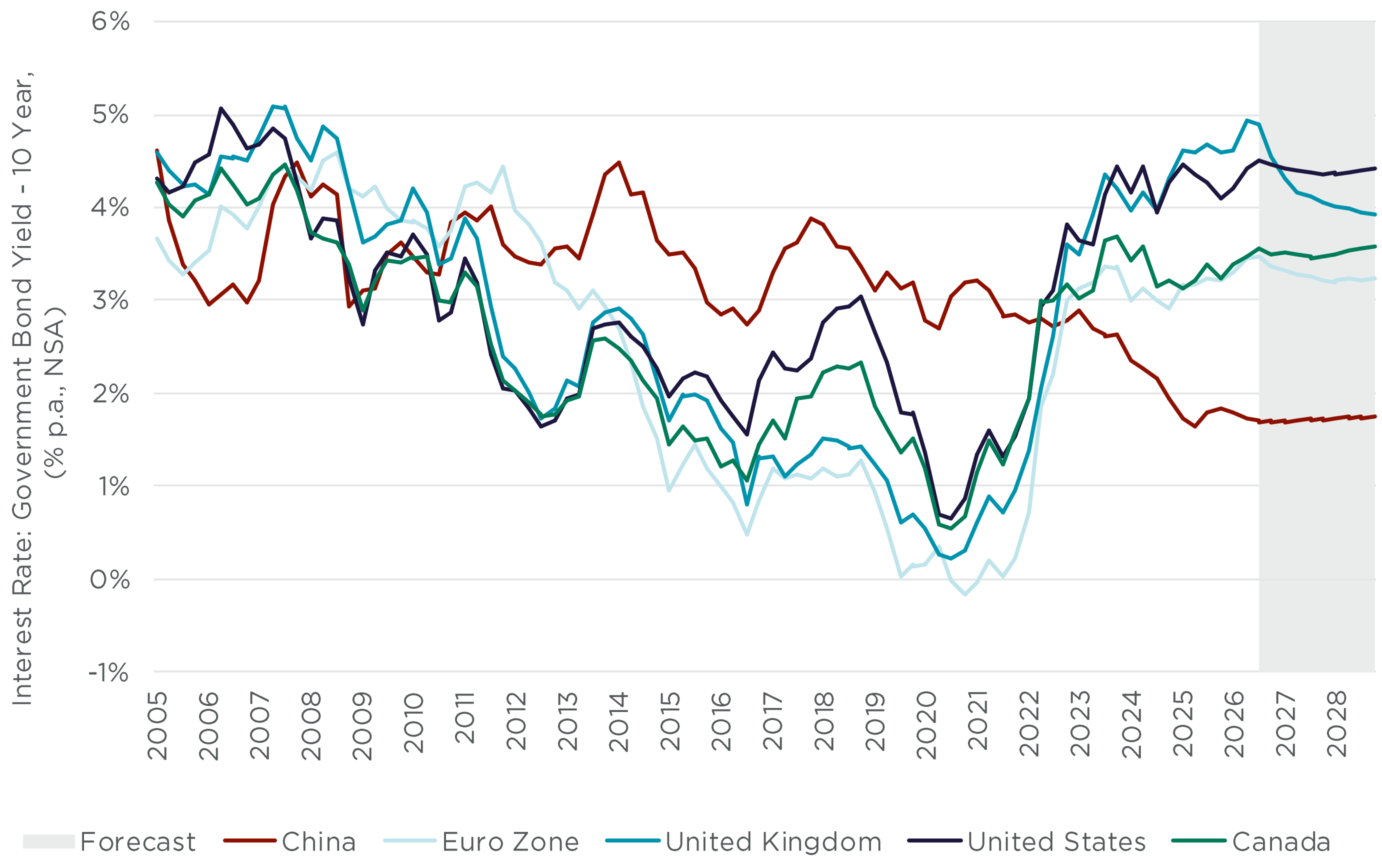
Note: Data for Developing Asia is based on forecasted Q2 2026 figures while the remaining regions are based historical Q2 2026 data

Source: The World Bank; Moody's Analytics

- Quarterly average Consumer Price Index (CPI) levels in the U.S. jumped from 2.7% in Q1 2026 to 3.8% in Q2 2026, marking the highest reading in the comparable peer set and above the UK for the first time this cycle.
- The Euro Zone also saw inflation levels creep above 3% in Q2 while the UK posted smaller, more contained increases.
- Canada saw headline inflation rise by 3.0% year-over-year (YOY) in July, an increase from 2.8% in June. With North American trade tensions still high, CPI is at risk of further acceleration.
- China remains in a disinflationary environment on excess capacity and property-sector drag, though a gradual increase is expected into 2028.
- **Outlook**: While geopolitical shocks fuel widespread inflation, tariffs continue to place additional pressure in the U.S. and Canada.

LONG YIELDS RISE

The curve Is repricing risk, not rate hikes



Source: The World Bank; Moody's Analytics

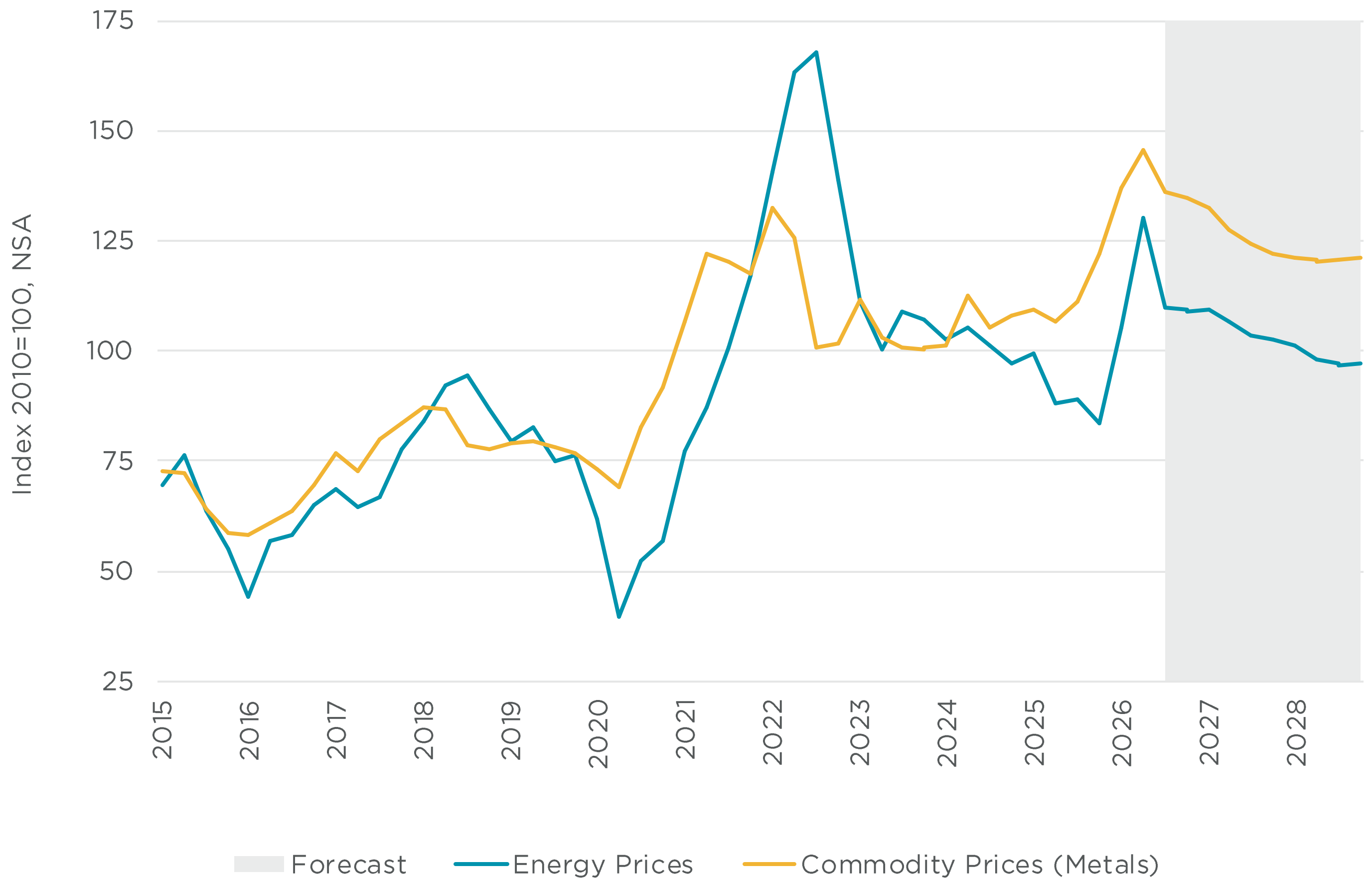
- In Q2 2026, 10-year yields rose in most major markets, even where policy rates were held; the UK reached 4.94% and the U.S. 4.42%, both up from Q1 amid climbing inflation. China was the exception, easing slightly to 1.73%.
- Excluding China, Q2 2026 marked a five-quarter peak across markets; yields in the Euro Zone, Canada, and the U.S. are expected to continue to increase in Q3.
- 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 policy hold rates in the near term to maintain flexibility amid geopolitical uncertainty, while long-term yields in North America are likely to remain elevated.

02

CONSTRUCTION COSTS

ENERGY AND COMMODITIES SPIKE

But both are *expected* to unwind

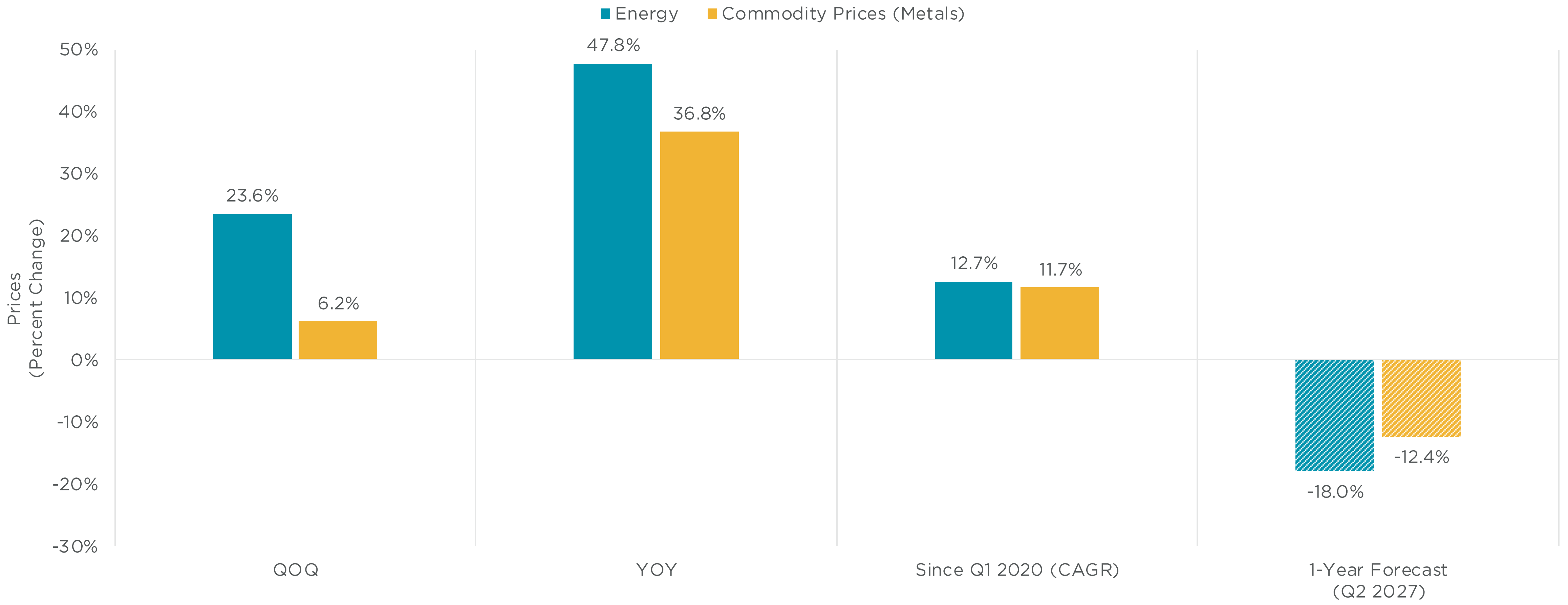


Source: The World Bank; Moody's Analytics

- Global energy prices rose 23.6% quarter-over-quarter (QOQ) and 47.8% YOY in Q2 2026, driven by the Hormuz closure and the naval blockade of Iran. Energy prices are now forecast to fall 18.0% over the coming year as the spike unwinds, with Q3 2026 alone projected at -15.6% QOQ.
- Metals prices rose a more moderate 6.2% QOQ but 36.8% YOY. However, the metals forecast has shifted materially: the 1-year outlook calls for a -12.4% decline, with Q3 2026 alone down -6.5% QOQ – a much sharper near-term pullback than previously forecast. J.P. Morgan still estimates a refined copper deficit of roughly 330,000 metric tons in 2026, driven by electrification and data-center demand.
- **Outlook**: Energy prices are expected to fall sharply through 2027 as the Hormuz-related supply disruption eases; however, risks remain given the volatile nature of the conflict.

