

NOVEMBER 2025

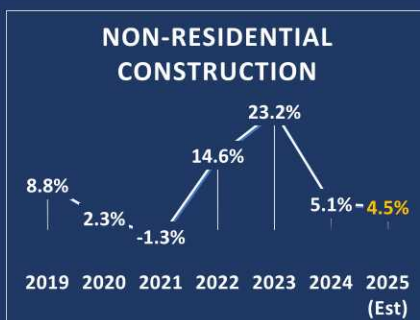
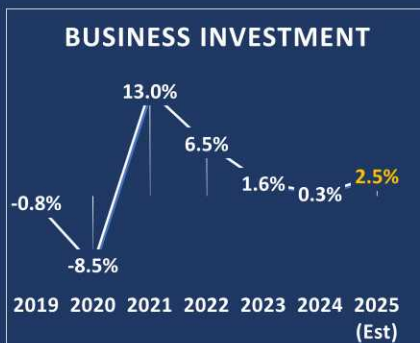
ECONOMIC NEWSLETTER

for the construction industry



STEPHANIE METTILLE, CPA
Shareholder
stephanie.mettille@honkamp.com
888.556.0123

Selected Indices



Big Items

GDP: The government shutdown has delayed most Federal economic data. Q3 GDP was trending at 4% based on the latest available data, but much of the visibility needed is still delayed. Most estimates suggest that the government shutdown, because of its duration, may have brought Q3 GDP down to 1.5%. This is still reasonable given the circumstances. The good news is that consumer spending is still resilient, and nonresidential investment is still robust (mostly data center, power generation, some commercial, and general manufacturing increases). Residential activity was still dragging, and government spending was just 3% of growth (down from 18% a year ago).

Housing Permits/Starts: Housing affordability is still an issue. Despite starts and permit data being delayed by the shutdown, most estimates and private data show it still lagging. The brightest spots came from the NAHB builder sentiment data, which showed some improvement through October. Fed rate cuts and some subsequent stabilization in mortgage rates (because Treasury rates have stabilized near 4%) could begin to help pull some buyers off the sidelines.

Raw Material Prices/Availability: The next chapter of the tariff situation is about to take place. Section 232 tariffs are likely to remain in place, but the wave of tariff exemptions is about to start according to the White House. In 2018/2019, there were more than 55,000 tariff exclusions filed with the USTR; it awarded 14,000 exclusions (rewarded in three different waves theoretically). The challenge is that suppliers have to 1) work to file for exclusions, 2) wait for rulings which can take some time and 3) have to monitor conditions because the USTR does not usually contact suppliers to let them know that they are subject to taking an exclusion. For now, commodity prices will remain elevated.

Labor Situation / Labor Costs: The latest reading for the Employment Cost Index for construction was growing at a 4.2% annual rate (for those of you that set raises based on the ECI), that is up from 2.9% earlier in the year. Looking at just compensation for employees, the annual growth rate was 3.8%. Deportations and surging data center work have tightened labor conditions in some markets, while others are finding some mild hiring and wage relief. Areas that have significant slack residential activity are experiencing some softer conditions.

Manufacturing: The data from the S&P Global Index inched up in October, it was 52.9, up from 52.0 in the prior month. New orders domestically were sluggish, while export orders were noticeably weaker amid a mild global economic slowdown. Inventories were also noticeably weaker for manufacturers and their customers, but inventory sentiment (how purchasing managers feel about their inventory levels) suggests that they feel they are still sitting heavy. That will change, but it will keep reorder activity sporadic, until the end of the year.

Risks

2026 Oil Forecast Shock: Based on the latest data available, there is still a prediction for weak oil prices in 2026. Despite those forecasts inching up slightly in October, it will take an increase in global consumption or a significant cut in production to keep prices elevated in the \$60-\$70 range (which would be optimum for investment and spending).

Sentiment Weakness: — Consumer and business sentiment has plunged in the past 3 months; inflation and layoff concerns are at the top of the list. This could have a dampening effect on new projects, and the Fed has its eye on it (which will likely lead to lower rates).

Macroeconomic Viewpoints

- Dr. Chris Kuehl

What Do We Know and What Do We Wish We Knew? - It has been an odd couple of months for somebody that relies on information. The data flow simply stopped as the government shut down and that left the prognosticating crowd more dependent on guessing than usual. Granted, it has been pointed out by J.K. Galbraith that the only function of economic forecasting is to make astrology look respectable but we try to react to what the latest data tells us. So, what do we know now? Fortunately, the government is not the sole provider of data, there are many private sources that churn out information as good and sometimes better than what the various agencies put together.

We have a pretty good idea what drives construction demand – residential as well as non-residential. At the heart of the sector is growth and construction is generally following that growth. It is risky for construction to get too far ahead of growth but there is a need to avoid falling too far behind – the search for the development sweet spot. Residential is driven by the need for housing and that means paying attention to migration patterns. At the moment, there is an exodus of people from high tax and high cost-of-living states to those judged more economically reasonable. That prompts departures from the Far West and Northeast and arrivals in the Midwest, Southeast and Mountain West. Job opportunities once dominated motivation for relocating but many people can now work from anywhere and that changes patterns. People are free to choose where they live according to factors such as recreational preferences, proximity to family and so on. These patterns are reflected in local data. The jobless rate for the country as a whole may be 4.3% but in North Dakota it is 2.5% while California sports a rate of 5.5%. Other factors are more traditional and permanent – mortgage rates, job security and the like. A small increase or decrease in the mortgage rate will push the residential market in a new direction.

Nonresidential construction reacts to a more complicated set of variables. Financing certainly plays a big role as well but a very potentially lucrative project will be worth pursuing even if financing costs are high. Demographics will play a major role as the number of rooftops will be studied by everything from retail to those building government services. The timing is crucial. Support services can't be developed too soon but late is not an option either. Shifts in business development will drive overall construction and there are three developing arenas that will impact the non-residential sector. The first is the dramatic need for more energy. It is estimated that an additional 44 terawatts of power will be needed in the next three years just to power AI. Texas is planning the construction of at least 25 peaker plants to provide energy during the summer months. This demand on the grid will only expand with the development of more robotics. A second driver has been health care as the Boomer generation ages and demands more and more care. This has been accelerated by the decentralization of health care – more facilities located closer to where populations are growing. Specialization has also amplified the need for more facilities. Transportation and logistics continue to be a driver as well. The retail trends favor on-line activity and that amplifies the need for warehousing and all the needed elements of supply chain management. The important point is that growth is still taking place in many parts of the nation and in many industries. Overall, the US growth rate is still thought to be in the 4.0 range (according to GDPNow). Many parts of the nation are seeing even better numbers (while others are slower). When it comes to data, the more local the better as in a nation this big almost every state is equivalent to a country.

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Regional MSA Construction Potential Index

The following section shows the Construction Potential Index developed by Armada in conjunction with Pioneer IQ for the largest Metropolitan Statistical Areas (MSAs) in the country. This index measures growth potential and construction spending per capita to create a construction potential index. The score itself is not as important as the index in relation to all other markets, which is important in understanding and the index incorporates both residential and nonresidential construction potential. Q2 data is the latest available.

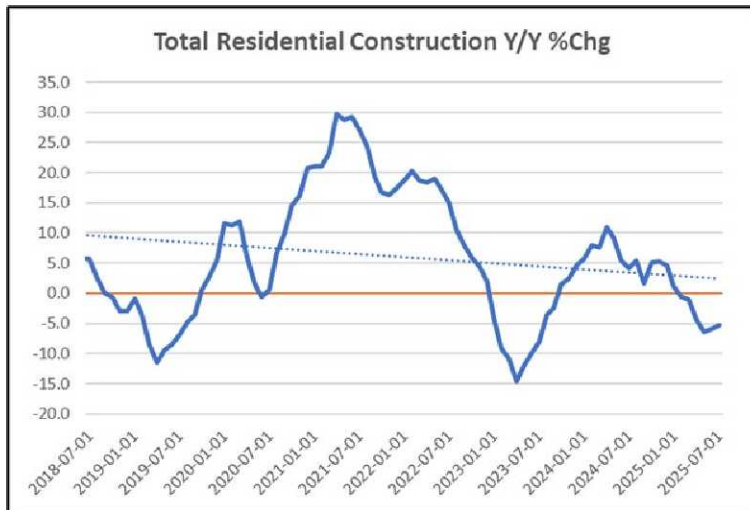
| Rank | MSA | Construction Scoring System | Change in Gross Construction GDP | | BEA Region |
|------|--|------------------------------|--|--|------------|
| | | Construction Potential Score | Q2 2025 Q/Q Change in Gross Construction GDP | Q2 2025 Y/Y Change in Gross Construction GDP | |
| 1 | Dallas-Fort Worth-Arlington, TX | 2762.9 | -1.0% | 3.9% | SW |
| 2 | Houston-The Woodlands-Sugar Land, TX | 2566.1 | -1.0% | 3.9% | SW |
| 3 | Chicago-Naperville-Elgin, IL-IN-WI | 2554.6 | 1.5% | 3.6% | GL |
| 4 | New York-Newark-Jersey City, NY-NJ-PA | 2503.5 | -0.5% | 1.1% | ME |
| 5 | Washington-Arlington-Alexandria, DC-VA-MD-WV | 2371.4 | 0.4% | 2.5% | ME |
| 6 | Los Angeles-Long Beach-Anaheim, CA | 2135.6 | -1.7% | -0.7% | FW |
| 7 | Phoenix-Mesa-Scottsdale, AZ | 1942.6 | 2.3% | 5.1% | SW |
| 8 | Atlanta-Sandy Springs-Roswell, GA | 1772.9 | 5.7% | 5.9% | SE |
| 9 | Miami-Fort Lauderdale-West Palm Beach, FL | 1507.8 | -2.3% | 2.3% | SE |
| 10 | San Francisco-Oakland-Hayward, CA | 1402.2 | -1.7% | -0.7% | FW |
| 11 | Seattle-Tacoma-Bellevue, WA | 1304.9 | -0.9% | -1.9% | FW |
| 12 | Minneapolis-St. Paul-Bloomington, MN-WI | 1251.3 | 0.0% | 3.7% | GL |
| 13 | Boston-Cambridge-Newton, MA-NH | 1219.9 | -1.0% | 0.0% | NE |
| 14 | Las Vegas-Henderson-Paradise, NV | 1128.2 | 3.2% | 6.6% | FW |
| 15 | Denver-Aurora-Lakewood, CO | 1094.3 | -0.8% | 1.1% | RM |
| 16 | Baltimore-Columbia-Towson, MD | 1045.1 | 3.9% | 3.9% | ME |
| 17 | Riverside-San Bernardino-Ontario, CA | 1009.3 | -1.7% | -0.7% | FW |
| 18 | Austin-Round Rock, TX | 986.7 | -1.0% | 3.9% | SW |
| 19 | Orlando-Kissimmee-Sanford, FL | 970.1 | -2.3% | 2.3% | SE |
| 20 | Tampa-St. Petersburg-Clearwater, FL | 923.1 | -2.3% | 2.3% | SE |
| 21 | Portland-Vancouver-Hillsboro, OR-WA | 893.1 | -1.9% | -2.2% | FW |
| 22 | Salt Lake City, UT | 892.6 | -2.8% | 5.2% | RM |
| 23 | Nashville-Davidson-Murfreesboro-Franklin, TN | 802.6 | 0.5% | 3.9% | SE |
| 24 | Indianapolis-Carmel-Anderson, IN | 796.9 | 0.8% | 3.5% | GL |
| 25 | Charlotte-Concord-Gastonia, NC-SC | 720.7 | 0.8% | 4.3% | SE |
| 26 | Sacramento-Roseville-Arden-Arcade, CA | 720.5 | -1.7% | -0.7% | FW |
| 27 | Detroit-Warren-Dearborn, MI | 703.8 | -2.5% | 2.4% | GL |
| 28 | St. Louis, MO-IL | 703.7 | 1.5% | 2.8% | P |
| 29 | San Diego-Carlsbad, CA | 673.3 | -1.7% | -0.7% | FW |
| 30 | Columbus, OH | 672.9 | 3.9% | 8.0% | GL |
| 31 | Raleigh, NC | 666.7 | 0.8% | 4.3% | SE |
| 32 | San Antonio-New Braunfels, TX | 646.1 | -1.0% | 3.9% | SW |
| 33 | Kansas City, MO-KS | 569.8 | 1.6% | 4.1% | P |
| 34 | Cincinnati, OH-KY-IN | 557.3 | 0.2% | 4.0% | GL |
| 35 | Baton Rouge, LA | 554.9 | 3.1% | 2.5% | SE |
| 36 | San Jose-Sunnyvale-Santa Clara, CA | 543.6 | -1.7% | -0.7% | FW |
| 37 | Jacksonville, FL | 518.4 | -2.3% | 2.3% | SE |
| 38 | Provo-Orem, UT | 430.5 | -2.8% | 5.2% | RM |
| 39 | Charleston-North Charleston, SC | 417.6 | 3.9% | 9.8% | SE |
| 40 | Boise City, ID | 403.6 | 5.0% | 6.7% | RM |
| 41 | Richmond, VA | 362.5 | -2.1% | 1.6% | SE |
| 42 | Louisville-Jefferson County, KY-IN | 354.5 | -3.3% | 0.1% | SE |
| 43 | Grand Rapids-Wyoming, MI | 334.9 | -2.5% | 2.4% | GL |
| 44 | Urban Honolulu, HI | 323.9 | 2.0% | 4.4% | FW |
| 45 | North Port-Sarasota-Bradenton, FL | 318.4 | -2.3% | 2.3% | SE |