ENERGY AND COMMODITIES SPIKE

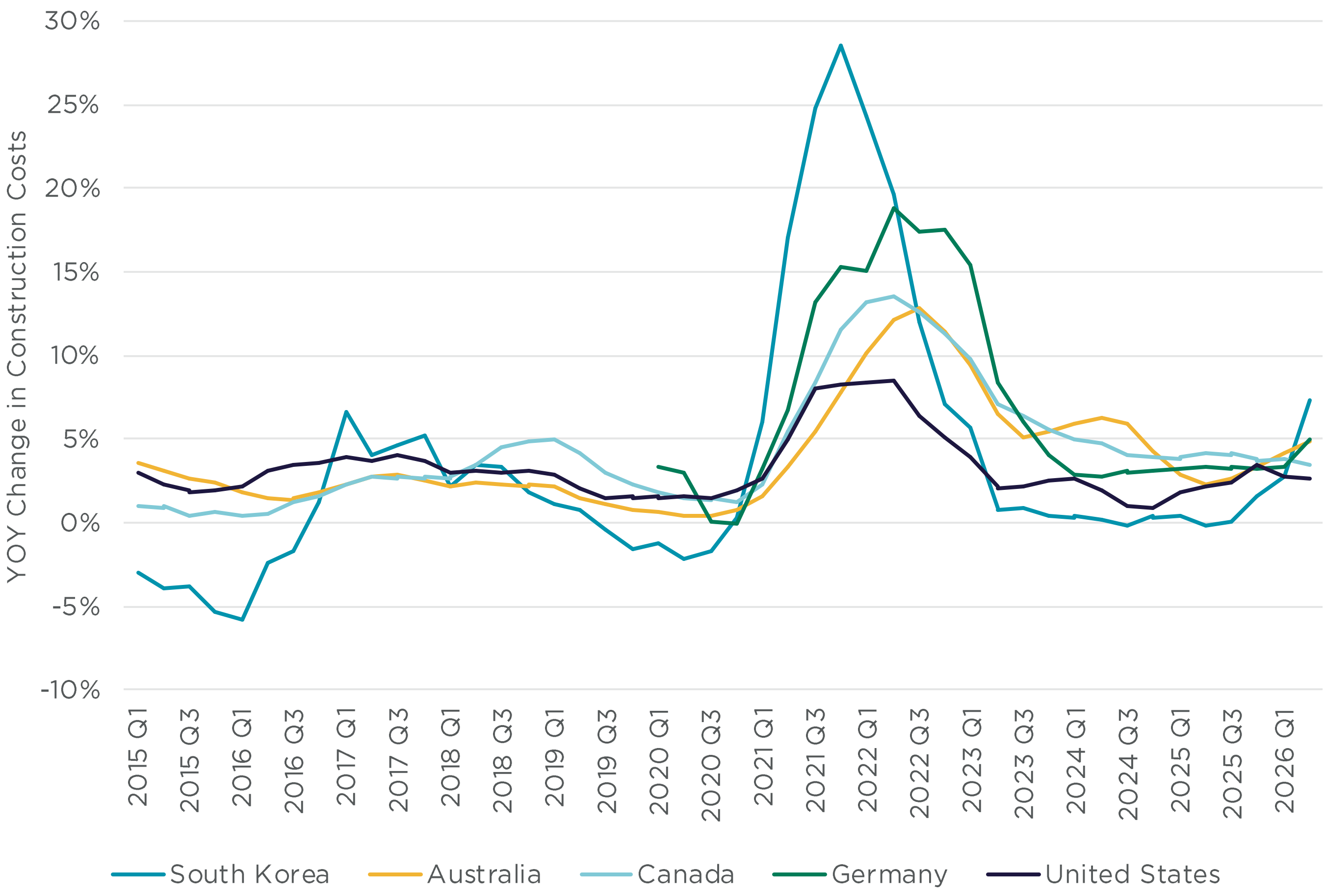
But both are *expected* to unwind



Source: The World Bank; Moody's Analytics

REGIONAL CONSTRUCTION COSTS

Increases in North America remain muted, for now



Source: Moody's Analytics, and the International Energy Agency

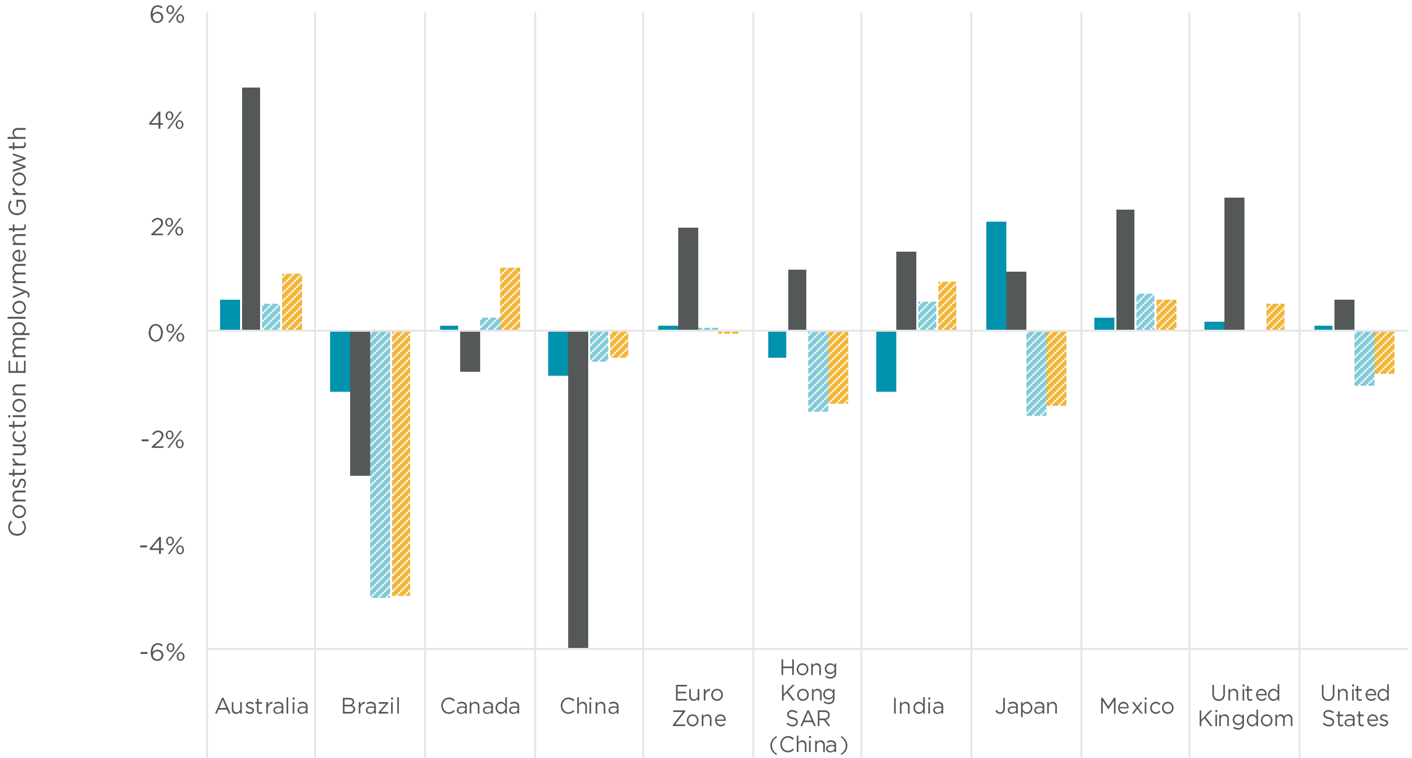
- Construction costs in South Korea and Germany have gained momentum and are now up sharply from the end of 2025 (6.4% and 3.9% respectively), driven in part by elevated energy and materials costs.
- Both countries remain heavily dependent on imported energy. South Korea imports over 90% of its energy, while Germany relies on imports for ~67% of its energy. Korea faces an added vulnerability: roughly two-thirds of its crude oil comes from the Middle East, placing it directly in the path of any Strait of Hormuz disruption.
- By contrast, more robust domestic energy production in Canada and the U.S. has helped insulate both countries from energy-driven cost shocks. Since Q4 2025, construction costs are up 1.7% in Canada and 0.7% in the U.S.
- **Outlook**: Asia and Europe are expected to continue leading cost escalation while conflict in the Middle East persists. Construction prices in North America are likely to accelerate as pressures begin to flow through.

03

CONSTRUCTION EMPLOYMENT

CONSTRUCTION EMPLOYMENT

Mid-term growth expectations are pessimistic



	Australia	Brazil	Canada	China	Euro Zone	Hong Kong SAR (China)	India	Japan	Mexico	United Kingdom	United States
QOQ	0.6%	-1.1%	0.1%	-0.8%	0.1%	-0.5%	-1.2%	2.0%	0.2%	0.2%	0.1%
YOY	4.6%	-2.7%	-0.8%	-13.4%	1.9%	1.1%	1.5%	1.1%	2.3%	2.5%	0.6%
1-Yr F	0.5%	-5.0%	0.3%	-0.6%	0.0%	-1.5%	0.5%	-1.6%	0.7%	0.0%	-1.0%
2-Yr F CAGR	1.1%	-5.0%	1.2%	-0.5%	0.0%	-1.4%	0.9%	-1.4%	0.6%	0.5%	-0.8%

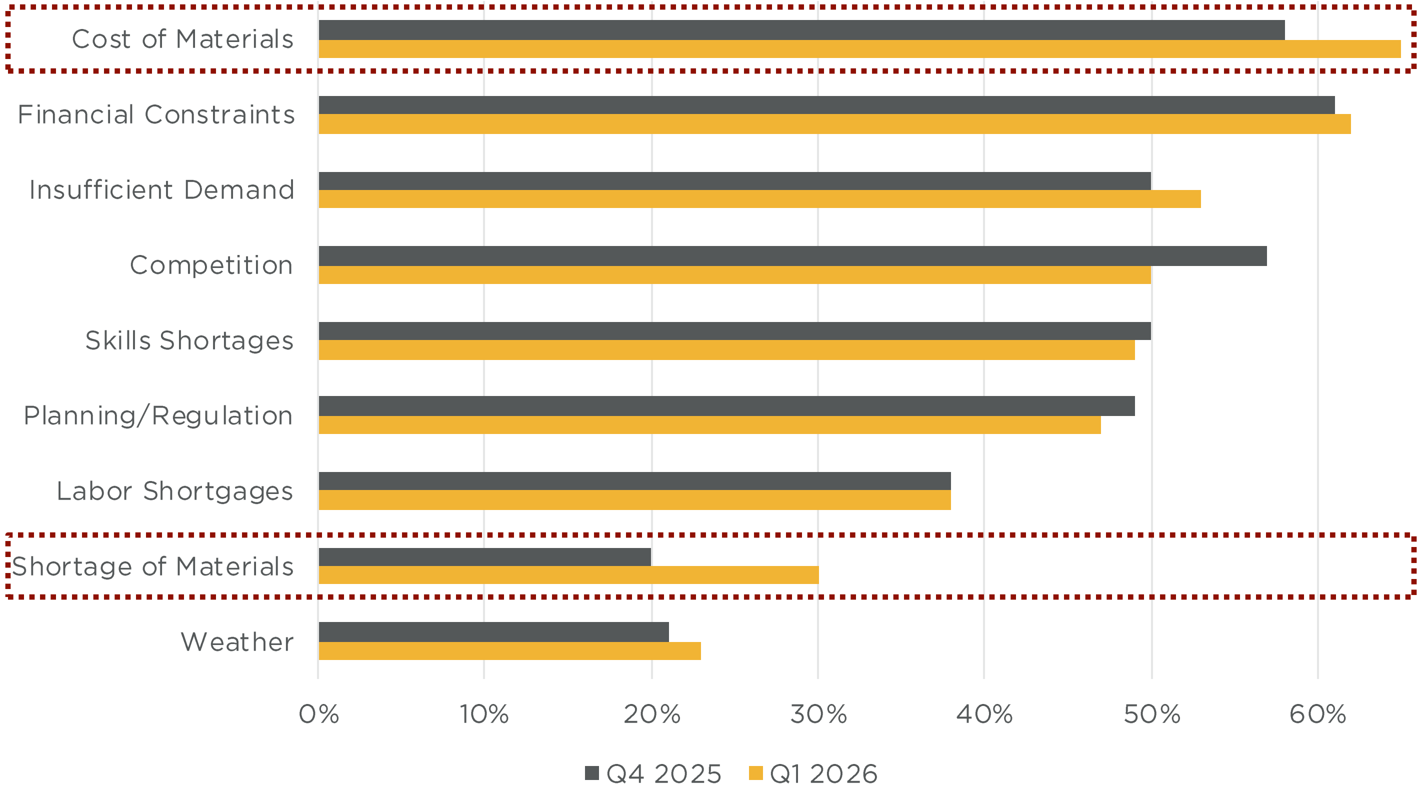
Note: Japan, Mexico, and U.S. data is based on historical Q2 2026 figures, remaining regions are based on forecasted Q2 2026 data. China's YOY figure of -13.4% is outside the chart range.

Source: Moody's Analytics

- Through the second quarter of 2026, global employment remained near Q1 levels and recorded a modest decline of -0.1% YOY, on average.
- Construction employment in China continues to slide, falling -0.8% QOQ and -13.4% YOY as the multi-year property stress story continues. No relief is anticipated with an additional loss of 550,000 jobs (-12%) expected by year end 2028.
- Team Canada Strong, a federal initiative aimed at accelerating recruitment, training and hiring of up to 100,000 new construction workers over the next five years was announced in the Spring Economic Update. These efforts could support an estimated two-year labor force growth rate of 1.2% annually, the highest among comparable countries.
- **Outlook**: On average, Moody's expects construction employment to decline by -0.7% over the next four quarters, followed by a modest contraction of -0.1% the following year.

COST OF MATERIALS INCREASING

Materials costs and availability impacting sentiment



Source: Royal Institution of Chartered Surveyors (RICS) Q1 2026 Global Construction Monitor

- According to the Royal Institution of Chartered Surveyors' (RICS) Q1 2026 survey of more than 2,300 companies worldwide, the Construction Sentiment Index is broadly stable with regional performance differences.
- Cost pressures have intensified over the quarter, with one of the most pronounced increases since 2022. With respondents citing concerns over fuel prices, shipping disruptions and the conflict in the Middle East as contributing factors.
- Skills and labor shortages vary considerably across markets. Countries with an expected increase in their headcount over the next 12 months include the U.S., India, Ireland and Singapore, all of which already have strong existing talent bases. Nigeria, Germany and Canada are currently experiencing shortages, yet their forward-looking (12-month) headcounts are also expected to increase.
- **Outlook**: RICS survey data suggests materials costs pressures have intensified with the 12-month projections rising sharply. This is expected to continue.

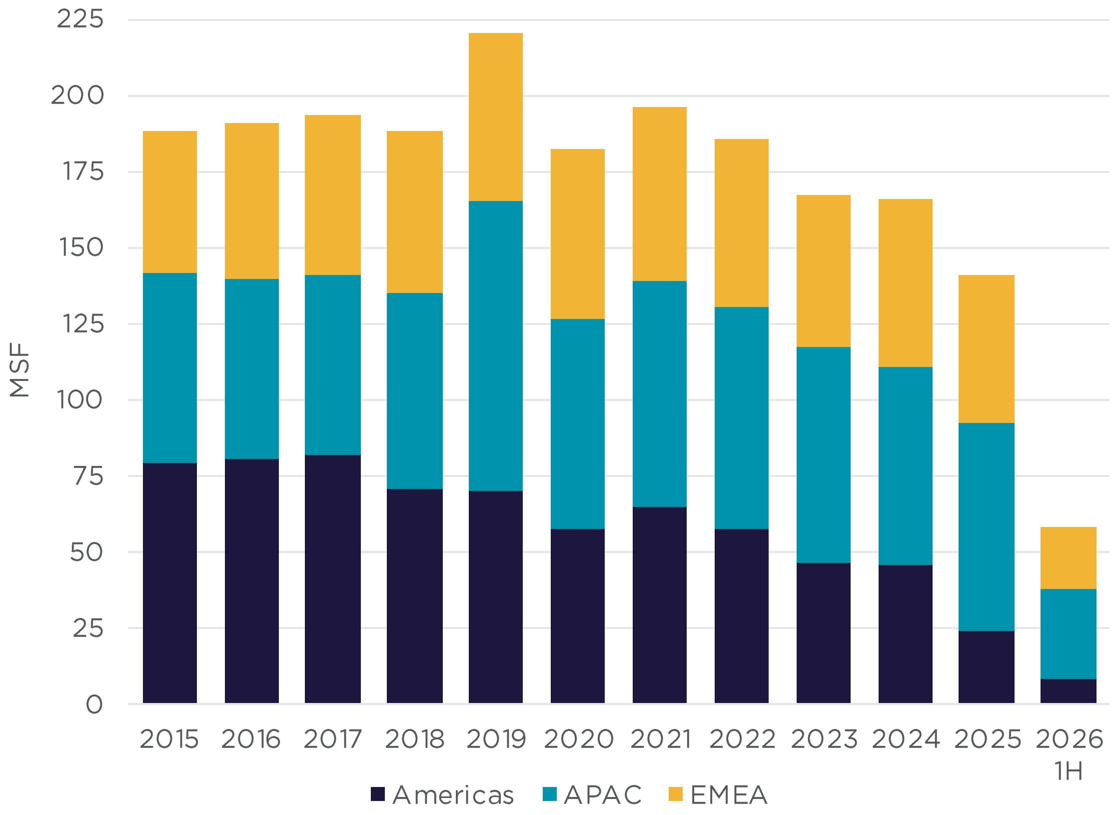
04

SECTOR SPOTLIGHTS

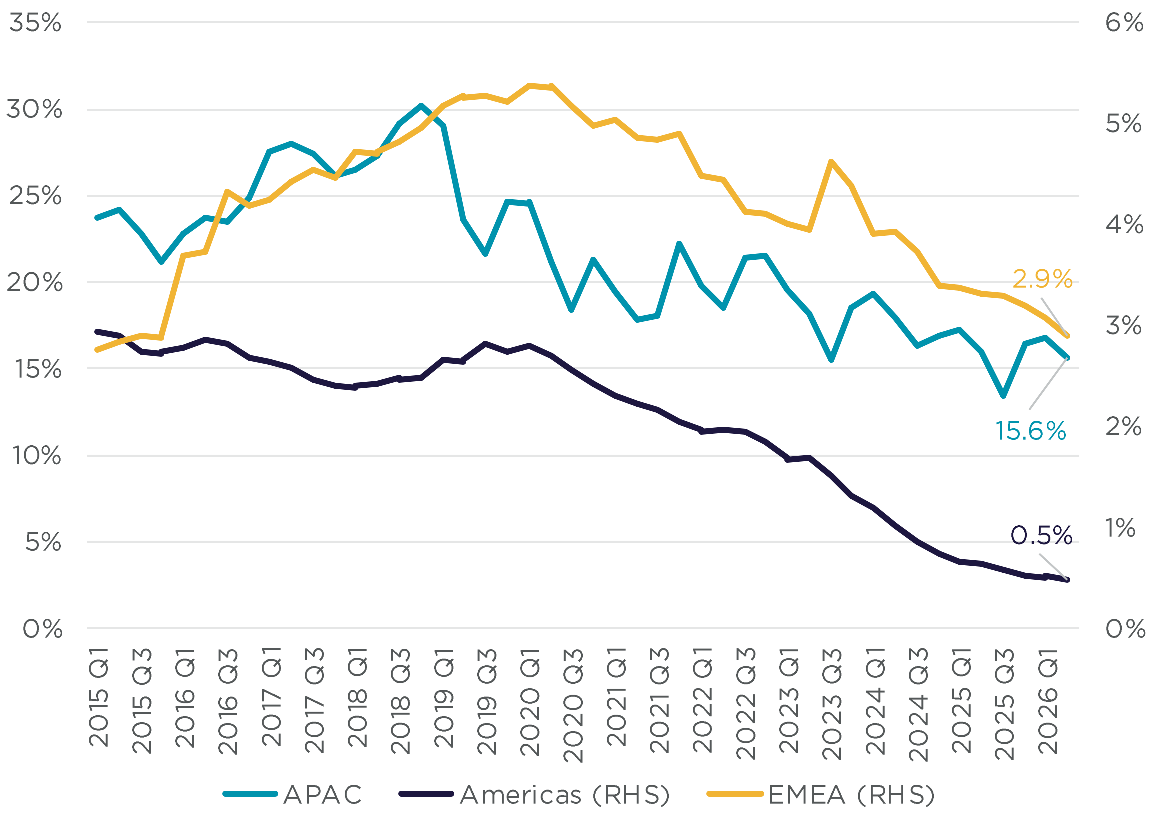
GLOBAL OFFICE PIPELINE CONTINUES TO SHRINK