| Rank | MSA | Construction Scoring System | Change in Gross Construction GDP | | BEA Region |
|------|---|------------------------------|--|--|------------|
| | | Construction Potential Score | Q2 2025 Q/Q Change in Gross Construction GDP | Q2 2025 Y/Y Change in Gross Construction GDP | |
| 46 | Reno, NV | 318.1 | 3.2% | 6.6% | FW |
| 47 | Philadelphia-Camden-Wilmington, PA-NJ-DE-MD | 316.0 | 0.9% | 2.6% | ME |
| 48 | Ogden-Clearfield, UT | 316.0 | -2.8% | 5.2% | RM |
| 49 | New Orleans-Metairie, LA | 311.9 | 3.1% | 2.5% | SE |
| 50 | Cape Coral-Fort Myers, FL | 309.8 | -2.3% | 2.3% | SE |
| 51 | Greenville-Anderson-Mauldin, SC | 299.4 | 3.9% | 9.8% | SE |
| 52 | Milwaukee-Waukesha-West Allis, WI | 298.7 | 1.9% | 5.1% | GL |
| 53 | Des Moines-West Des Moines, IA | 275.2 | -2.7% | -0.9% | P |
| 54 | Oklahoma City, OK | 268.5 | -7.1% | 0.8% | SW |
| 55 | Colorado Springs, CO | 253.0 | -0.8% | 1.1% | RM |
| 56 | Columbia, SC | 242.6 | 3.9% | 9.8% | SE |
| 57 | Omaha-Council Bluffs, NE-IA | 234.2 | -1.0% | 2.2% | P |
| 58 | Birmingham-Hoover, AL | 223.5 | 1.7% | 5.5% | SE |
| 59 | Memphis, TN-MS-AR | 219.9 | 0.8% | 3.9% | SE |
| 60 | Tucson, AZ | 218.7 | 2.3% | 5.1% | SW |
| 61 | Lakeland-Winter Haven, FL | 213.5 | -2.3% | 2.3% | SE |
| 62 | Durham-Chapel Hill, NC | 205.9 | 0.8% | 4.3% | SE |
| 63 | Myrtle Beach-Conway-North Myrtle Beach, SC-NC | 201.8 | 1.8% | 6.0% | SE |
| 64 | Tulsa, OK | 195.8 | -7.1% | 0.8% | SW |
| 65 | Madison, WI | 192.0 | 1.9% | 5.1% | GL |
| 66 | Greensboro-High Point, NC | 185.7 | 0.8% | 4.3% | SE |
| 67 | Albuquerque, NM | 185.3 | 8.3% | 11.1% | SW |
| 68 | Naples-Immokalee-Marco Island, FL | 174.5 | -2.3% | 2.3% | SE |
| 69 | Fresno, CA | 173.8 | -1.7% | -0.7% | FW |
| 70 | Deltona-Daytona Beach-Ormond Beach, FL | 171.5 | -2.3% | 2.3% | SE |
| 71 | Bridgeport-Stamford-Norwalk, CT | 165.8 | 5.0% | 4.2% | NE |
| 72 | Fayetteville-Springdale-Rogers, AR-MO | 165.4 | 0.9% | 2.3% | SE |
| 73 | Lancaster, PA | 163.9 | -1.1% | 2.5% | ME |
| 74 | Palm Bay-Melbourne-Titusville, FL | 163.3 | -2.3% | 2.3% | SE |
| 75 | Stockton-Lodi, CA | 158.3 | -1.7% | -0.7% | FW |
| 76 | Albany-Schenectady-Troy, NY | 157.9 | -0.8% | 0.0% | ME |
| 77 | Knoxville, TN | 157.8 | 0.5% | 3.9% | SE |
| 78 | Augusta-Richmond County, GA-SC | 157.5 | 5.1% | 7.0% | SE |
| 79 | Greeley, CO | 152.7 | -0.8% | 1.1% | RM |
| 80 | Little Rock-North Little Rock-Conway, AR | 149.1 | 1.0% | 1.4% | SE |
| 81 | Santa Rosa, CA | 145.7 | -1.7% | -0.7% | FW |
| 82 | Rochester, NY | 144.8 | -0.8% | 0.0% | ME |
| 83 | Corpus Christi, TX | 140.5 | -1.0% | 3.9% | SW |
| 84 | Huntsville, AL | 138.3 | 3.1% | 2.5% | SE |
| 85 | Bakersfield, CA | 135.4 | -1.7% | -0.7% | FW |
| 86 | Lexington-Fayette, KY | 126.9 | -11.5% | -6.9% | SE |
| 87 | Salisbury, MD-DE | 126.8 | 3.2% | 3.4% | ME |
| 88 | Fort Collins, CO | 126.5 | -0.8% | 1.1% | RM |
| 89 | Oxnard-Thousand Oaks-Ventura, CA | 126.4 | -1.7% | -0.7% | FW |
| 90 | Anchorage, AK | 125.1 | 0.2% | 5.1% | FW |
| 91 | Pensacola-Ferry Pass-Brent, FL | 122.8 | -2.3% | 2.3% | SE |
| 92 | Wichita, KS | 121.4 | 3.1% | 7.1% | P |
| 93 | Vallejo-Fairfield, CA | 116.6 | -1.7% | -0.7% | FW |
| 94 | Spokane-Spokane Valley, WA | 115.0 | -0.9% | -1.9% | FW |
| 95 | Port St. Lucie, FL | 111.6 | -2.3% | 2.3% | SE |
| 96 | Savannah, GA | 105.7 | 5.7% | 5.9% | SE |
| 97 | Killeen-Temple, TX | 103.3 | -1.0% | 3.9% | SW |
| 98 | Fargo, ND-MN | 102.5 | -0.6% | 3.4% | P |
| 99 | McAllen-Edinburg-Mission, TX | 96.3 | -1.0% | 3.9% | SW |

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|------|-------------------------------|------------------------------|--|--|------------|
| | | Construction Potential Score | Q2 2025 Q/Q Change in Gross Construction GDP | Q2 2025 Y/Y Change in Gross Construction GDP | |
| 100 | Kennewick-Richland, WA | 95.1 | -0.9% | -1.9% | FW |
| 101 | Sioux Falls, SD | 90.7 | -8.7% | -1.0% | P |
| 102 | Modesto, CA | 83.8 | -1.7% | -0.7% | FW |
| 103 | Santa Maria-Santa Barbara, CA | 74.3 | -1.7% | -0.7% | FW |
| 104 | Lafayette, LA | 71.4 | 3.1% | 2.5% | SE |
| 105 | Visalia-Porterville, CA | 47.8 | -1.7% | -0.7% | FW |

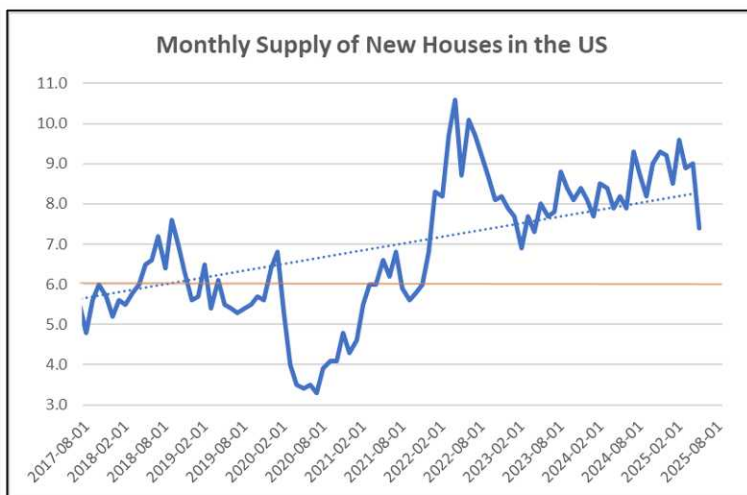
Residential Construction

The following section includes viewpoints on factors in the residential construction sector.



Total Residential Construction (PRRESCONS)

- The government shutdown has this data delayed this month. Total residential construction in July (latest available), was down 5.3% Y/Y (-5.9% last month). And it was up 0.1% M/M (-0.6% last month).
- Outlook:** Private sector estimates suggest that the single-family sector probably saw starts improving modestly in November (up 6.4% from October) but remained more than 10% below last year's levels. Multifamily starts likely declined 23.2% month-over-month and nearly 28% year-over-year, reflecting an oversupply and tighter capital funding for new apartment projects. Building permits (a leading indicator) likely rose 6.1% in November to 1.505 million based on estimates, driven partly by a rebound in multifamily permits, but remain flat on a year-over-year basis.



Monthly Supply of Homes (MSACSR)

- The monthly supply of homes came in at 7.4, which is the lowest since 2023. A balanced market would be roughly 6 months of inventory on hand.
- Outlook:** The monthly supply of home data is perplexing because it has bounced dramatically over the past several months. Most analysts were looking forward to the September data to see if it bounced back up or if it continued this downward trajectory. Unfortunately, the government shutdown is still delaying this data. If inventories stay lower, this is a bullish sign for the industry. Coupled with tighter inventories and lowering interest rates, that should help permits and new starts ratchet up in 2026. Most of our forecasts show a Q2 "pop" and accelerating activity afterwards.

| Month | United States | | | | |
|----------|---------------|--------|---------|--------------|-----------------|
| | Total | 1 unit | 2 units | 3 to 4 units | 5 units or more |
| Aug 2024 | 131.9 | 86.1 | 3.4 | 1.9 | 40.5 |
| Sep 2024 | 113.5 | 76.7 | 3.3 | 1.5 | 32.1 |
| Oct 2024 | 125.1 | 84.4 | 3.2 | 1.8 | 35.8 |
| Nov 2024 | 107.3 | 66.6 | 2.4 | 1.5 | 36.8 |
| Dec 2024 | 112.6 | 68.3 | 2.4 | 1.6 | 40.3 |
| Jan 2025 | 111.5 | 73.1 | 2.7 | 1.5 | 34.2 |
| Feb 2025 | 106.4 | 73.9 | 2.7 | 1.3 | 28.5 |
| Mar 2025 | 124.2 | 84.5 | 3.1 | 1.8 | 34.9 |
| Apr 2025 | 129.9 | 88.3 | 3.7 | 1.9 | 36.0 |
| May 2025 | 124.9 | 84.1 | 3.2 | 1.7 | 36.0 |
| Jun 2025 | 128.5 | 79.9 | 2.8 | 1.5 | 44.3 |
| Jul 2025 | 121.5 | 79.0 | 3.2 | 1.5 | 37.7 |
| Aug 2025 | 113.9 | 72.4 | 2.9 | 1.5 | 37.1 |

Housing Permits (<https://www.census.gov/construction/bps/>)

- Housing Permits were down by 2.3% M/M in August (latest available) vs. September and were 9.9% lower year-over-year. Single-family permits were down 1.9% M/M and were 11.3% lower vs. August of last year. Multi-family showed permits down 2.8% M/M in August and were down 7.1% Y/Y.
- Looking Ahead:** The key driver of residential markets is still tied to the 10-year US Treasury, which has remained slightly above 4% (mortgage rates add between 1.7 and 2.2 percentage points to the 10Y). Most analysts believe that the treasury falling below 4% and staying there is a psychological threshold. But, if it returns to 3.5%, that will stimulate significant housing activity, and many forecasts are still calling for that to happen starting in Q2 of next year (after 2 more 25 basis point cuts in the Fed's short-term rates).

The following section shows housing permits authorized by region for total, single-family, and multi-family.

| Month | Northeast | | | | | | | | | | | |
|----------|-----------|--------|---------------------|--------|--------|--------|---------------------|--------|--------|--------|---------------------|--------|
| | Total | Y/Y | 3-Month Moving Avg. | M/M | 1 unit | Y/Y | 3-Month Moving Avg. | M/M | 5 unit | Y/Y | 3-Month Moving Avg. | M/M |
| Aug 2024 | 12.6 | 14.5% | 5.0% | 2.4% | 6.0 | 15.4% | 1.4% | 11.1% | 6.6 | 13.8% | 9.5% | -4.3% |
| Sep 2024 | 10.1 | 20.2% | -4.4% | -19.8% | 5.1 | 10.9% | -3.1% | -15.0% | 5.0 | 31.6% | -5.2% | -24.2% |
| Oct 2024 | 11.1 | 5.7% | -2.5% | 9.9% | 5.8 | 18.4% | 3.3% | 13.7% | 5.3 | -5.4% | -7.5% | 6.0% |
| Nov 2024 | 11.0 | 54.9% | -3.6% | -0.9% | 4.3 | 0.0% | -9.0% | -25.9% | 6.7 | 139.3% | 2.7% | 26.4% |
| Dec 2024 | 13.9 | 71.6% | 11.8% | 26.4% | 4.4 | 25.7% | -3.3% | 2.3% | 9.5 | 106.5% | 24.7% | 41.8% |
| Jan 2025 | 9.8 | -8.4% | -1.3% | -29.5% | 4.4 | 0.0% | -7.8% | 0.0% | 5.4 | -14.3% | 8.3% | -43.2% |
| Feb 2025 | 7.6 | -46.9% | -8.5% | -22.4% | 4.1 | -2.4% | -1.5% | -6.8% | 3.5 | -65.3% | -12.2% | -35.2% |
| Mar 2025 | 10.3 | -16.9% | -5.5% | 35.5% | 5.5 | 25.0% | 9.1% | 34.1% | 4.8 | -40.0% | -13.7% | 37.1% |
| Apr 2025 | 10.8 | -10.7% | 6.0% | 4.9% | 5.5 | -1.8% | 9.1% | 0.0% | 5.3 | -18.5% | 4.1% | 10.4% |
| May 2025 | 10.8 | -0.9% | 13.5% | 0.0% | 5.2 | -10.3% | 9.6% | -5.5% | 5.6 | 9.8% | 17.7% | 5.7% |
| Jun 2025 | 10.1 | -14.4% | -0.5% | -6.5% | 5.1 | -10.5% | -2.5% | -1.9% | 5.0 | -18.0% | 1.8% | -10.7% |
| Jul 2025 | 10.9 | -11.4% | 0.5% | 7.9% | 5.0 | -7.4% | -3.1% | -2.0% | 5.9 | -14.5% | 4.3% | 18.0% |
| Aug 2025 | 10.6 | -15.9% | -0.4% | -2.8% | 4.9 | -18.3% | -2.0% | -2.0% | 5.7 | -13.6% | 1.3% | -3.4% |