As office deliveries are on pace for their lowest level in 10 years

Office Deliveries by Region



Under Construction as a % of Inventory

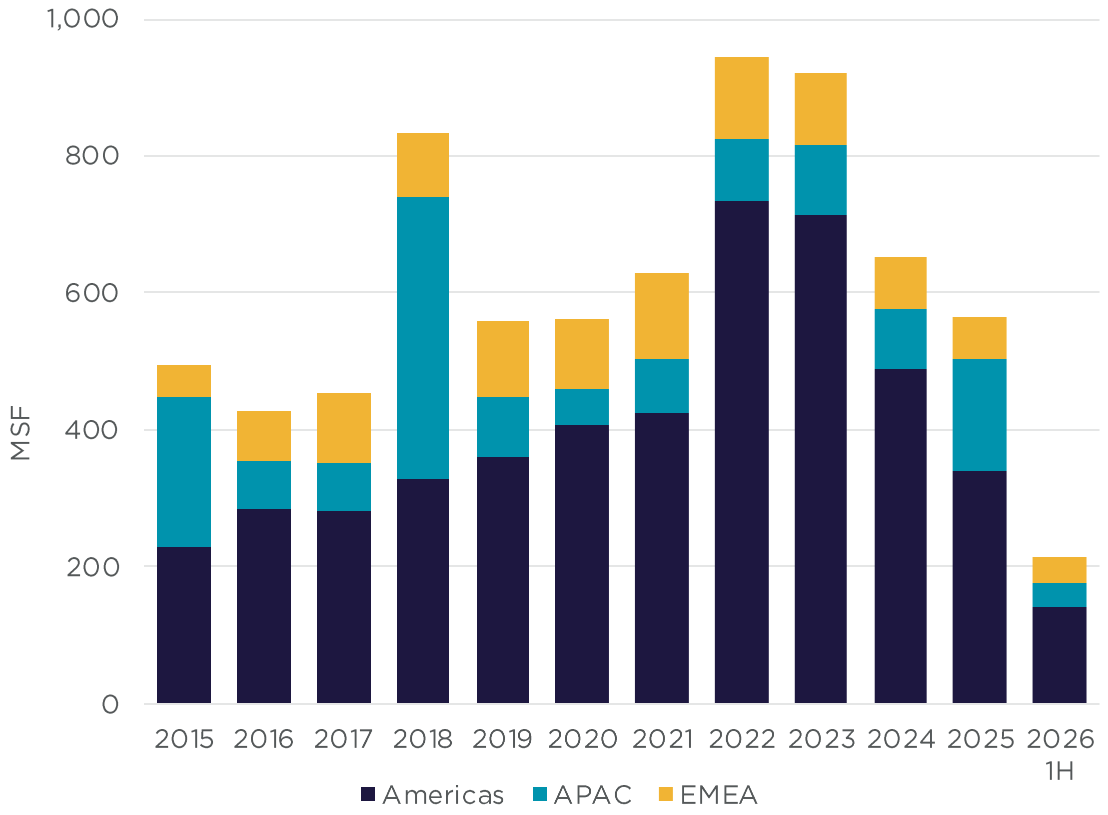


Source: Cushman & Wakefield Research

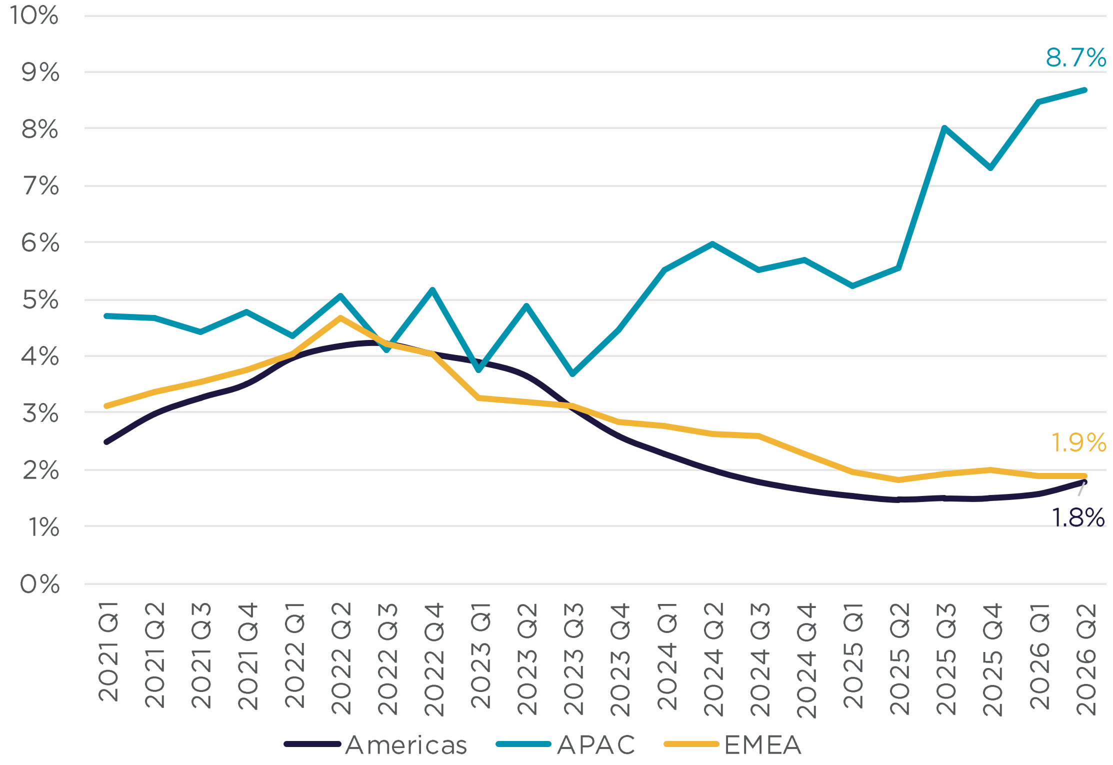
INDUSTRIAL PIPELINE BEGINS TO REBOUND

As APAC and the U.S. gain momentum

Industrial Deliveries by Region



Under Construction as a % of Inventory

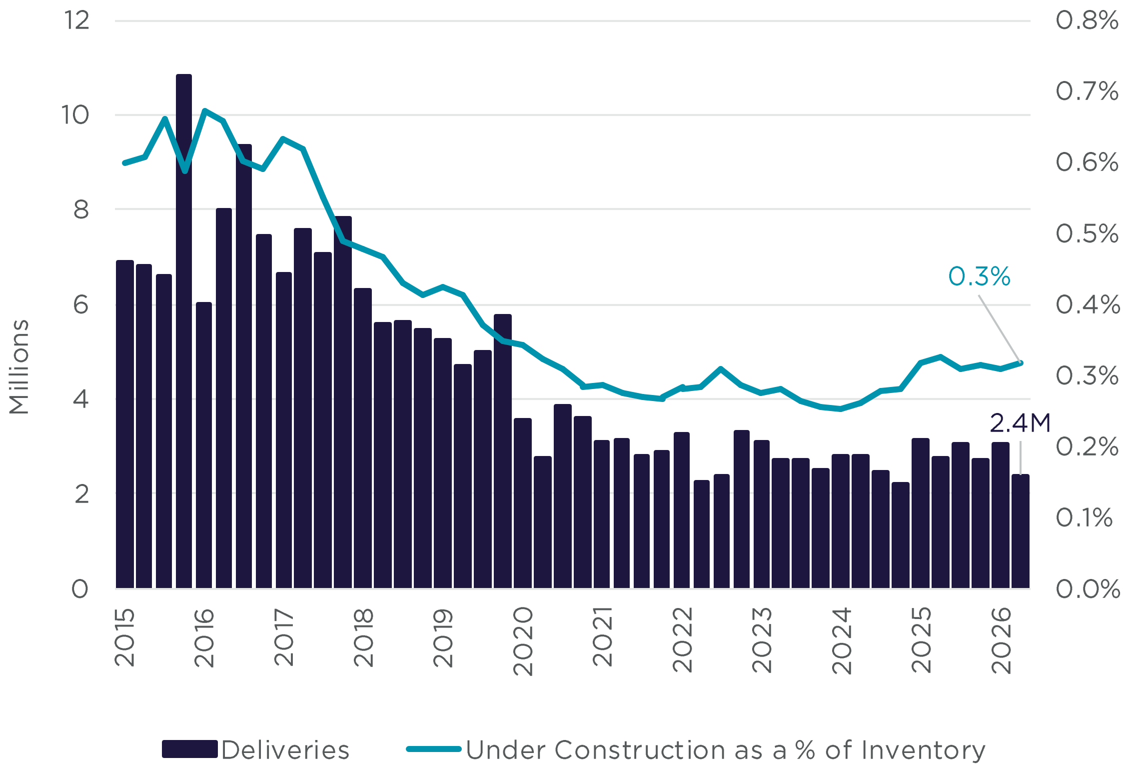


Source: Cushman & Wakefield Research

MULTIFAMILY DELIVERIES RETURN TO HISTORIC LEVELS

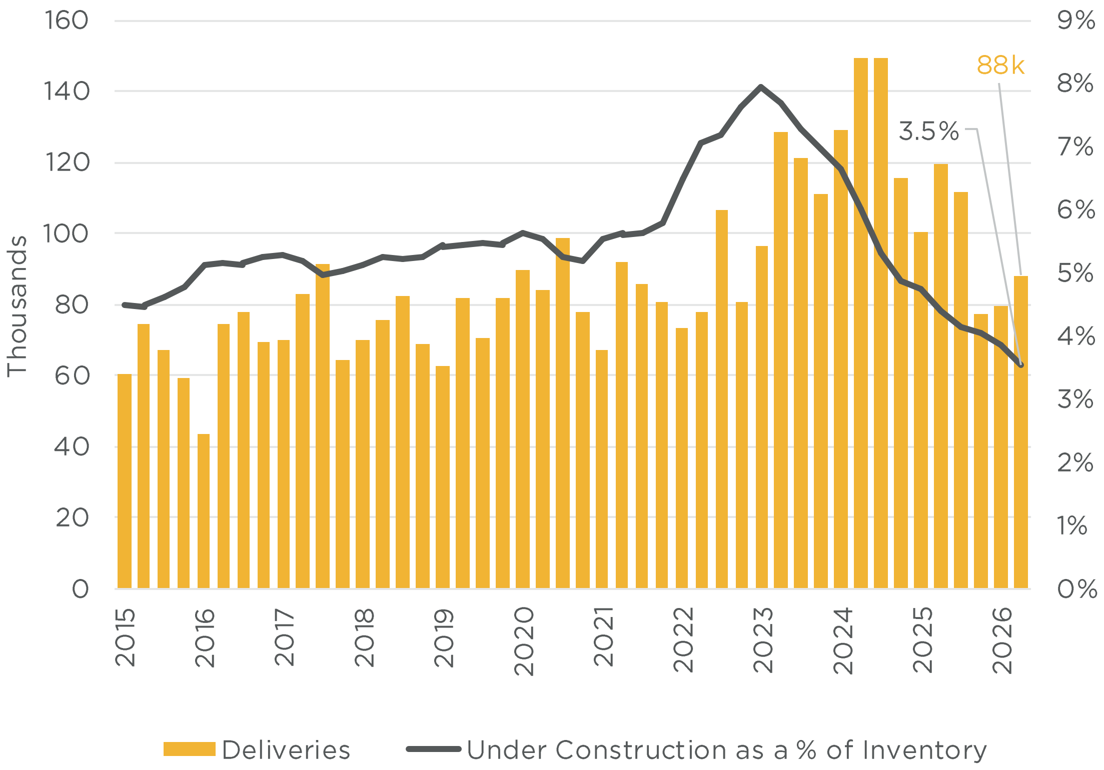
As ongoing construction activity nears a 10-year low

United States Retail Pipeline



Source: Cushman & Wakefield Research

United States Multifamily Pipeline



Source: Cushman & Wakefield Research

05

COUNTRY DEEP DIVE

UNITED STATES

CONSTRUCTION COSTS

Construction cost pressures intensified through mid-2026 as materials inflation reaccelerated and increasingly replaced labor as the primary driver of project cost growth. Tariff-related impacts, tight metals supply, and strong demand from the data center ecosystem pushed commodity and equipment prices sharply higher, while contractor pricing and metro-level construction costs continued to outpace broader inflation measures.

STRUCTURAL COSTS ACCELERATE

As rising input costs begin to materialize

Firms are facing mounting cost pressures across multiple fronts. Persistent labor constraints have increased wages, while tariff impacts are increasingly flowing through to materials costs. Contractors remain cautious on pricing, prioritizing competitiveness, and backlog preservation over passing along rising costs in full. Associated Builders and Contractors (ABC) reported profit margin confidence hit a seven-month low in June. With input costs mounting, project pricing has begun to accelerate.

As of June 2026, structure prices rose 3.4% YOY on average. Office (+3.7%) and industrial (+3.6%) recorded the largest gains. Contractor pricing rose 4.3% YOY on average, led by a 6.4% increase in concrete. Service costs climbed 4.0% YOY—janitorial (+6.1% YOY) shows the step-jump pattern typical of annual contract renewals catching up to cost inflation, while utilities' 5.5% MOM increase is consistent with seasonal rate resets.

	1-Month % Change	YOY % Change	Prior Year % Change	% Change Jan-2020
STRUCTURES				
Non-residential	0.1%	3.5%	1.1%	43.1%
Office	0.0%	3.7%	1.9%	50.2%
Industrial	0.0%	3.6%	0.6%	45.5%
Warehouse	0.1%	2.8%	-0.3%	47.2%
Healthcare	0.4%	3.4%	0.7%	38.7%
Average Change	**0.1%**	**3.4%**	**0.8%**	**45.0%**
CONTRACTORS				
Concrete Contractors	-0.1%	6.4%	1.9%	41.1%
Roofing Contractors	0.2%	5.5%	4.0%	63.9%
Electrical Contractors	0.2%	3.9%	1.8%	37.4%
Plumbing; HVAC Contractors	0.2%	1.3%	1.4%	31.4%
Average Change	**0.1%**	**4.3%**	**2.3%**	**43.5%**
SERVICES				
Utilities	5.5%	1.7%	4.3%	41.2%
Janitorial	0.4%	6.1%	6.2%	29.5%
Waste Collection	-2.9%	3.4%	3.8%	39.7%
Non-residential Bldg. Maintenance & Repair	0.2%	5.0%	4.6%	37.9%
Average Change	**0.8%**	**4.0%**	**4.7%**	**37.1%**

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

SPIKES ARE STILL CONCENTRATED IN ELECTRIFICATION

But price gains have broadened, with no tracked commodity recording a decline

Higher costs for imported metals, reduced foreign competition, and constrained metals 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 June 2026, construction-related commodity prices rose 13.3% YOY, over 4.7 times the prior year's increase. Aluminum (+40.9%) and copper base scrap (+39.3%) led gains followed by nonferrous metals (+38.5%).

On average, costs are projected to be:

- ⬆ 0.5% from current prices to September 2026
- ⬆ 1.2% from current prices to December 2026

	1-Month % Change	YOY % Change	Prior Year % Change	3-Month Forecast* (Sep-2026)	6-Month Forecast* (Dec-2026)
Lumber	0.8%	3.7%	1.4%	-0.4%	-0.2%
Hot rolled bars; plates & structural	5.5%	16.0%	-2.8%	-1.8%	-0.7%
Steel pipe and tube	2.4%	9.0%	4.3%	0.5%	1.8%
Nonferrous metals	0.3%	38.5%	9.5%	1.8%	2.6%
Nonferrous wire and cable	1.3%	15.6%	4.0%	1.0%	2.0%
Fabricated structural metal	0.3%	1.0%	9.1%	7.7%	8.9%
Prefabricated metal buildings	2.1%	7.2%	0.5%	0.3%	1.6%
Miscellaneous metal products	0.6%	3.8%	2.5%	1.6%	3.1%
Glass	0.8%	9.5%	0.3%	-0.1%	0.3%
Concrete and related products	0.6%	4.4%	6.2%	1.0%	1.6%
Concrete products	0.0%	3.2%	2.6%	1.8%	2.6%
Asphalt felts and coatings	3.7%	3.3%	2.7%	-2.2%	-2.7%
Other nonmetallic minerals	0.2%	4.9%	2.2%	1.8%	2.3%
Copper Base Scrap	1.0%	39.3%	0.2%	-0.3%	0.2%
Aluminum Base Scrap	3.5%	40.9%	-0.5%	-5.7%	-5.5%
Average Change	**1.6%**	**13.3%**	**2.8%**	**0.5%**	**1.2%**

Source(s): United States Bureau of Labor Statistics (www.bls.gov/ppi); Prior year represents June 2025 YOY price change; Fabricated Steel Plate dropped (dead series, no current value)

FORECASTED EQUIPMENT COSTS REFLECT IMBALANCE

Amid continued copper shortages

Equipment prices continue to climb, with June 2026 marking an average increase of 5.8% YOY, up from 5.0% in the prior year.

Electrical machinery and equipment posted the sharpest YOY gain (+13%), with switchgear close behind (+9.0%) — largely reflecting grid modernization, renewable integration, and data-center electrical infrastructure demand rather than temporary energy-market disruptions.

Transformers (+4.6% Dec-26F) and switchgear (+4.8% Dec-26F) are expected to accelerate. This reflects the structural copper deficit, grid buildout, and data center surge showing up directly in equipment costs.

On average, equipment prices are projected to be:

- ⬆ 1.9% from current prices to September 2026
- ⬆ 3.5% from current prices to December 2026

	1-Month % Change	YOY % Change	Prior Year % Change	3-Month Forecast* (Sep-2026)	6-Month Forecast* (Dec-2026)
Switchgear; switchboard; etc. equipment	0.0%	9.0%	9.3%	3.1%	4.8%
Metalworking machinery and equipment	0.9%	5.6%	3.8%	1.0%	2.1%
Pumps; compressors; and equipment	-0.1%	3.2%	7.3%	2.8%	4.4%
Fans and blowers; except portable	1.4%	5.0%	0.9%	1.0%	2.7%
Electrical machinery and equipment	0.0%	13.0%	2.6%	1.4%	2.7%
Motors; generators; motor generator sets	0.0%	1.8%	8.0%	1.5%	3.3%
Transformers and power regulators	0.0%	3.7%	2.4%	2.0%	4.6%
Process control instruments	-0.3%	4.7%	6.0%	2.0%	3.0%
Average Change	**0.2%**	**5.8%**	**5.0%**	**1.9%**	**3.5%**

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

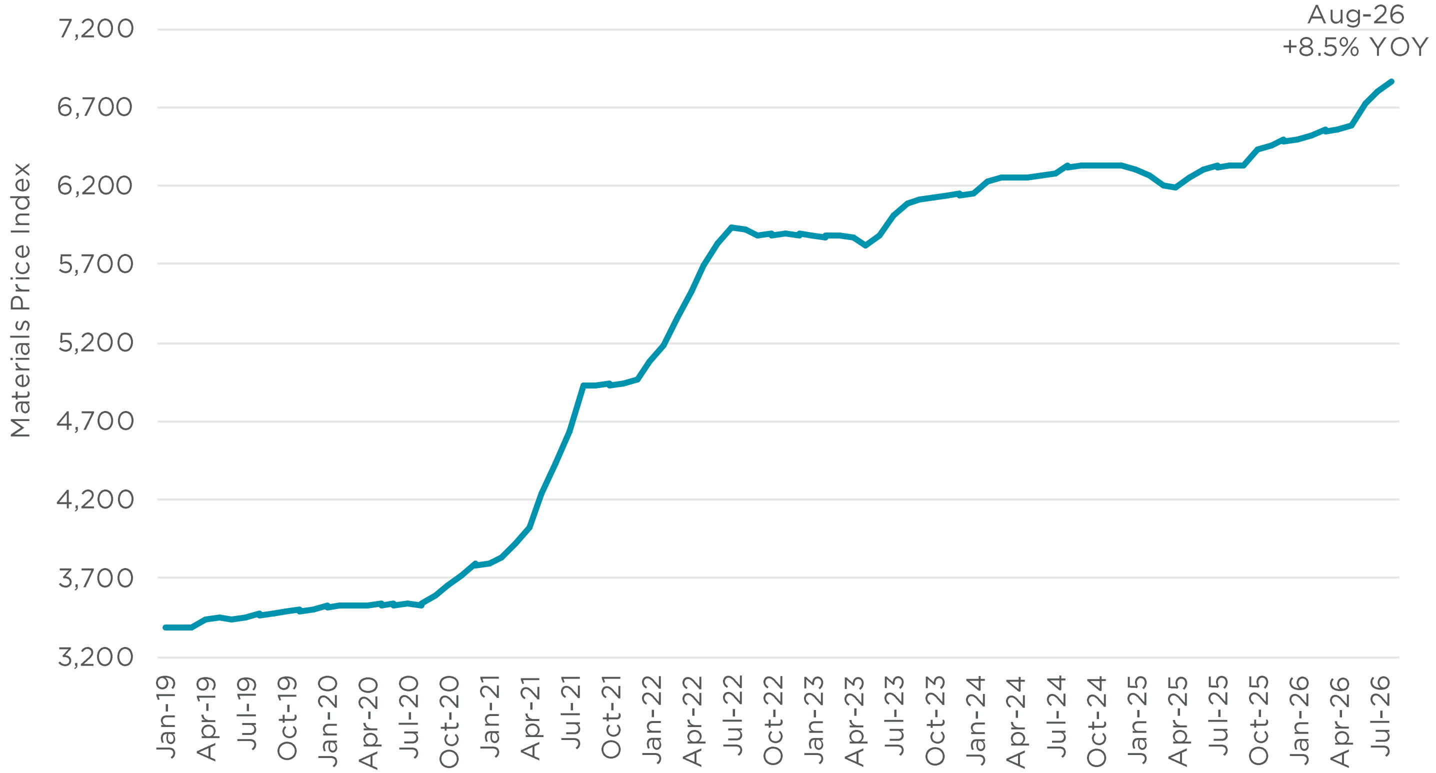
MATERIALS PRICES CONTINUE TO ACCELERATE

The ENR materials price index climbed 2% MOM in June despite falling oil prices

Overall construction materials rose 1.0% MOM in August 2026, marking the third consecutive monthly increase of 1.0% or greater while YOY growth has climbed steadily from 6.5% in June to 8.5% in August.