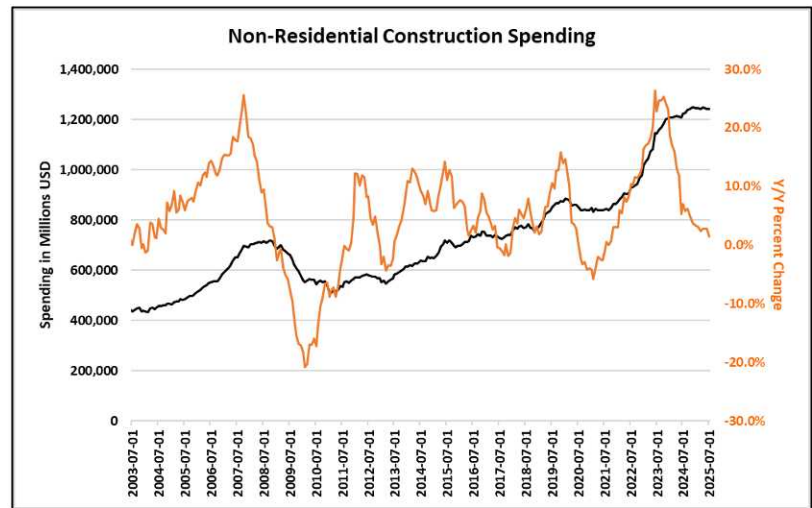
| Month | Midwest | | | | | | | | | | | |
|----------|---------|-------|---------------------|--------|--------|--------|---------------------|--------|--------|--------|---------------------|--------|
| | Total | Y/Y | 3-Month Moving Avg. | M/M | 1 unit | Y/Y | 3-Month Moving Avg. | M/M | 5 unit | Y/Y | 3-Month Moving Avg. | M/M |
| Aug 2024 | 19.8 | -2.9% | 3.0% | 14.5% | 11.6 | 0.0% | -0.5% | 2.7% | 8.2 | -6.8% | 9.9% | 36.7% |
| Sep 2024 | 18.3 | 6.4% | 0.8% | -7.6% | 11.6 | 10.5% | 1.2% | 0.0% | 6.7 | 0.0% | 1.8% | -18.3% |
| Oct 2024 | 20.5 | 23.5% | 6.3% | 12.0% | 12.6 | 18.9% | 3.8% | 8.6% | 7.9 | 31.7% | 12.1% | 17.9% |
| Nov 2024 | 16.6 | 11.4% | -4.9% | -19.0% | 8.9 | 3.5% | -6.9% | -29.4% | 7.7 | 22.2% | -1.0% | -2.5% |
| Dec 2024 | 14.2 | 20.3% | -7.2% | -14.5% | 7.6 | 10.1% | -11.8% | -14.6% | 6.6 | 34.7% | 0.4% | -14.3% |
| Jan 2025 | 12.9 | 4.9% | -14.2% | -9.2% | 7.3 | 10.6% | -16.0% | -3.9% | 5.6 | -1.8% | -10.7% | -15.2% |
| Feb 2025 | 14.2 | -0.7% | -4.5% | 10.1% | 7.6 | -13.6% | -4.8% | 4.1% | 6.6 | 20.0% | -3.9% | 17.9% |
| Mar 2025 | 16.9 | 6.3% | 6.6% | 19.0% | 10.6 | 0.0% | 13.2% | 39.5% | 6.3 | 18.9% | -0.6% | -4.5% |
| Apr 2025 | 18.3 | 13.0% | 12.5% | 8.3% | 12.6 | 3.3% | 20.8% | 18.9% | 5.7 | 42.5% | 1.3% | -9.5% |
| May 2025 | 20.8 | 13.7% | 13.7% | 13.7% | 12.4 | 5.1% | 18.9% | -1.6% | 8.4 | 29.2% | 11.1% | 47.4% |
| Jun 2025 | 20.8 | 14.9% | 7.3% | 0.0% | 11.8 | 5.4% | 4.1% | -4.8% | 9.0 | 30.4% | 15.0% | 7.1% |
| Jul 2025 | 20.0 | 15.6% | 3.3% | -3.8% | 11.7 | 3.5% | -2.4% | -0.8% | 8.3 | 38.3% | 15.6% | -7.8% |
| Aug 2025 | 18.4 | -7.1% | -3.9% | -8.0% | 11.2 | -3.4% | -3.3% | -4.3% | 7.2 | -12.2% | -4.6% | -13.3% |

| Month | South | | | | | | | | | | | |
|----------|----------------|--------|-------|--------|--------|--------|----------------|--------|--------|--------|----------------|--------|
| | 3-Month Moving | | | | 1 unit | Y/Y | 3-Month Moving | | 5 unit | Y/Y | 3-Month Moving | |
| | Total | Y/Y | Avg. | M/M | | | Avg. | M/M | | | Avg. | M/M |
| Aug 2024 | 72.6 | -5.1% | -0.1% | 3.9% | 50.1 | -4.6% | -3.2% | -1.2% | 22.5 | -6.3% | 9.1% | 17.2% |
| Sep 2024 | 59.1 | -7.8% | -3.6% | -18.6% | 43.0 | -5.9% | -3.5% | -14.2% | 16.1 | -12.5% | -3.2% | -28.4% |
| Oct 2024 | 65.6 | -7.1% | -1.2% | 11.0% | 47.9 | 0.2% | -1.3% | 11.4% | 17.7 | -22.4% | -0.4% | 9.9% |
| Nov 2024 | 54.7 | -2.7% | -8.1% | -16.6% | 38.9 | -5.4% | -7.2% | -18.8% | 15.8 | 4.6% | -9.7% | -10.7% |
| Dec 2024 | 59.9 | 1.4% | 1.3% | 9.5% | 41.3 | 4.8% | -0.4% | 6.2% | 18.6 | -5.6% | 5.6% | 17.7% |
| Jan 2025 | 66.0 | -1.0% | 1.0% | 10.2% | 44.8 | -6.7% | -1.4% | 8.5% | 21.2 | 13.4% | 7.0% | 14.0% |
| Feb 2025 | 62.8 | -3.2% | 4.9% | -4.8% | 46.4 | -6.3% | 6.1% | 3.6% | 16.4 | 6.5% | 3.0% | -22.6% |
| Mar 2025 | 70.1 | 4.3% | 5.7% | 11.6% | 50.5 | -1.4% | 7.0% | 8.8% | 19.6 | 22.5% | 3.6% | 19.5% |
| Apr 2025 | 71.1 | -8.3% | 2.7% | 1.4% | 51.6 | -7.9% | 4.9% | 2.2% | 19.5 | -9.3% | -1.2% | -0.5% |
| May 2025 | 65.2 | -10.9% | 1.6% | -8.3% | 48.8 | -12.5% | 1.9% | -5.4% | 16.4 | -5.7% | 1.0% | -15.9% |
| Jun 2025 | 70.0 | 4.2% | 0.2% | 7.4% | 46.8 | -3.1% | -2.4% | -4.1% | 23.2 | 22.8% | 8.4% | 41.5% |
| Jul 2025 | 66.2 | -5.3% | -2.1% | -5.4% | 46.5 | -8.3% | -3.4% | -0.6% | 19.7 | 2.6% | 3.5% | -15.1% |
| Aug 2025 | 59.3 | -18.3% | -2.8% | -10.4% | 42.2 | -15.8% | -4.7% | -9.2% | 17.1 | -24.0% | 4.4% | -13.2% |

| Month | West | | | | | | | | | | | |
|----------|-------|--------|----------------|--------|--------|--------|----------------|--------|--------|--------|----------------|--------|
| | Total | Y/Y | 3-Month Moving | | 1 unit | Y/Y | 3-Month Moving | | 5 unit | Y/Y | 3-Month Moving | |
| | | | Avg. | M/M | | | Avg. | M/M | | | Avg. | M/M |
| Aug 2024 | 26.9 | -20.6% | -3.5% | -0.7% | 18.3 | -3.7% | -3.8% | -1.1% | 8.6 | -42.3% | -2.5% | 0.0% |
| Sep 2024 | 25.9 | -4.4% | -3.2% | -3.7% | 17.0 | 8.3% | -2.7% | -7.1% | 8.9 | -21.9% | -3.8% | 3.5% |
| Oct 2024 | 27.8 | 0.7% | 1.0% | 7.3% | 18.1 | 9.7% | -0.6% | 6.5% | 9.7 | -12.6% | 4.2% | 9.0% |
| Nov 2024 | 25.0 | -18.3% | -2.2% | -10.1% | 14.5 | -7.1% | -6.8% | -19.9% | 10.5 | -30.0% | 6.9% | 8.2% |
| Dec 2024 | 24.6 | -5.4% | -1.4% | -1.6% | 15.0 | -0.7% | -3.3% | 3.4% | 9.6 | -11.9% | 2.9% | -8.6% |
| Jan 2025 | 22.8 | -9.2% | -6.3% | -7.3% | 16.6 | -2.4% | -1.9% | 10.7% | 6.2 | -23.5% | -11.9% | -35.4% |
| Feb 2025 | 21.9 | -14.5% | -4.3% | -3.9% | 15.7 | -7.1% | 2.9% | -5.4% | 6.2 | -28.7% | -14.7% | 0.0% |
| Mar 2025 | 26.9 | -6.6% | 3.9% | 22.8% | 17.9 | -5.3% | 6.4% | 14.0% | 9.0 | -9.1% | 3.2% | 45.2% |
| Apr 2025 | 29.8 | 12.5% | 9.9% | 10.8% | 18.6 | -6.1% | 4.2% | 3.9% | 11.2 | 67.2% | 23.2% | 24.4% |
| May 2025 | 28.1 | -6.3% | 9.3% | -5.7% | 17.7 | -14.1% | 4.4% | -4.8% | 10.4 | 10.6% | 20.8% | -7.1% |
| Jun 2025 | 27.6 | -3.5% | 1.1% | -1.8% | 16.1 | -13.0% | -3.3% | -9.0% | 11.5 | 13.9% | 9.3% | 10.6% |
| Jul 2025 | 24.4 | -10.0% | -6.4% | -11.6% | 15.8 | -14.6% | -5.2% | -1.9% | 8.6 | 0.0% | -7.3% | -25.2% |
| Aug 2025 | 25.7 | -4.5% | -2.7% | 5.3% | 14.1 | -23.0% | -7.2% | -10.8% | 11.6 | 34.9% | 6.7% | 34.9% |

| Housing and Interest Rate Forecast, 11/09/2025 | | | | | | | |
|---|-------|-------|-------|-------|-------|-------|-------|
| NAHB: https://www.nahb.org/news-and-economics/housing-economics/Forecasts | | | | | | | |
| | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
| Housing Activity (000) | | | | | | | |
| Total Housing Starts | 1,603 | 1,552 | 1,421 | 1,371 | 1,354 | 1,346 | 1,370 |
| Single Family | 1,129 | 1,005 | 947 | 1,016 | 944 | 950 | 981 |
| Multi family | 474 | 547 | 473 | 355 | 410 | 396 | 388 |
| New Single Family Sales | 769 | 637 | 665 | 685 | 666 | 678 | 698 |
| Existing Single-Family Home Sales | 5,425 | 4,532 | 3,676 | 3,673 | 3,691 | 4,102 | 4,444 |
| Interest Rates | | | | | | | |
| Federal Funds Rate | 0.08% | 1.68% | 5.03% | 5.15% | 4.21% | 3.59% | 3.40% |
| Treasury Yield: | | | | | | | |
| Ten Year Maturity | 1.44% | 2.95% | 3.96% | 4.21% | 4.30% | 4.03% | 3.97% |
| Freddie Mac Commitment Rate: | | | | | | | |
| Fixed Rate Mortgages | 2.96% | 5.34% | 6.81% | 6.72% | 6.63% | 6.20% | 6.01% |
| Prime Rate | 3.25% | 4.85% | 8.19% | 8.31% | 7.37% | 6.72% | 6.53% |
| For more forecast details, visit www.nahb.org . | | | | | | | |

Nonresidential Construction



Total Non-Residential Construction

(TLNRESCONS)

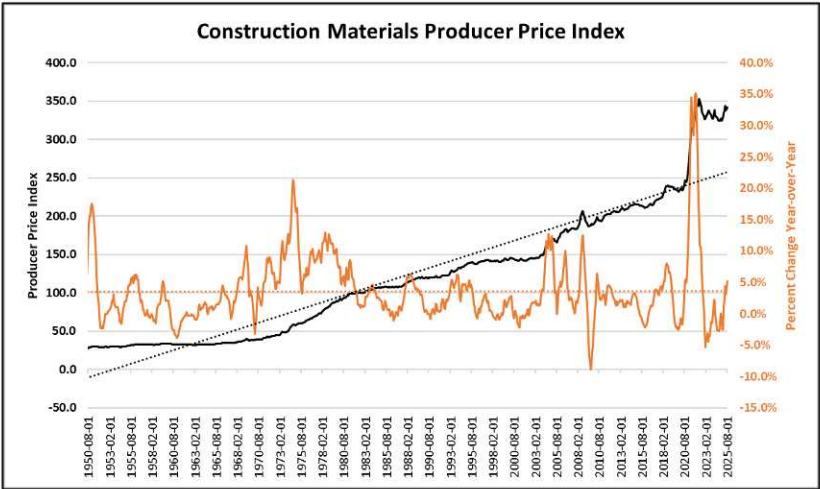
- The government shutdown delayed this month's release of data. Total Non-Residential Construction activity in July (latest available) was 1.1% lower than it was a year ago (0.4% lower last month) and was 0.2% lower M/M (-0.1% in the last report). Overall spending was still high at \$1.240T (the prior annualized run rate peak of \$900B was in September of 2022).
- Outlook:** Nonresidential construction continued to decelerate M/M, but from a dollar of spending perspective, the industry is still running at 3-4 times the volume of spending witnessed prior to the pandemic. Manufacturing construction was still the largest sector with more than \$224 billion in annual spending (which is down from a \$232 billion run rate earlier this year). Power generation construction activity was also surging in the latest data and showed nearly \$157 billion in new spending (growing at 1.5% annually). Reportedly, \$5T in investment is still on its way into the nonresidential sector.