This reacceleration appears more closely tied to tariffs and metal-market dynamics than to energy prices. BLS PPI data shows steel mill products rose 3.6% MOM in June, currently their largest monthly increase of 2026, even as crude petroleum fell roughly 12% MOM during the same period. Energy and metals moved in opposite directions and the materials price index accelerated (+2.0% MOM).

Outlook: Materials costs are likely to keep climbing through 2026 as the new steel tariffs work through supply chains, independent of the energy unwinding forecast by Moody’s.



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

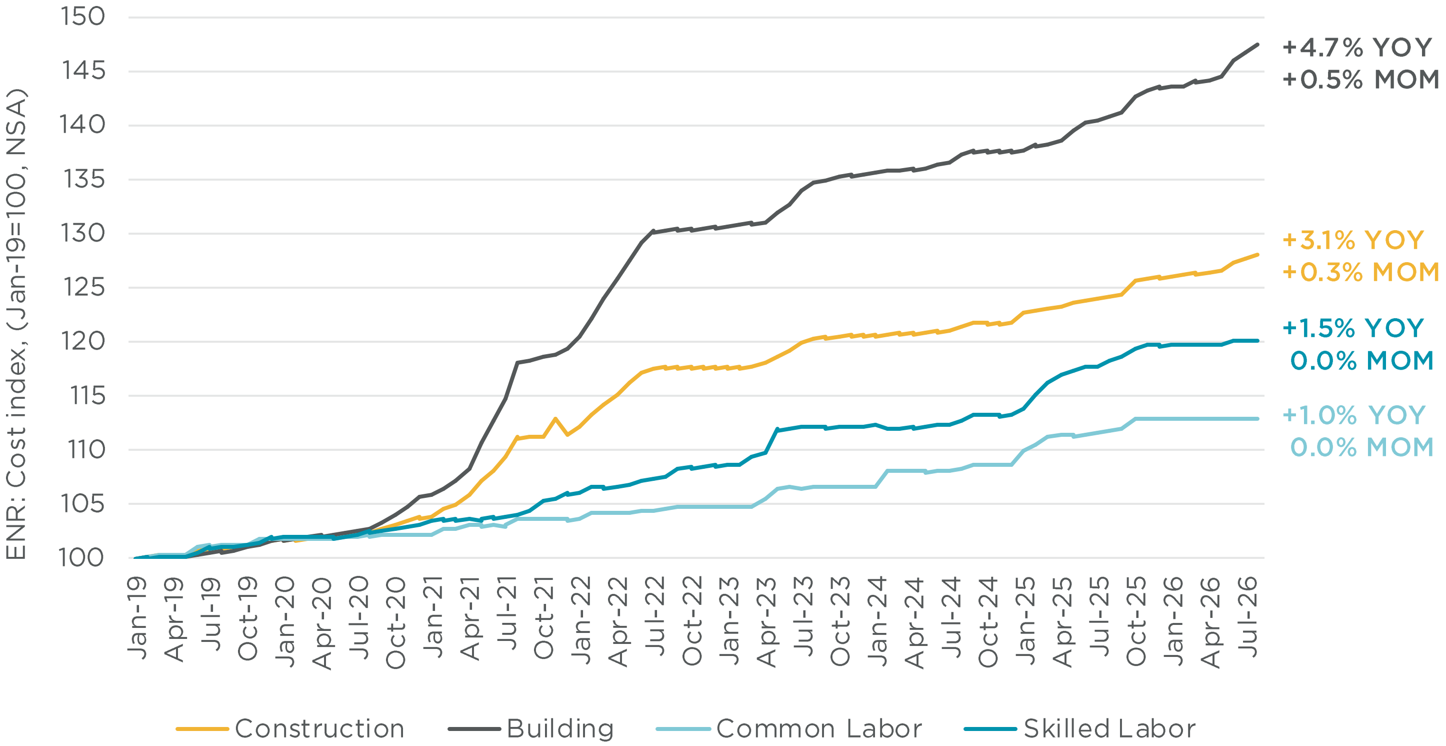
MATERIALS DRIVE ESCALATION, NOT LABOR

Building costs outpace skilled labor

The ENR Building Cost Index rose 4.7% YOY in August 2026, outpacing its skilled labor input (+1.5%). Similarly, construction cost and common labor recorded YOY increases of 3.1% and 1.0%, respectively. The divergence between accelerating project costs and moderating labor inflation reflects a shift from a labor-driven cost environment toward one increasingly influenced by materials price pressures.

Despite the broader decline in construction wage growth, the 0.5 percentage points (pp) gap between skilled and common labor points to the persistent pressure in specialized trades.

Outlook: The inflationary gap between projects requiring skilled labor and common labor is expected to tighten as materials accelerate and wage growth moderates.



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

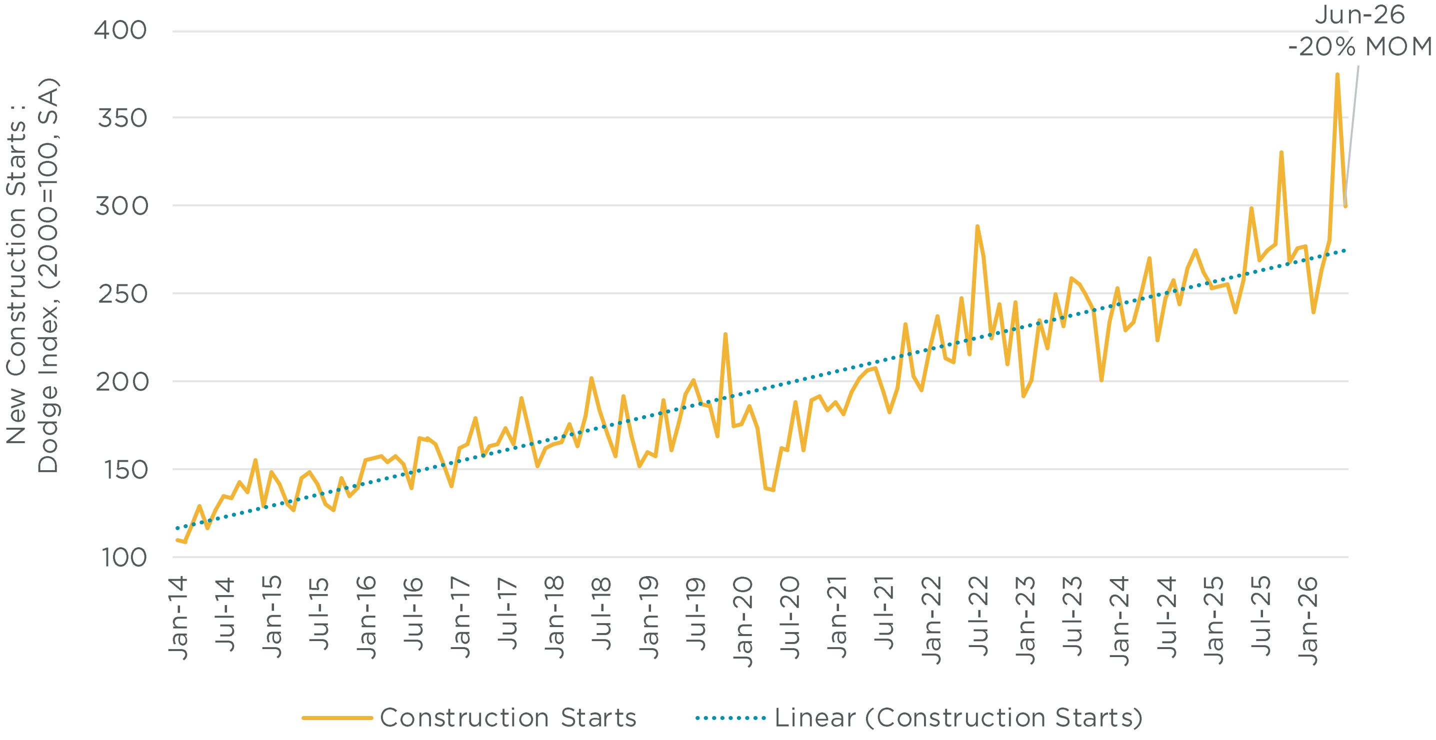
COMMERCIAL STARTS NORMALIZE

Following a surge in May, fueled by megaprojects

New construction starts declined 20% MOM in June, following a spike in May which recorded a monthly gain of 33.5%. The surge was largely attributed to megaprojects within healthcare, manufacturing, utilities, and data centers kicking off, masking some weakness in institutional and residential construction activity.

Drastic monthly swings, such as those seen in May, have become increasingly common within the index – a reflection of how data center and large infrastructure projects now factor into construction activity composition. In May, monthly gains were recorded by nonresidential building (+17.8%) and nonbuilding starts (+91.9%); the following month, both categories recorded declines of 9.1% and 37.7%, respectively.

Outlook: Construction activity remains uneven across sectors. Data centers and energy-related projects continue to drive growth, while weakness in the residential and institutional sectors remain.



Source: Dodge Data & Analytics

METRO BID ESCALATION OUTPACES THE NATIONAL INDEX

Boston climbs while Chicago cools

Based on Q2 2026 data from Rider Levett Bucknall (RLB), metro-level construction costs climbed an average of 4.42% YOY — about 0.9pp above BLS PPI nonresidential structures, meaning metro-level bid escalation is outrunning the national output-price index.

Honolulu posted the largest annual gain at 5.93%, followed by Phoenix at 5.30%. Hawaii's isolated market continues to reflect a limited local labor pool and heavy reliance on imported materials.

Chicago's drastic deceleration is the outlier: its 1.42% YOY sits sharply below its own 3.56% 2-year increase. Boston recorded the fastest quarterly move at +2.22% QOQ.

Outlook: Rising materials expenses are expected to maintain upward pressure on metro-level construction costs despite recent moderation in wage growth; expect the gap between metro bid escalation and the national output-price index to persist.

Metro	QOQ % Change	YOY % Change (Q2 2026 vs. Q2 2025)	Prior Year % Change (Q2 2025 vs. Q2 2024)
Austin	1.31%	4.57%	2.91%
Boston	2.22%	4.11%	4.61%
Charlotte	0.72%	4.91%	---
Chicago	0.19%	1.42%	5.75%
Dallas	0.99%	3.88%	5.55%
Denver	1.03%	4.59%	4.59%
Honolulu	1.40%	5.93%	5.48%
Las Vegas	0.82%	4.44%	4.40%
Los Angeles	1.26%	4.15%	3.56%
Miami	1.33%	4.99%	5.51%
Minneapolis	1.36%	4.82%	---
Nashville	0.94%	4.58%	4.55%
New York	1.05%	4.46%	3.99%
Phoenix	1.34%	5.30%	4.42%
Portland	1.08%	4.74%	4.35%
San Francisco	1.65%	4.09%	3.78%
Seattle	1.11%	4.64%	4.48%
Washington D.C.	0.77%	4.01%	4.12%
Average	**1.14%**	**4.42%**	**4.50%**

Source: Rider Levett Bucknall

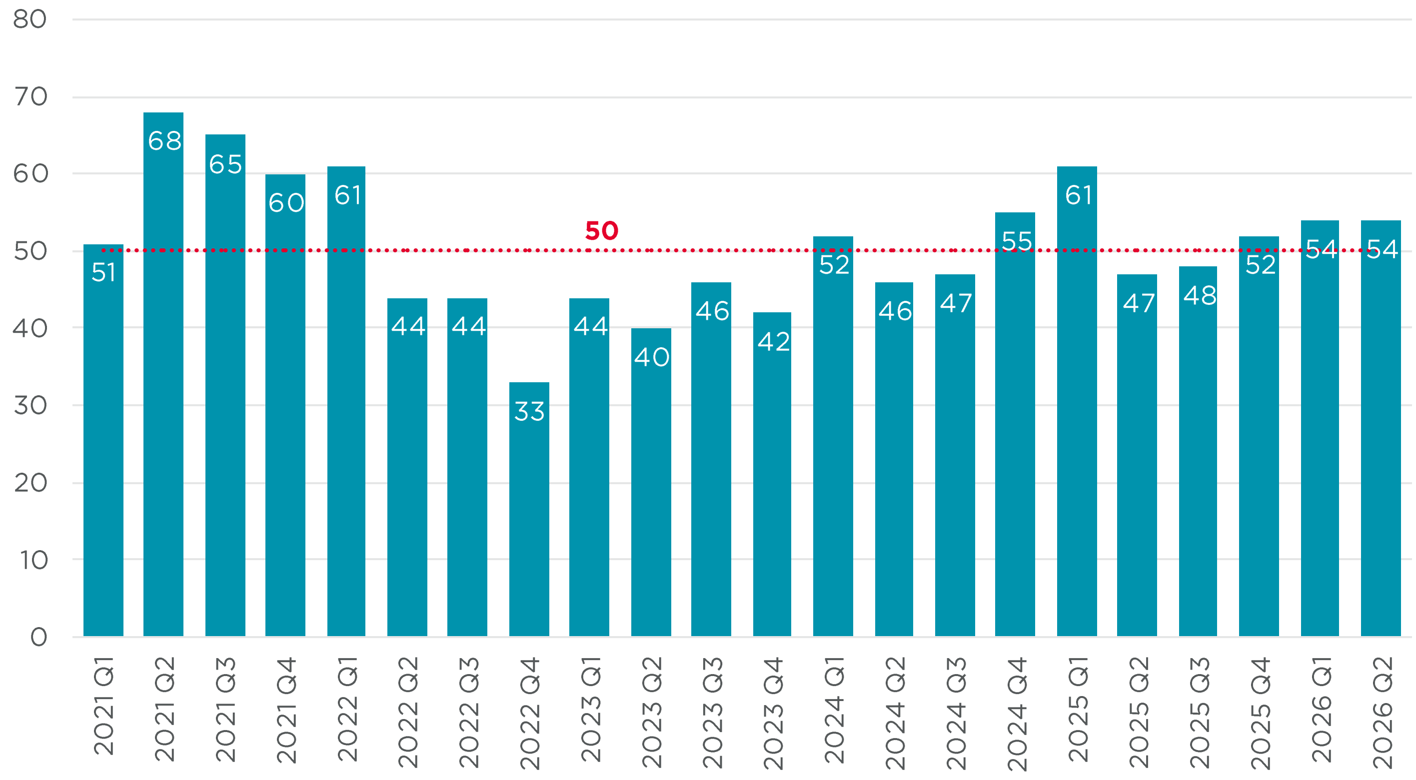
CONFIDENCE HOLDS STEADY

Despite increasing headwinds

ENR's Construction Industry Confidence Index (CICI) held at 54 in Q2 2026, an indication of slight optimism. Executives continue to characterize the broader market as fragile, with strength concentrated in data centers and energy.

The lack of movement within the index is notable: executives have held steady through the Iran conflict, the tariff base change in April, and softer architectural billings. Despite these headwinds, sentiment has remained firm in 2026.

Outlook: Construction sentiment is likely to remain rangebound near the neutral-to-slightly-optimistic level until either interest rate cuts materialize or cost pressures visibly ease.



Source: ENR/BNP MEDIA

LABOR

Construction labor market conditions remain resilient despite signs of moderation in broader construction activity. Employment continues to hover near record levels, while job openings, hiring activity, and workforce mobility rebounded during the second quarter. Wage growth has eased from recent peaks but remains elevated, supported by persistent shortages in specialized trades.

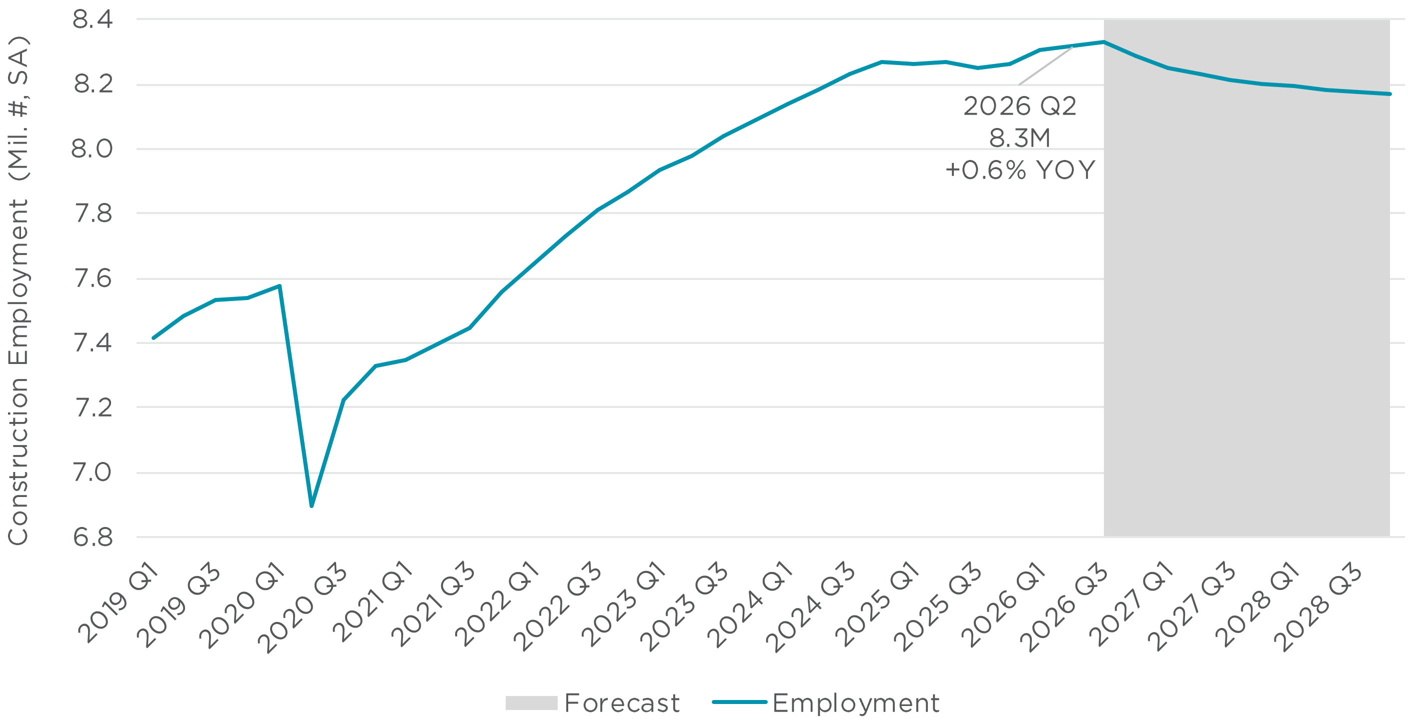
CONSTRUCTION EMPLOYMENT HOLDS

But softening is expected

U.S. construction employment reached 8.322M in Q2 2026, up 0.6% YOY, holding near record levels, and outpacing the broader economy.