| Category | Current Spending in Millions | Historical CAGR 1Y _% | Forecast_CAGR_3Y_% | Forecast_CAGR_5Y_% |
|----------------------------------|---------------------------------|-----------------------------|--------------------|--------------------|
| Total Private Construction | \$ 1,623,269 | -4.6 | 1.2 | 1.4 |
| Residential (inc. Improvements)2 | \$ 886,533 | -5.4 | 0.8 | 1.8 |
| New single family | \$ 419,136 | -2.1 | 2.2 | 2.8 |
| New multifamily | \$ 113,072 | -9.5 | -3.8 | -1.5 |
| Nonresidential | \$ 736,736 | -3.7 | 2.0 | 2.2 |
| Manufacturing | \$ 221,837 | -6.7 | 1.5 | 2.5 |
| Power (inc. Gas and Oil) | \$ 138,442 | 2.6 | 4.2 | 3.8 |
| Electric | \$ 116,783 | 2.6 | 4.5 | 4.0 |
| Commercial (inc. Farm) | \$ 111,889 | -9.9 | 0.8 | 1.5 |
| Computer/ electronic/ electrical | \$ 108,444 | -13.9 | -1.0 | 1.5 |
| Office | \$ 88,305 | -0.4 | 1.5 | 1.8 |
| Warehouse | \$ 53,955 | -11.6 | 3.5 | 4.0 |
| Health care | \$ 53,307 | -1.3 | 3.2 | 3.5 |
| General commercial | \$ 48,024 | -11.0 | 5.1 | 6.0 |
| General | \$ 44,719 | -16.5 | -2.5 | -1.0 |
| Chemical | \$ 43,300 | 11.4 | 2.5 | 3.0 |
| Data center | \$ 41,190 | 29.8 | 22.0 | 18.0 |
| Communication | \$ 28,557 | -0.8 | -1.0 | -0.5 |
| Hospital | \$ 27,470 | 3.3 | 3.0 | 3.2 |
| Educational | \$ 24,432 | -5.7 | 4.5 | 4.8 |
| Lodging | \$ 22,590 | -5.1 | 3.5 | 3.2 |
| Medical building | \$ 20,438 | -11.2 | 3.5 | 3.8 |
| Transportation | \$ 19,307 | -2.8 | 4.5 | 4.5 |
| Amusement and Recreation | \$ 19,182 | 0.6 | 7.5 | 7.0 |
| Multi-retail | \$ 15,678 | -6.5 | 1.9 | 2.2 |
| Food/beverage/ tobacco | \$ 14,863 | -6.7 | 2.0 | 2.5 |
| Transportation equipment | \$ 14,788 | -2.7 | 2.0 | 2.5 |
| Higher education | \$ 13,323 | 0.0 | 5.2 | 5.5 |
| Land | \$ 12,728 | -5.5 | 0.6 | 0.8 |
| Food/beverage | \$ 12,567 | -11.2 | 2.0 | 2.5 |

Non-Residential Spending by Sector

(<https://www.census.gov/construction/c30/c30index.html>)

- Data is still lagging due to the government shutdown. But the chart on the left shows a number of primary sectors of non-residential construction, its one-year growth rate and the forecast for the next 3 and 5 year CAGR. The sectors are ranked based on size of spending.
- Not surprisingly, data centers are expected to grow at the fastest pace at nearly 22% over the next 3 years and 18% annually between now and 2030. Obviously, estimates wildly fluctuate and there are risks that some market realities slow down data center construction in the 2028-2030 period.
- Reshoring activity will keep manufacturing construction robust over the next several years. Despite the growth rate easing to 2.5% annually over the next 5 years, that's on more than \$221 billion in annual spending, making the dollars of contribution to growth much more substantial than other categories.
- Power creation goes hand-in-hand with that and will be growing sharply as well. All different forms of power generation are likely to see growth, with SMR's coming into play toward the end of the decade.
- Areas that are somewhat unexpected include:
 - Chemical manufacturing: largely as a result of strong US input production and addition to tariff pressure pushing many to consider reshoring.
 - Warehousing (especially cold chain and high-tech automated e-commerce warehousing operations) will be in high demand.
 - Healthcare and hospital construction will be needed to meet demographic trends.
 - There is even some hints that higher ed construction will be accelerating, largely because of retraining in the trades and the lab/hands on facilities that will be required.



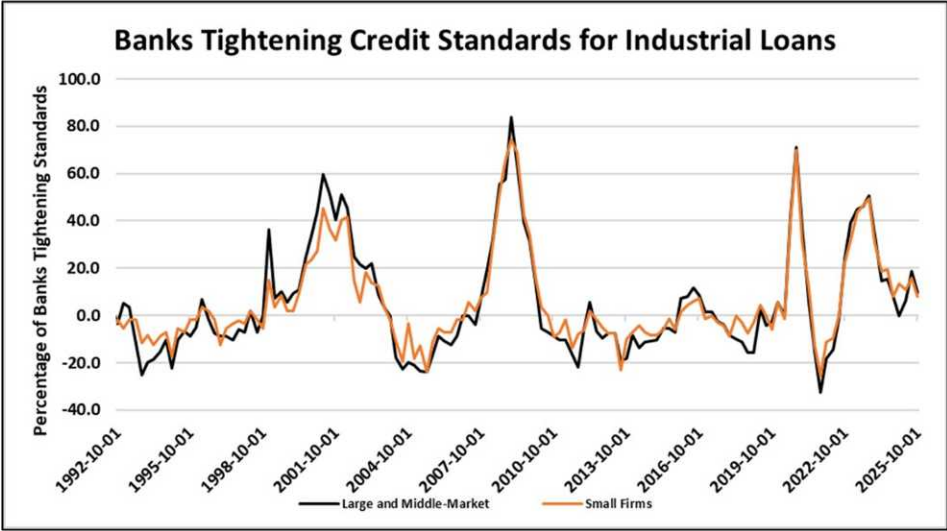
Construction Materials Price Index

(WPUSI012011)

- The Producer Price Index for Construction Materials was lower by 1.6% M/M but was up 5.2% Y/Y through August (latest available). The current index is at 341.7 points; the peak in the index was 349 in May of 2022.
- **Outlook:** Copper prices are still surging on supply and tariff concerns, and aluminum has joined the party. Tariff threats are still the biggest concern for many purchasing managers, but suppliers of commodities are fighting global sluggishness. The real concern is that inventories are very low for many commodities but are sufficient for now. The problem is that small accidents and disruptions in supply can have immediate stockout impacts. Automotive manufacturers learned that lesson this month as a key supplier had an accident and that has stalled assembly lines for some brands. Similar situations are likely in construction materials.