Construction employment is expected to increase through Q3 before beginning to contract. Moodys forecast a decline of 1.0% over the coming year, followed by a 0.6% slide in 2028. A thinning project pipeline in several traditional nonresidential segments is expected to weigh on labor demand.

Outlook: With backlogs declining YOY and rate cuts increasingly uncertain, the labor demand that supported hiring through mid-2026 is expected to moderate. A constrained skilled-trades pool will continue to limit slack.



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

JUNE TURNOVER REACCELERATES

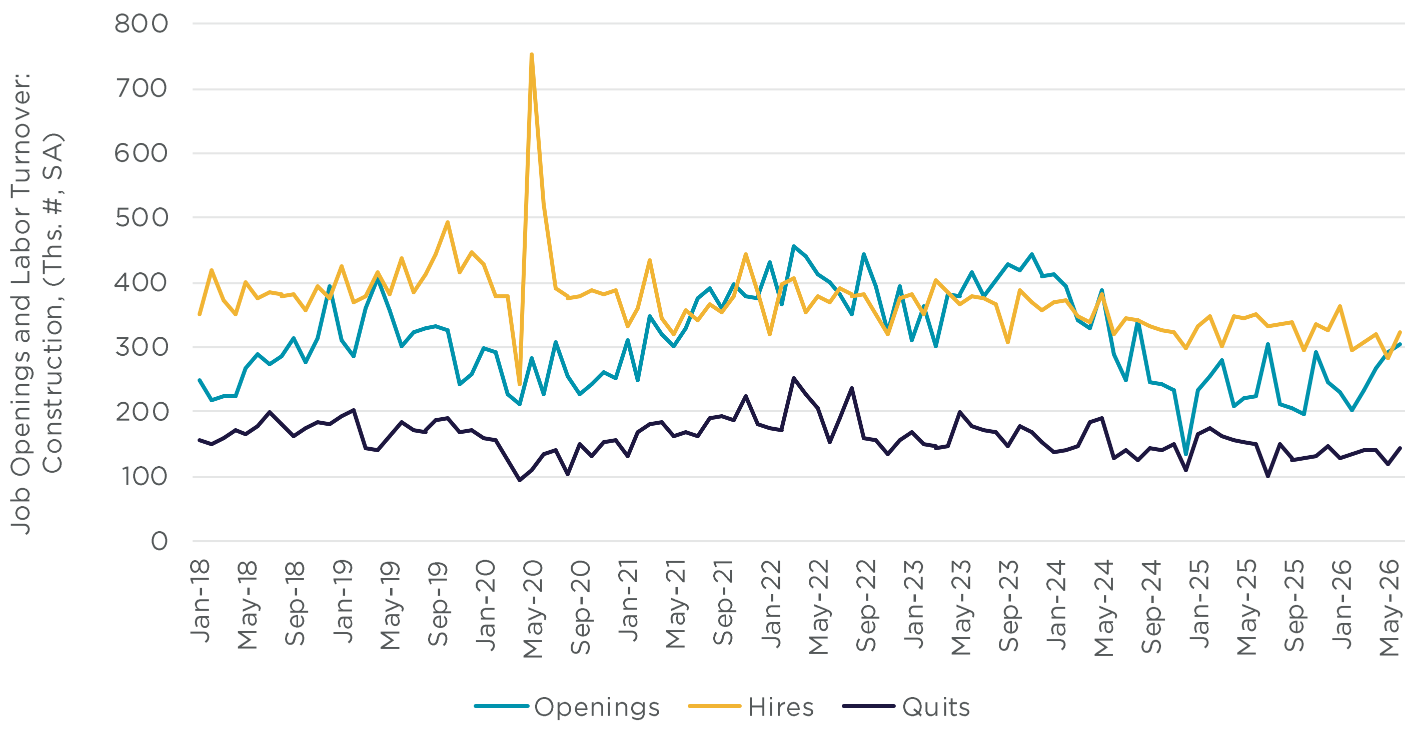
Yet construction resignations continue to lag prior year figures

June 2026 JOLTS data shows construction job openings, hires, and quits all reaccelerating sharply: +4.8%, +14.5% and +19.2% MOM respectively, a sharp reversal from Spring's report in which all three measures recorded monthly declines.

Construction openings now sit inline with hires reflecting the limited supply of skilled labor.

While quits recorded an uptick in June, they remain 4.0% below the prior year, marking the sixth consecutive month of YOY declines. The trend aligns with the cooling wage growth emerging from the sector as firms have become less willing to pay a premium to attract new employees.

Outlook: The JOLTS data reinforces the bifurcation thesis rather than a broad, imminent squeeze. If cost and demand pressure were building uniformly across the sector, labor demand would be expected to soften alongside backlog and architectural billings, not accelerate. Instead, a narrow set of segments are absorbing enough labor demand to support openings, hires, and quits.



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

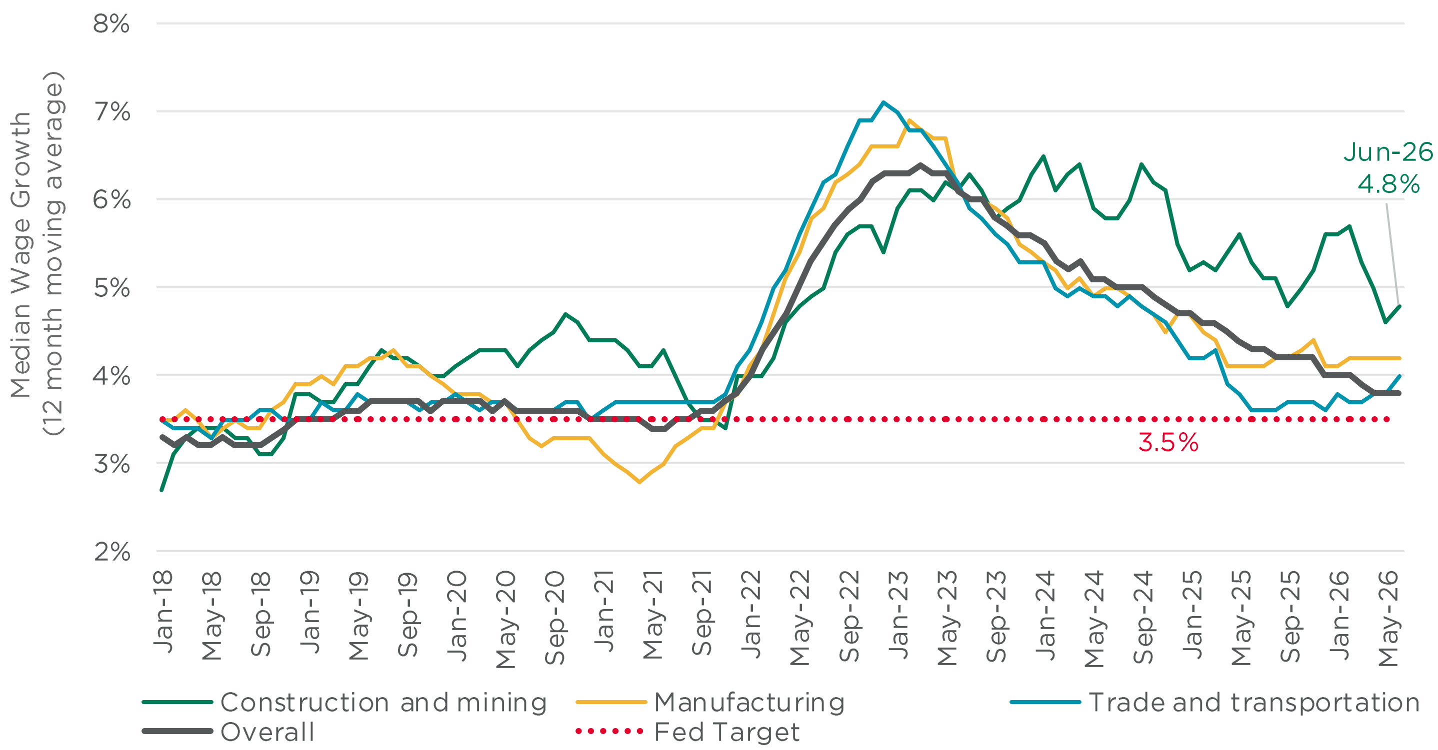
CONSTRUCTION WAGE GROWTH IS COOLING

Skilled trade shortages limit wage normalization

Construction/mining wage growth fell for three straight months, from 5.7% in February to 4.6% in May. June figures halted the slide, with wage growth rising 2.0pp MOM, to 4.8%.

Bifurcated demand has compressed wage growth, though the ongoing shortage of skilled trade workers continues to provide solid support.

Outlook: Wage growth convergence toward the broader labor market average is expected to continue through 2026 for general trades. Structural shortages in skilled trades are likely to keep specialized wages elevated relative to historic levels.



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

CONSTRUCTION ACTIVITY

Construction activity increasingly reflects a bifurcated industry with high demand segments continuing to support overall market conditions. Backlogs remain elevated for contractors with exposure to these sectors, while architectural billings continue to signal weakness across much of the nonresidential market. Broader nonresidential activity is likely to face continued headwinds into 2027 absent meaningful improvement in financing conditions or business investment.

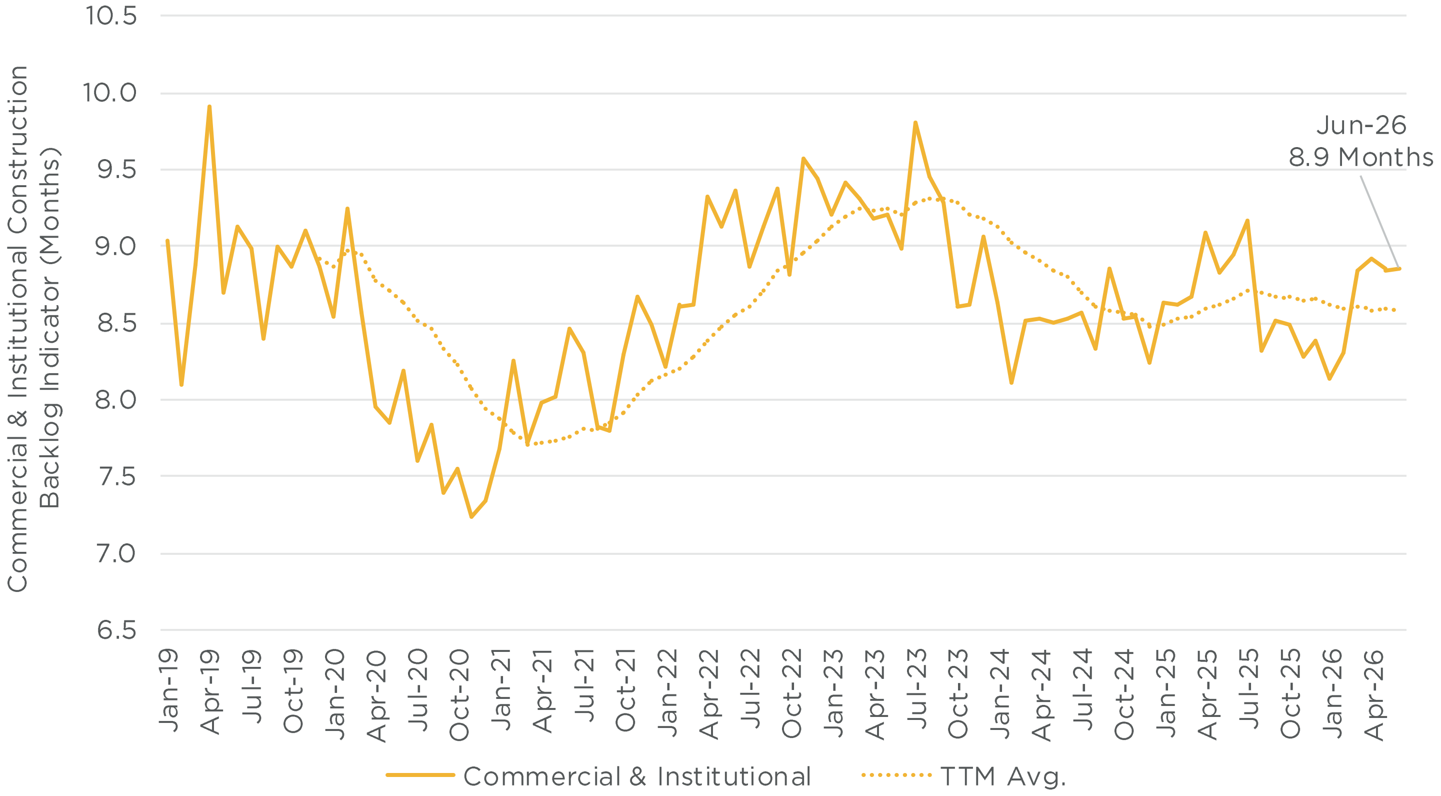
CONSTRUCTION BACKLOGS CONTINUE TO DIVERGE

With strength concentrated in data centers and infrastructure projects

The Associated Builders and Contractors (ABC) construction backlog for commercial and institutional projects held flat at 8.9 months in June — 0.1 months below that of a year ago. Meanwhile, the infrastructure segment recorded a backlog of 10.1 months, up 7.9% YOY.

Data centers, which fall under the commercial and institutional category, remain a key driver of national construction activity. According to ABC, contractors engaged in data center projects reported significantly higher backlogs (11.0 months) than those without such exposure (8.5 months), underscoring the sector's outsized influence on overall pipeline strength.

Outlook: Backlogs are likely to remain uneven, with larger contractors, and those exposed to data center and infrastructure projects, positioned to see stronger 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."

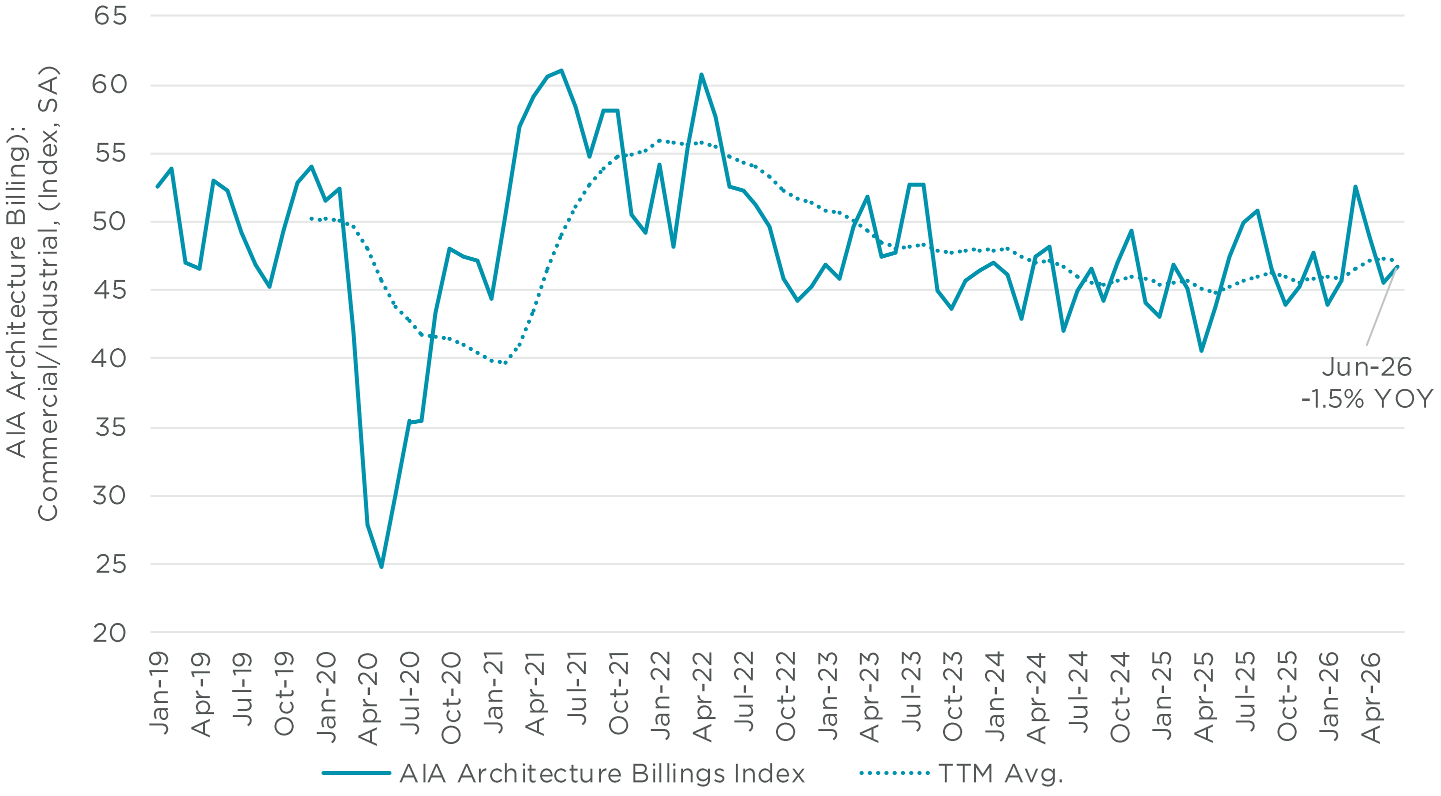
ARCHITECTURAL BILLINGS SIGNAL CONTRACTION

Only one month in 2026 has cleared the 50 breakeven threshold

After a brief rebound in March, commercial and industrial architectural billings are back below the growth threshold of 50, signaling a contraction in demand. June's reading of 46.7 makes nine of the last 10 months below the breakeven mark.

Architectural billings are widely viewed as a leading indicator of non-residential construction activity, typically leading construction spending by approximately nine to 12 months — this reading points to continued softness into 2027 and aligns for forecasted employment declines.

Outlook: With five of six months in 2026 below the growth threshold, broader non-residential construction activity is likely to remain soft into early 2027. The outlook remains highly sensitive to interest rate cuts and trade policy.



Source: The American Institute of Architects (AIA)

06

COUNTRY DEEP DIVE

CANADA

CONSTRUCTION COSTS

Canada's construction sector remains under sustained cost pressure heading into H2 2026, with metals-driven inflation, persistent skilled labour shortages, and ongoing trade and global geopolitical uncertainty weighing on project economics. Nation building infrastructure projects continue to be a driving force, supporting activity across the sector.

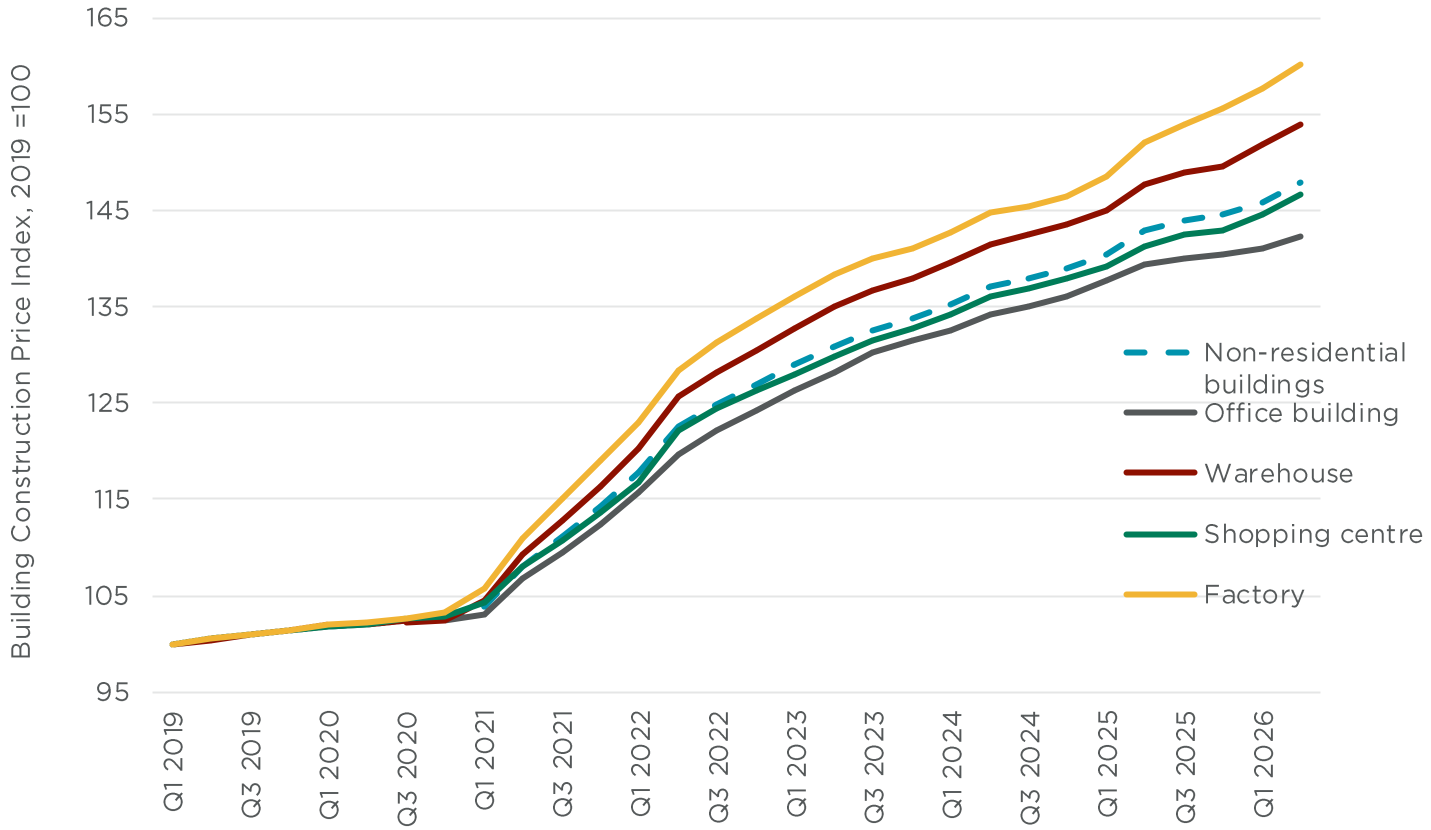
CONSTRUCTION COSTS REMAIN ELEVATED

Factories and warehouses leading annual growth

Building construction costs remain elevated across all major asset types. Industrial buildings observed significant escalation as factories and warehouses absorb higher steel, aluminum, and equipment costs tied to electrification and advanced manufacturing demand.

Office and shopping centre cost growth remains moderate, reflecting softer development activity in these segments, with office +2.0% YOY and shopping centres +3.7% YOY.

Outlook: With trade negotiations ongoing in North America, the structural cost floor is not going away. Metal-intensive industrial buildings which carry higher steel and equipment intensities should continue to see the steepest cost escalation, while office and retail cost growth is likely to stay more moderate given softer development demand in these asset classes.



Source: Statistics Canada

REGIONAL IFFERENCES NATIONWIDE

Maritimes and the Prairies leading growth

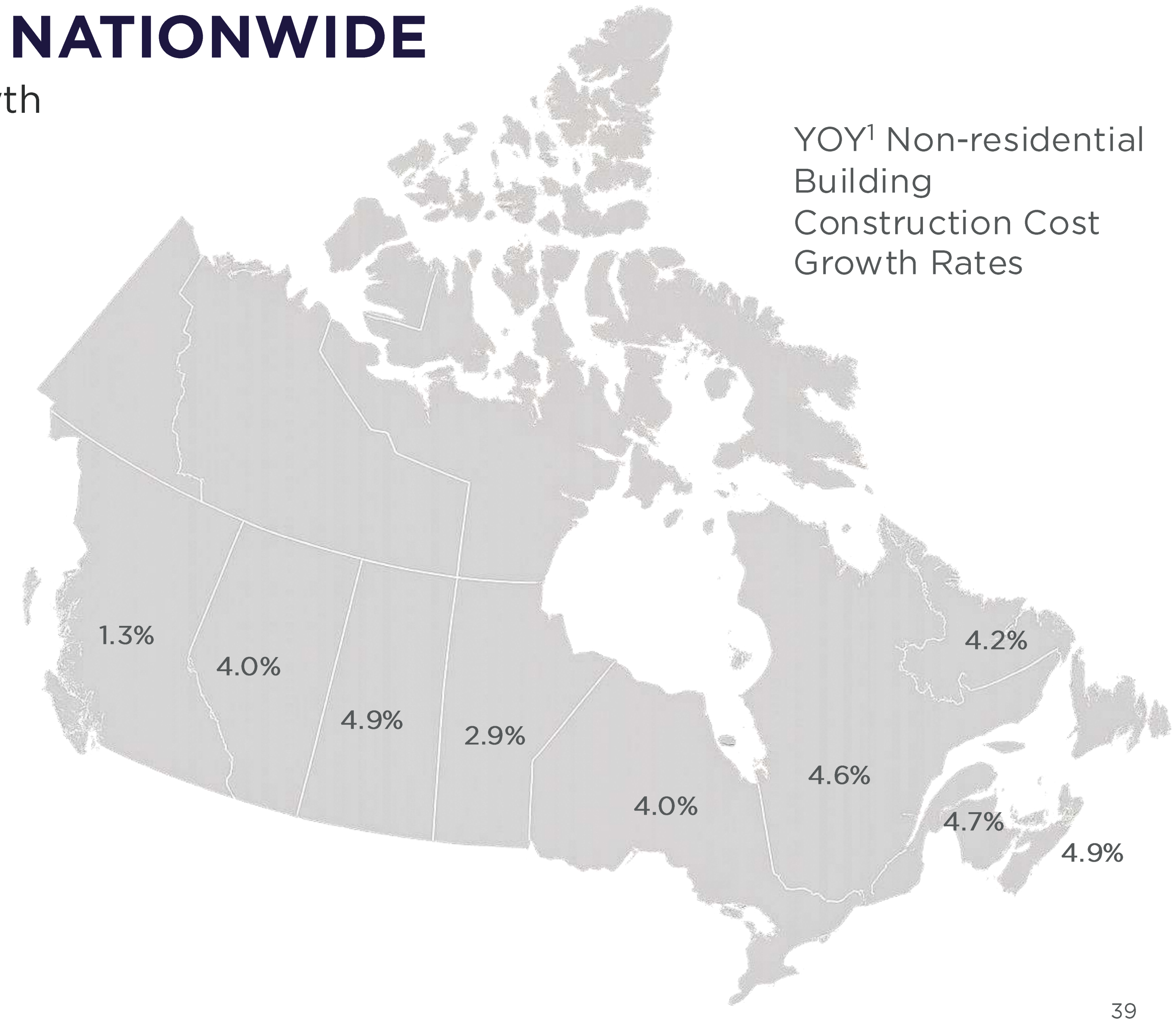
Construction costs continue to rise YOY, although not evenly across the nation.

Regional variation remains pronounced, with the strongest YOY cost increases now concentrated in Atlantic Canada and the Prairies; Nova Scotia (4.9%), Saskatchewan (4.9%), New Brunswick (4.7%), and Newfoundland and Labrador (4.2%). Quebec has also outpaced the national trend, reaching 4.6% in Q2 2026.

Ongoing trade tensions and tariff uncertainty around steel, aluminum and fabricated metals drive regional variation with each province having different levels of exposure to imported U.S. materials. [For more info on this click here.]

Outlook: With the July 2026 CUSMA review now behind us and no agreement reached to extend the trilateral agreement, import exposed regions in the Prairies are likely to continue outpacing the national average through the second half of 2026.

YOY[1] Non-residential Building Construction Cost Growth Rates



[1] YOY represents the change from Q2 2025 to Q2 2026

Source: Statistics Canada

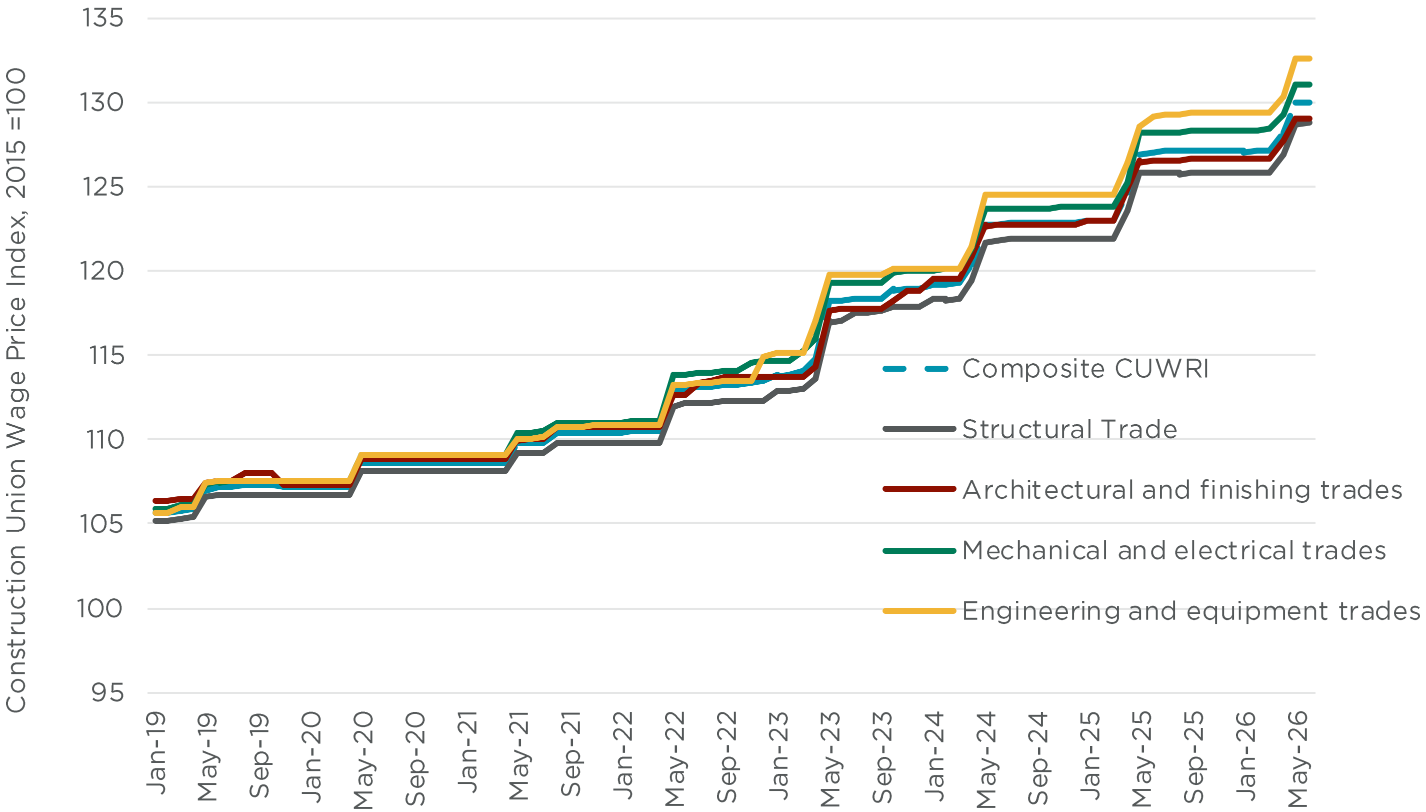
CONSTRUCTION UNION WAGES STEADY

Construction union wage growth remains positive but measured

The Construction Union Wage Rate Index (CUWRI) has moderated but remains positive with a 2.4% YOY increase, tracking broadly in line with the 2.2% average increase seen across skilled trades nationally.

Engineering and equipment trades (2.6%) and structural trades (2.4%) continue to see the strongest gains, reflecting sustained demand for specialized labour. While architectural and finishing trades trail at around 2.0% YOY.

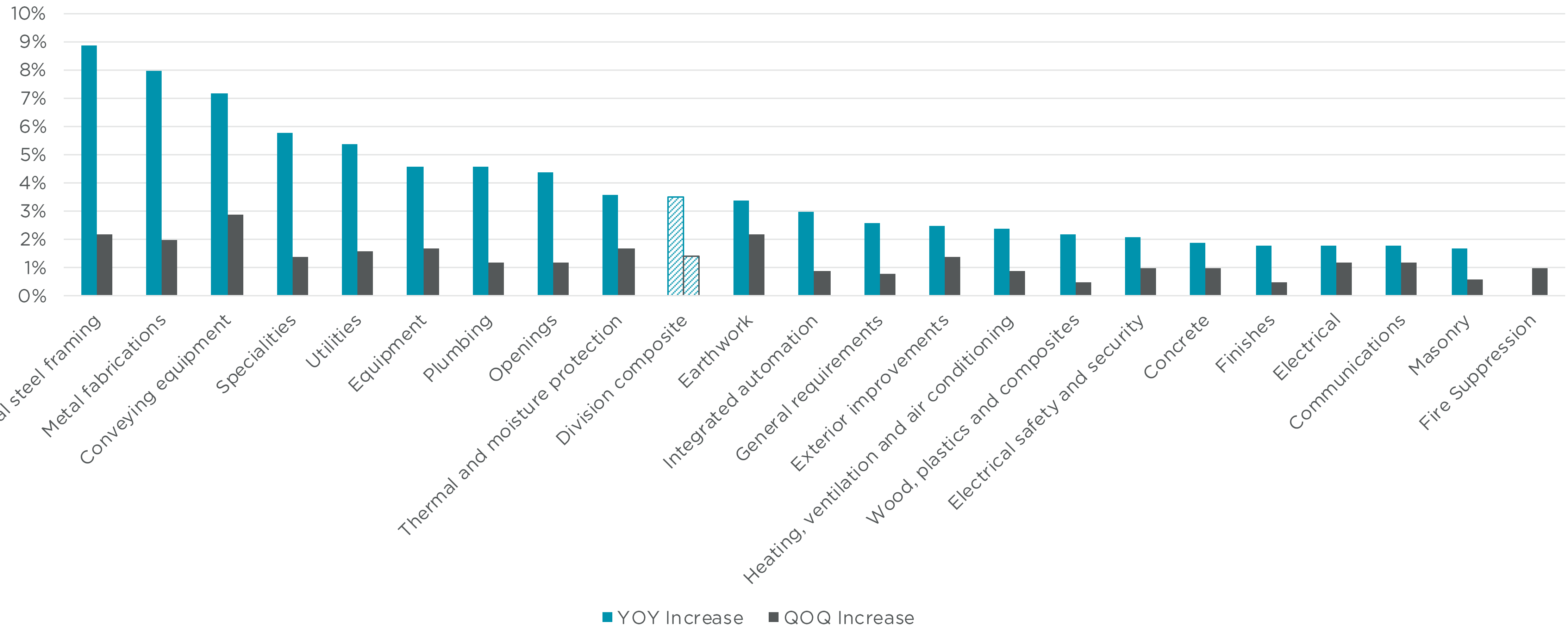
Outlook: Union wage growth is expected to stay positive but measured. While labour market pressures have eased from the post-pandemic peak, engineering and equipment trades should continue to see firmer wage growth compared to the composite CUWRI.



Source: Statistics Canada

COST ESCALATION BY DIVISION

Fire suppression is down 4.5% YOY

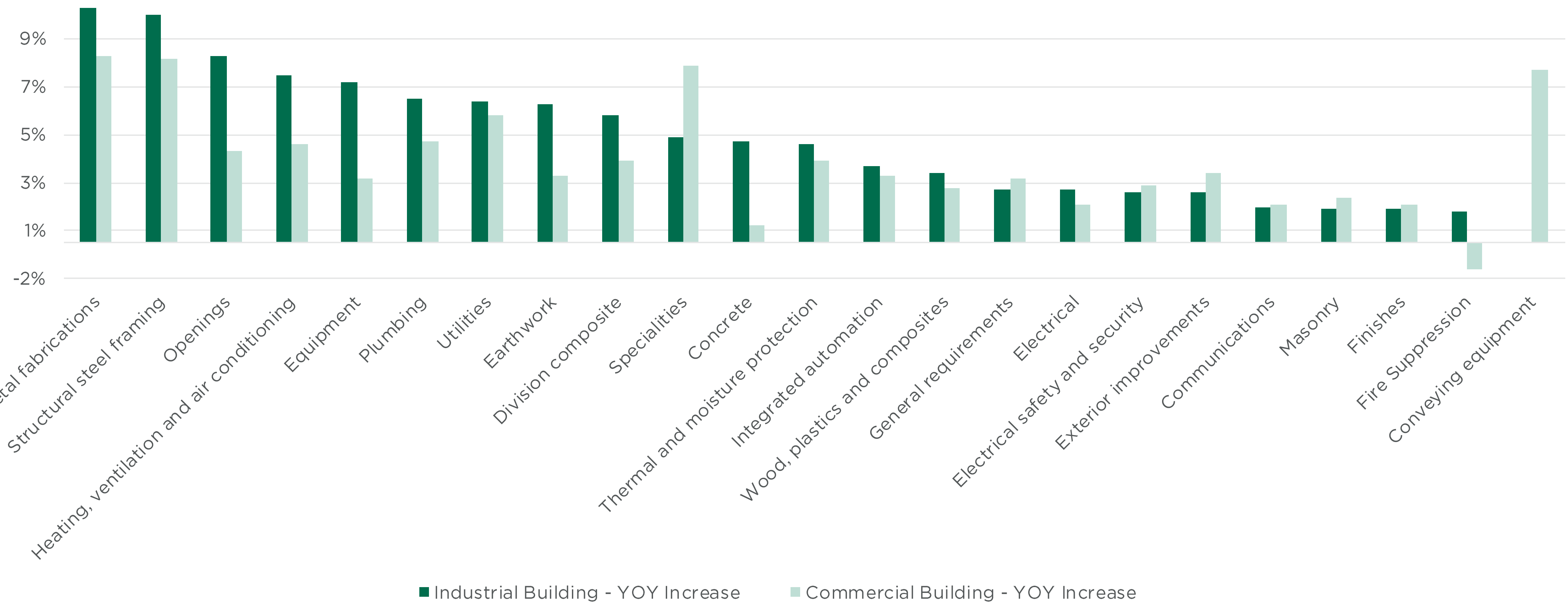


Notes: YOY represents Q2 2025 to Q2 2026 and QOQ represents Q1 2026 to Q2 2026. Fire suppression's YOY figure of -4.5% is outside the chart range.

Source: Statistics Canada

COST ESCALATION BY DIVISION & BUILDING TYPE

Industrial buildings outpacing office buildings in annual cost escalations



Notes: YOY represents Q2 2025 to Q2 2026; Industrial building conveyance equipment is 0%.

Source: Statistics Canada

ARCHITECTURAL, ENGINEERING SERVICES PRICES INDEX

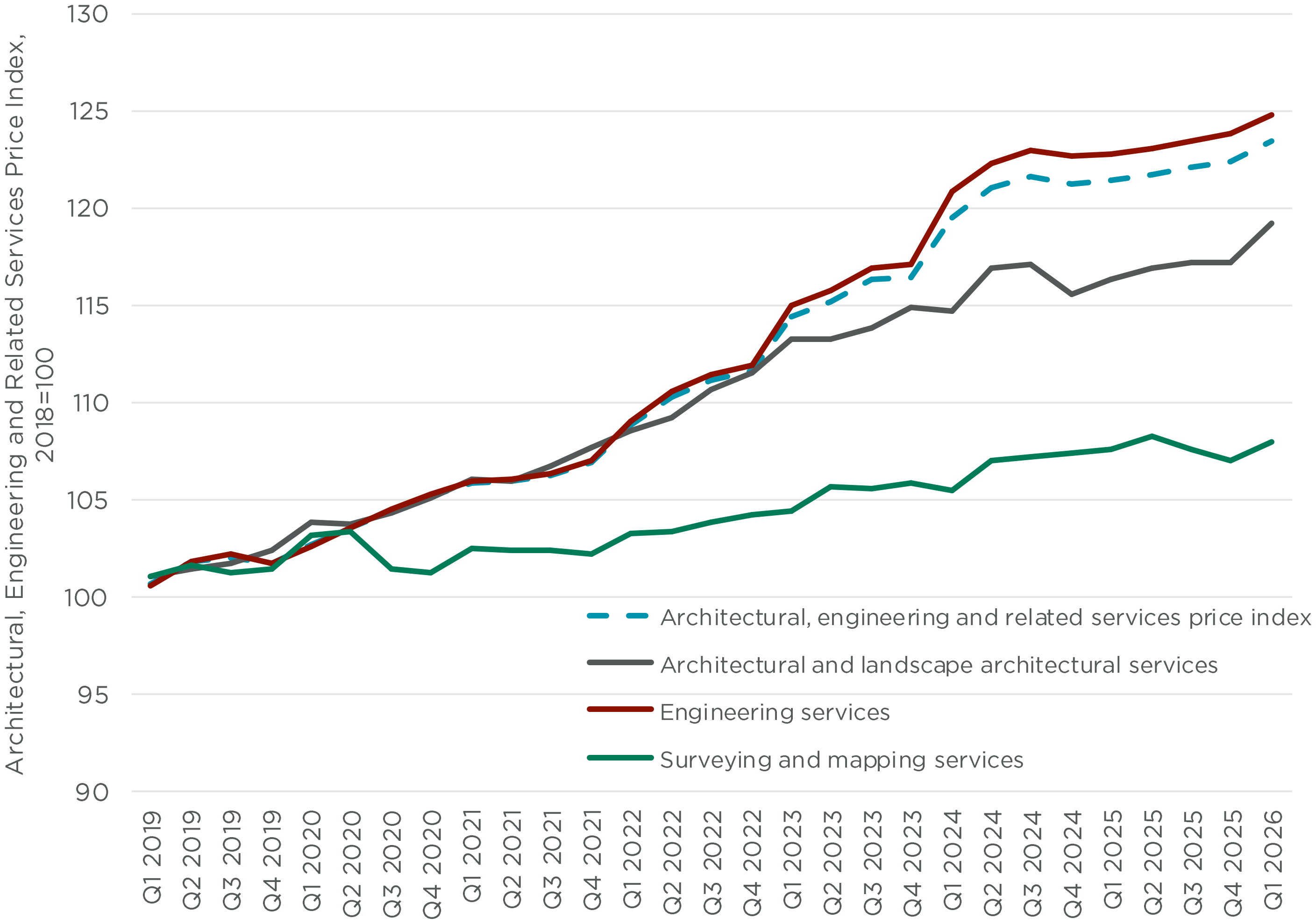
Soft costs continue to climb alongside hard costs

Soft costs continue to climb alongside hard costs, with the Architectural, Engineering and Related Services Price Index (AESPI) trending upward through early 2026, posting a 1.6% YOY increase.

Engineering services have been the primary driver of soft cost escalation since 2022, reflecting elevated demand for specialized design and technical services; this segment rose 1.6% YOY in Q1 2026 and up 8.5% since Q1 2023.

Architectural and landscape architectural services have grown at a more modest pace over this period rising 5.3% since Q1 2023 but have seen a sharper recent uptick, posting a 2.5% YOY increase.

Outlook: Professional services pricing is expected to remain firm through 2026 as engineering-intensive project types continue to command a growing share of billings.



Source: Statistics Canada

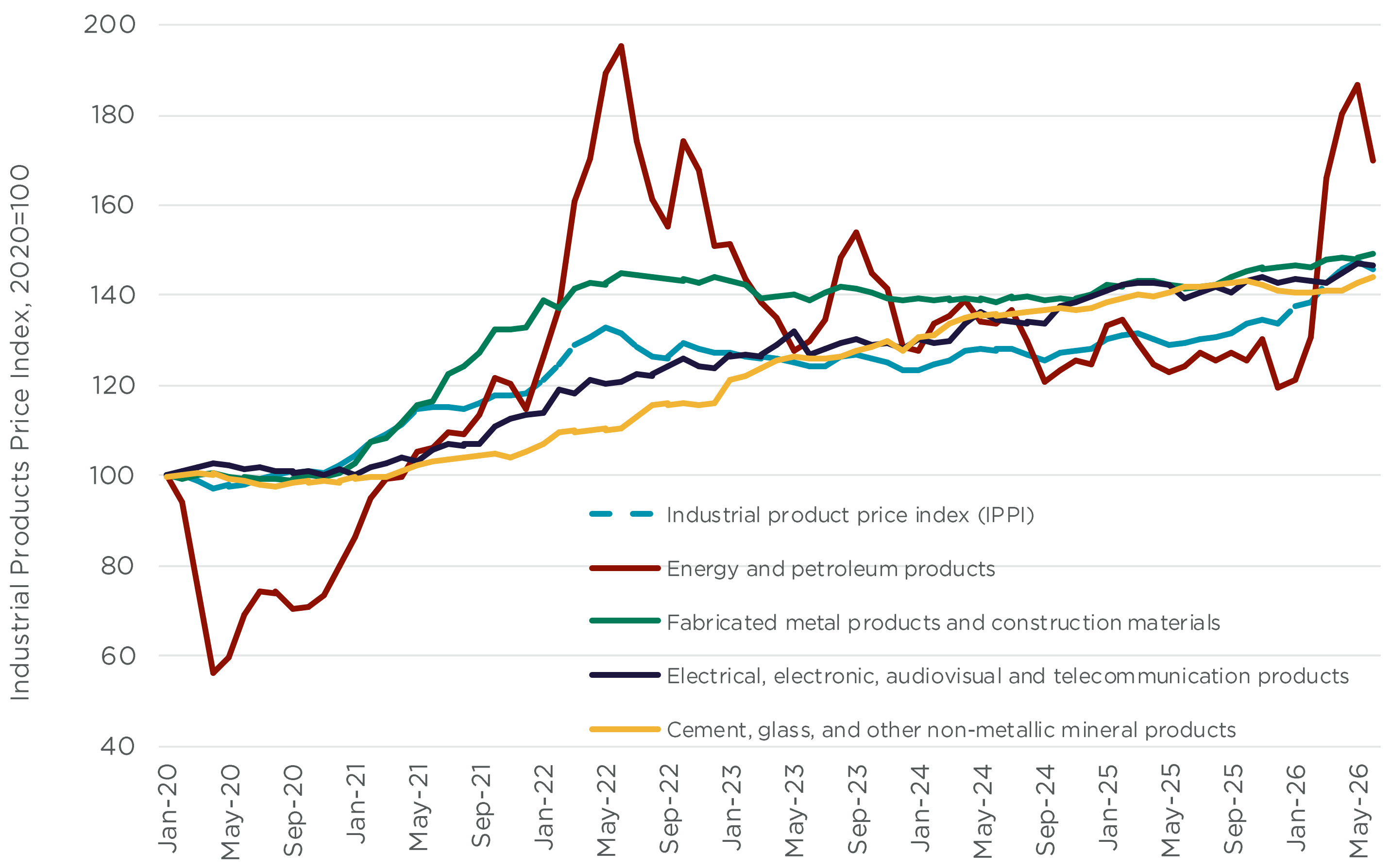
INDUSTRIAL PRODUCT PRICES SURGE

Industrial products price index led by energy and petroleum products

The Industrial Products Price Index (IPPI) has seen a significant increase in 2026, escalating 12.4% YOY, compared to 1.3% the year prior. Energy and petroleum products, lumber and other wood products, and fabricated metal and other construction materials remain the largest contributors to IPPI growth.

Energy and petroleum products experienced a 36.8% YOY increase, compared to (-7.2%) the year prior.

Outlook: Industrial product prices are expected to remain under upward pressure through the remainder of 2026 amidst continued global volatility. The ongoing conflict in the Middle East, related shipping disruptions, and the uncertainty surrounding North American trade are all playing roles in influencing the IPPI.



Source: Statistics Canada

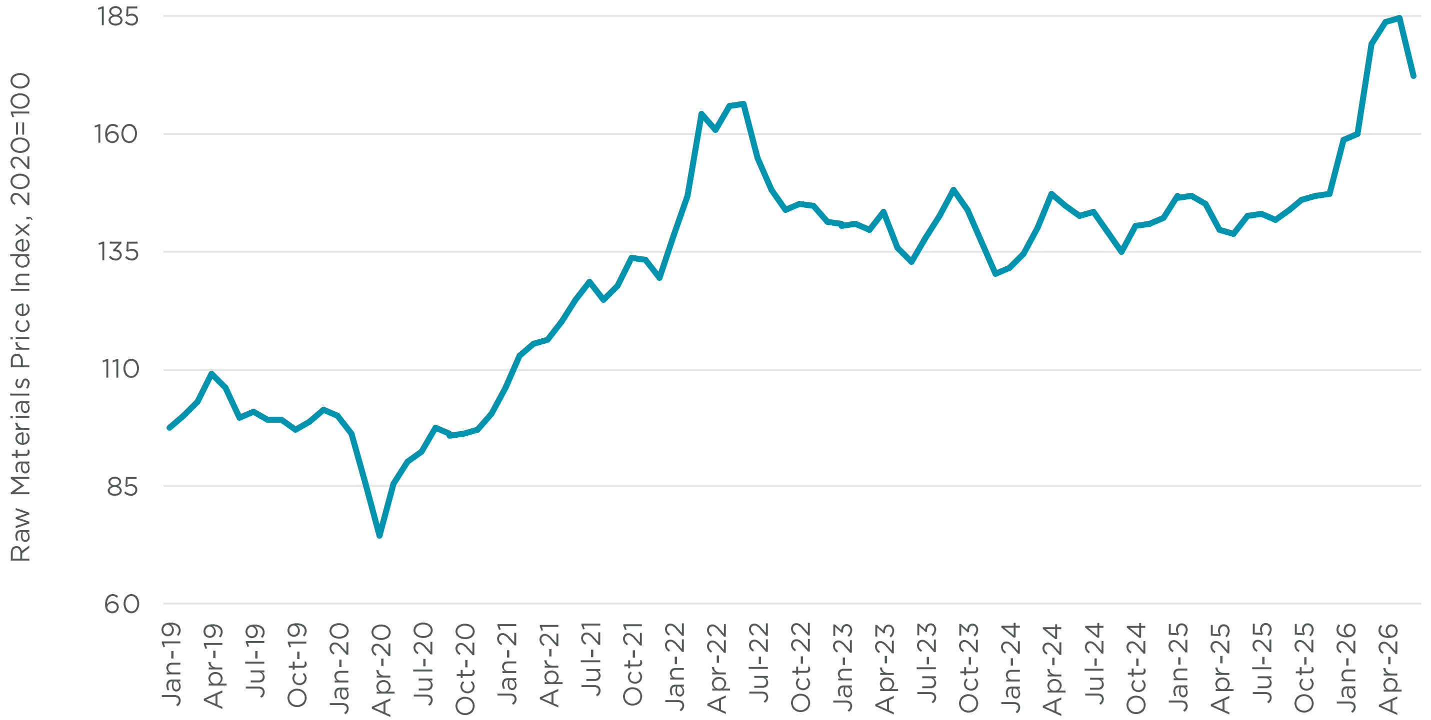
MATERIALS PRICE STRUCTURALLY ESCALATED

Materials prices normalize in June 2026

As of June 2026, the Raw Materials Price Index (RMPI) decreased by (-7.0%) MOM, marking the first month prices have declined since August 2025 and the largest decline since July 2022. The decline was led by crude energy products (-13.7%), a second consecutive monthly decline – reflecting the evolving situation in the Middle East.

YOY, the RMPI is up 20.7%, accelerating sharply from just 0.1% the year prior. The gain concentrated in two main areas: metal ores, concentrates, and scrap (33.4%), driven by a rally in gold, silver, and platinum prices, and crude energy products (25.1%). This reflects the earlier price impact of supply disruptions due to the conflict in the Middle East.

Outlook: Raw materials prices for base metals are expected to stay elevated and rise through 2027 with structural copper and aluminum supply constraints.



Source: Statistics Canada

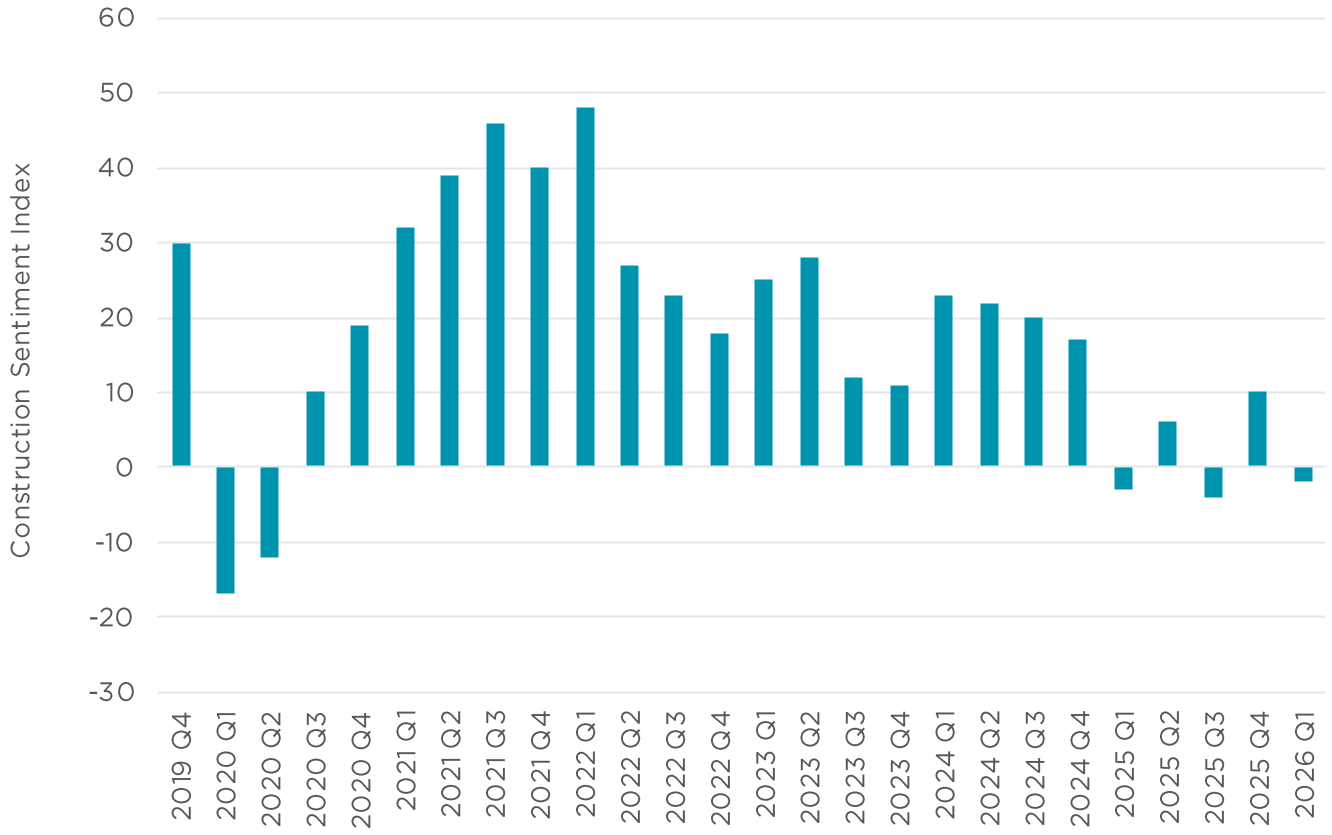
CONSTRUCTION INDUSTRY SENTIMENT SOFTENS

Sentiment is expected to remain cautious

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).

Construction sentiment has shown modest, uneven improvement through the first half of 2026, supported by infrastructure and nation-building activity, while conditions in the broader non-residential sectors remain subdued.

Outlook: Sentiment is expected to remain cautious through the remainder of 2026, weighed down by elevated construction costs, compressed margins, and persistent labour shortages. Large, publicly backed infrastructure projects are expected to continue to provide stability for the construction sector in Canada throughout 2026 and, into early 2027.



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 structurally tight, with retirements outpacing new entrants and a structural shortfall projected to persist through 2035. In response, industry and government are focused on expanding recruitment, alongside federal investment in training and workforce development to help close this gap.

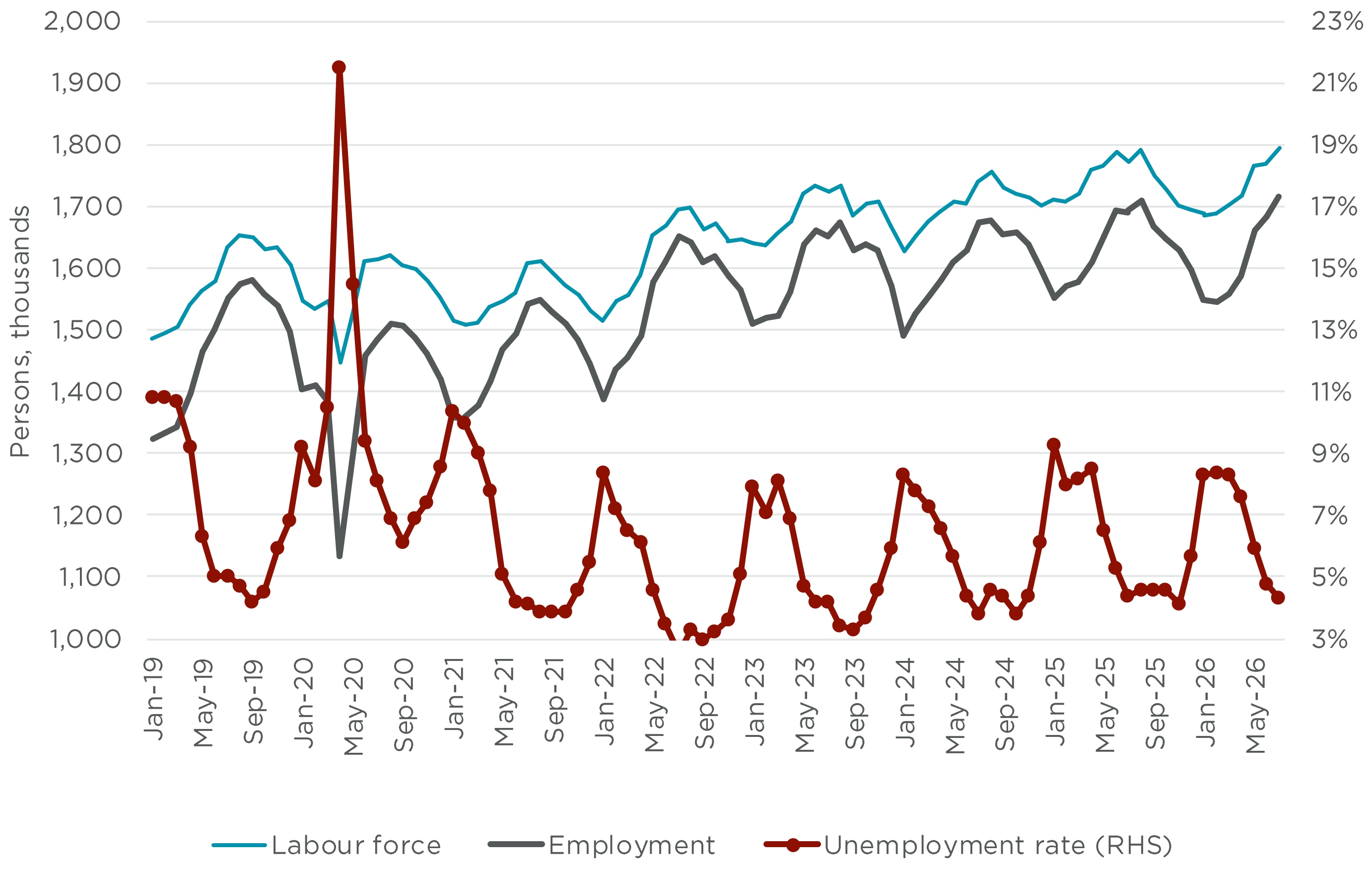
CONSTRUCTION LABOUR FORCE

Employment growth outpacing labour force

Labour force measures everyone employed or actively seeking work in construction - that is, the available supply of labour. Employment measures only those currently working - the realized demand. When employment grows faster than the labour force it signals a tightening market, with firms absorbing available workers faster than new entrants are arriving, pushing the unemployment rate down.

This is what has occurred since 2019. Between January 2019 and July 2026, employment of those aged 15+ in the construction industry increased by just under 400,000 workers (29.7%), outpacing labour force growth of just over 300,000 workers (20.8%). As a result, the unemployment rate decreased by 0.5 percentage points, to 4.3%, in July 2026.

Outlook: Despite the near-term employment contraction, underlying skilled labour shortages are expected to continue constraining construction capacity through 2026, even as investment in training builds to provide long-term supply relief.



Source: Statistics Canada; BuildForce Canada

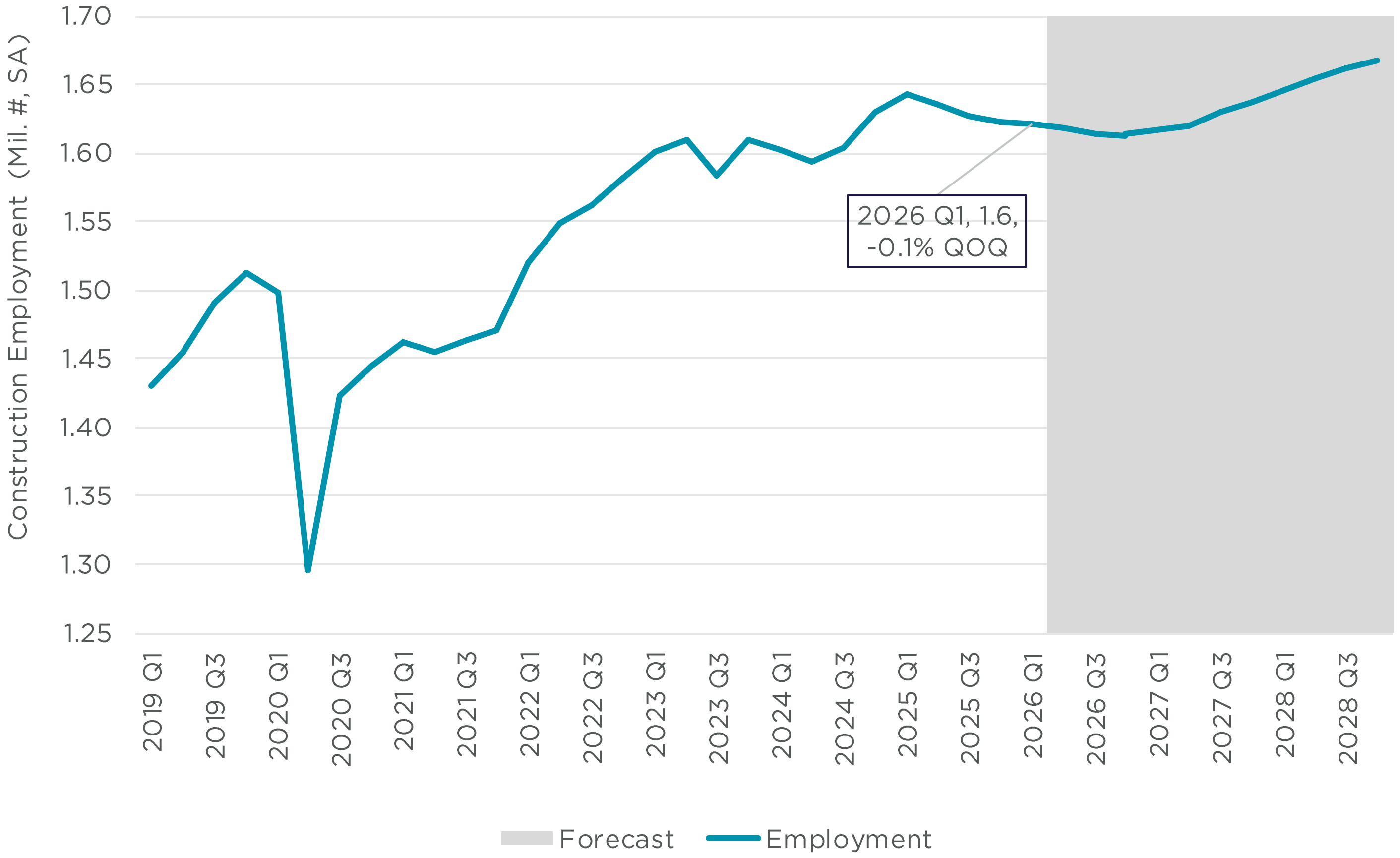
CONSTRUCTION LABOUR SHORTAGE

Structural labour shortages expected to ease

Canada's construction sector continues to face a structural skilled labour shortage. Employment stood at around 1.62 million in Q1 2026, down slightly (-0.1%) QOQ. While short term construction employment is expected to continue to decline, between 2026 to the end of 2028, the sector is expected to grow at an average annual rate of 1.0%.

The federal government's $6 billion Team Canada Strong initiative - a five-year commitment to recruit and train up to 100,000 new skilled trade workers - remains a primary policy lever aimed at closing this gap.

Outlook: BuildForce Canada's 2026-2035 non-residential outlook projects the sector's labour force to grow by around 50,000 by 2035; against 139,000 expected retirements, total hiring needs are projected to reach 189,000 workers. After an estimated 158,000 new entrants, a shortfall of some 30,000 workers remains through 2035.



Note: Employment figures may differ from other sources due to differing survey methods.
Source: Statistics Canada; Moody's Analytics Forecast; BuildForce Canada.

CONSTRUCTION UNION WAGE INDEX BY ROLE

Wage growth diverges across trades

Union wage growth across Canadian construction trades has moderated from 2025 levels, with the average rising 2.2% YOY to $64.09/hour as of June 2026 - a deceleration from the 3.2% pace recorded the year prior.

Gains are broadly consistent across trades, with structural steel erectors ($68.50), electricians ($72.77), and HVAC mechanics ($72.71) commanding the highest hourly rates, reflecting the continued demand for specialized skills tied to electrification and mechanical systems work.

Outlook: Measured wage growth is expected through the remainder of 2026, as overall hiring cools. Shortages in specialized trades, particularly those tied to energy and infrastructure work, will support above average pay growth in these categories.

Role Description	Jun-2026 Hourly Wage	QOQ % Change	YOY % Change	Prior Year % Change
Carpenter	$62.90	1.6%	2.8%	3.4%
Bricklayer	$63.74	1.5%	2.2%	3.2%
Cement finisher	$56.52	1.1%	1.5%	2.5%
Labourer	$53.93	1.8%	2.3%	3.5%
Reinforcing steel erector	$64.92	1.4%	2.1%	3.1%
Structural steel erector	$68.50	1.9%	2.6%	3.6%
Roofer	$57.75	1.8%	2.8%	3.5%
Plasterer	$59.92	1.2%	1.7%	2.8%
Painter	$55.20	0.8%	1.0%	1.7%
Plumber	$71.81	1.7%	2.7%	3.6%
Sheet metal worker	$65.73	1.0%	1.6%	1.9%
Insulator	$65.48	1.7%	2.8%	3.4%
Electrician	$72.77	1.9%	2.8%	3.6%
Heating, refrigeration and air conditioning mechanics	$72.71	0.5%	1.2%	4.0%
Truck driver	$62.48	1.7%	2.5%	3.3%
Crane operator	$68.13	1.7%	2.5%	3.3%
Heavy equipment operator	$67.11	1.7%	2.5%	3.3%
Average Change	**$64.09**	**1.5%**	**2.2%**	**3.2%**

Source: Statistics Canada

CONSTRUCTION ACTIVITY

Financing constraints continue to weigh on residential and commercial development. This has resulted in a split market, where publicly-funded infrastructure continues to advance while private-sector activity lags. Nation-building infrastructure projects remain the primary driver of construction activity through the second half of 2026.

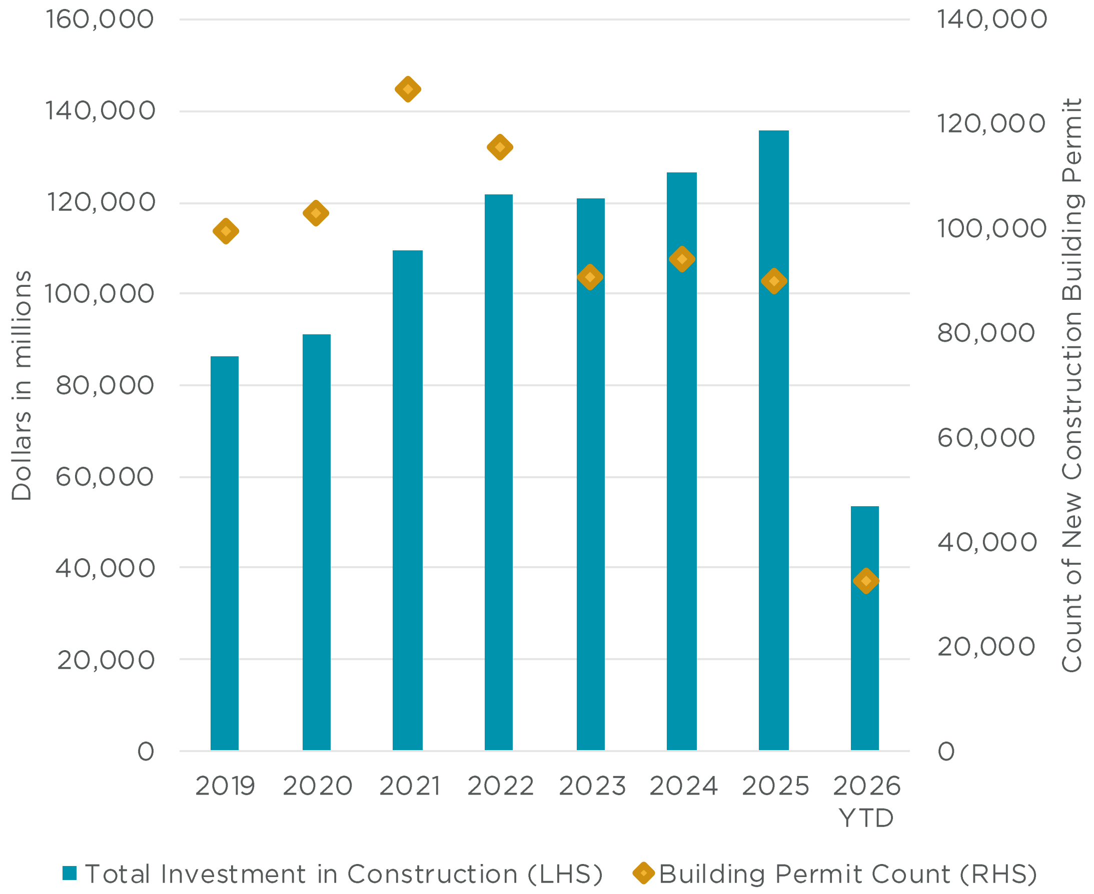
SLUGGISH START TO 2026 INVESTMENT

Construction activity lowest level since 2019

Construction activity has continued to cool through the first half of 2026, extending the deceleration seen since the 2021 peak. Total construction investment growth has slowed from the gains recorded in 2024/25, while new construction building permit issuance remains down YOY.

This signals a thinner pipeline of new private-sector projects even as public infrastructure investment has increased.

Outlook: Building permit activity has been relatively sluggish in 2026, with the number of permits issued through to May falling to its lowest level since 2019. Relative to the long-term average, building permit counts through May 2026 are down 18%. The private sector pipeline remains thin, as elevated material costs, ongoing Section 232 tariff exposure, and financing costs are all likely to continue limiting new private starts through the remainder of 2026 and into 2027.



Notes: Total residential and non-residential buildings; 2026 YTD through to May 2026.
Source: Statistics Canada

CONSTRUCTION INSIGHTS KEY TAKEAWAYS

KEY TAKEAWAYS

Global uncertainty continues to pressure the construction sector

01
Economic Drivers

- Geopolitical risk has rotated rather than resolved. Middle East energy pressure is lingering while the GSCPI is easing from its April peak, but new tariffs in North America and unresolved trade agreements remain headwinds.

02
Construction Costs

- Materials and equipment prices are now driving escalation. A forecast deficit in global refined copper, alongside equipment costs still accelerating, means this pressure is expected to persist.

03
A Bifurcated Market

- Data center and infrastructure construction continues to drive backlog growth.
- Elsewhere, labor cost pressures are cooling.

CUSHMAN & WAKEFIELD

TYLER PAYTAS
Global Head of Programs & Projects
Global Occupier Services
tyler.paytas@cushwake.com

CARRIE BOEGEMAN
Head of Enterprise Enablement
Global Occupier Services
carrie.boegeman@cushwake.com

ETHAN TRIBBLE
Senior Research Analyst
Global Research
ethan.tribble@cushwake.com

CAMERON MARTIN
Research Manager
Global Research
cameron.martin@cushwake.com

SANDY ROMERO
Head of Office and Alternatives Insights
Global Research
sandy.romero@cushwake.com

ABOUT CUSHMAN & WAKEFIELD

Cushman & Wakefield (NYSE: CWK) is a leading global commercial real estate services firm for property owners and occupiers with approximately 52,000 employees in nearly 400 offices and 60 countries. In 2023, the firm reported revenue of $9.5 billion across its core services of property, facilities and project management, leasing, capital markets, and valuation and other services. It also receives numerous industry and business accolades for its award-winning culture and commitment to Diversity, Equity and Inclusion (DEI), sustainability and more.

For additional information, visit www.cushmanwakefield.com.

Better never settles