| Producer Price Index - Key Industry Products | | | | | | | |
|---|----------------|--------|--------|----------|--------|-----------|-----------------|
| Category | PPI Code | Aug-25 | Jul-25 | M/M% Chg | Aug-24 | Y/Y % Chg | Annual Forecast |
| Core Materials | | | | | | | |
| Copper | WPUSI019011 | 612.5 | 635.2 | -3.6% | 545.0 | 12.4% | 0.1% |
| Lumber | WPU081 | 265.7 | 264.3 | 0.5% | 251.6 | 5.6% | -1.2% |
| Nickel | WPU102504 | 209.5 | 211.2 | -0.8% | 215.0 | -2.5% | -3.5% |
| Cement | PCU32732032732 | 393.7 | 393.2 | 0.1% | 393.4 | 0.1% | 4.1% |
| Pipe, Valves and Fittings | | | | | | | |
| Metal valves, except fluid power | WPU114902 | 474.6 | 473.5 | 0.2% | 443.7 | 7.0% | 5.8% |
| Gates, globes, angles and check valves | WPU114902011 | 183.8 | 183.8 | 0.0% | 171.5 | 7.2% | 6.0% |
| Ball valves | WPU11490202 | 624.2 | 610.8 | 2.2% | 570.2 | 9.5% | 3.9% |
| Butterfly valves (formerly W2421490203) | WPU11490203 | 354.2 | 354.2 | 0.0% | 318.0 | 11.4% | 2.7% |
| Industrial plug valves | WPU11490204 | 345.8 | 345.8 | 0.0% | 325.4 | 6.2% | 7.1% |
| Solenoid valves | WPU11490208 | 372.2 | 372.2 | 0.0% | 372.2 | 0.0% | 1.5% |
| Other industrial valves, including nuclear | WPU11490209 | 435.5 | 435.5 | 0.0% | 407.9 | 6.8% | 9.3% |
| Automatic valves | WPU11490211 | 277.1 | 277.1 | 0.0% | 263.7 | 5.1% | 4.6% |
| Metal pipe fittings, flanges and unions | WPU11490301 | 533.2 | 513.7 | 3.8% | 500.9 | 6.5% | 3.8% |
| Steel pipe and tube | WPU101706 | 379.8 | 383.5 | -1.0% | 364.8 | 4.1% | -0.5% |
| Steel pipe and tube, stainless | WPU10170674 | 144.2 | 143.3 | 0.6% | 133.7 | 7.8% | 1.2% |
| Copper & copper-base alloy pipe and tube * | WPU10250239 | 314.7 | 314.7 | NA | 412.3 | -23.7% | NA |
| Plastic pipe | WPU07210603 | 174.1 | 176.0 | -1.1% | 188.0 | -7.4% | -4.9% |
| Plastic pipe fittings and unions | WPU07210604 | 327.5 | 328.0 | -0.2% | 320.3 | 2.3% | 11.8% |
| Plumbing Fixtures, Fittings and Trim | | | | | | | |
| Bath and shower fittings | WPU105402 | 438.1 | 438.1 | 0.0% | 402.0 | 9.0% | 4.3% |
| Lavatory and sink fittings | WPU10540211 | 286.7 | 286.7 | 0.0% | 286.7 | 0.0% | 0.0% |
| Enameled iron and metal sanitary ware | WPU10540218 | 211.1 | 211.1 | 0.0% | 207.9 | 1.5% | 1.4% |
| Steam and Hot Water Equipment | WPU1056 | 284.5 | 284.5 | 0.0% | 284.5 | 0.0% | 0.0% |
| Warehousing, Storage and Relates Services | | | | | | | |
| Cast iron heating boilers, radiators and convectors | WPU1061 | 483.2 | 482.0 | 0.2% | 456.1 | 5.9% | 11.5% |
| Domestic water heaters | WPU10610106 | 327.9 | 326.9 | 0.3% | 309.6 | 5.9% | 12.1% |
| Electric water heaters | WPU106601 | 641.4 | 641.4 | 0.0% | 590.6 | 8.6% | 8.2% |
| Non-electric water heaters | WPU10660101 | 638.5 | 638.5 | 0.0% | 586.6 | 8.8% | 8.5% |
| | WPU10660114 | 389.4 | 389.4 | 0.0% | 359.0 | 8.5% | 7.9% |
| Warehousing, Storage and Relates Services | WPU321 | 142.4 | 142.0 | 0.3% | 139.7 | 2.0% | -1.0% |

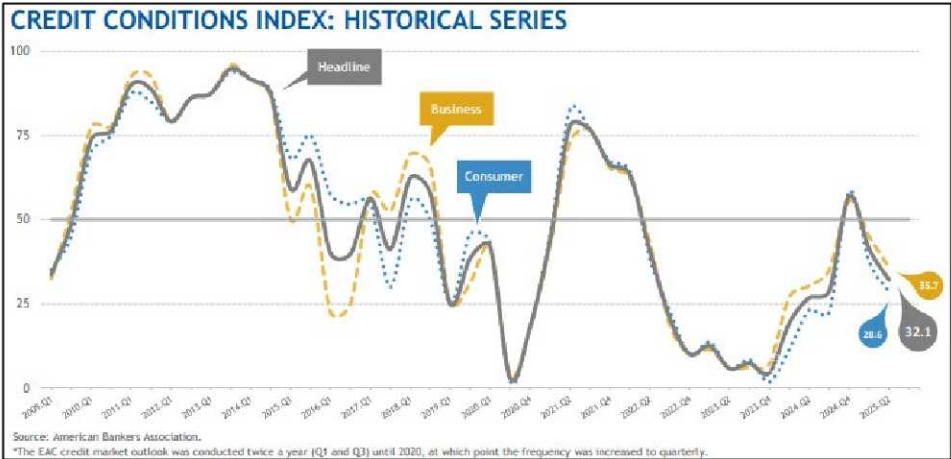
Overall Observations: The Federal Reserve may or may not trim another 25 basis points in December, followed by one in Q1. Those moves remain in their forecast, but it is not a certainty. Most eyes are still on the 10 Year Treasury, and concerns over inflation and US deficits are slowing the softening in the 10Year yield rate. Credit conditions are questionable, and major banks are suggesting that credit concerns could be “lurking in the shadows”.



Banks Tightening Conditions

(DRTSCILM; DRTSCIS)

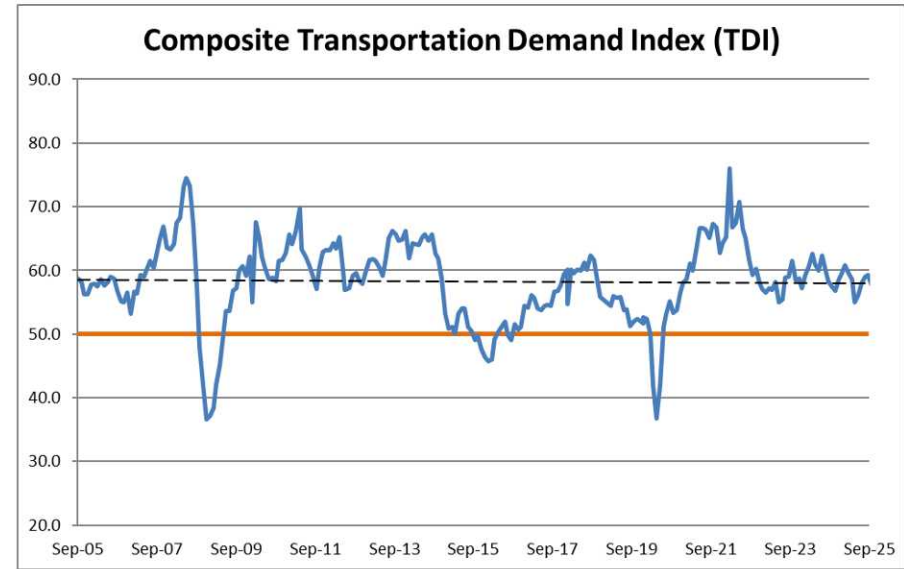
- Banks were easing credit standards through Q3, 9.5% of large and medium-sized commercial firms were getting tighter conditions and 8.2% of smaller firms were seeing tightening, easier than Q2 conditions.
- Outlook:** Banks are still going through some modest uncertainty. Q3 earnings reports showed an industry that was highly profitable, but that profitability was largely anchored in stock market and financial management services. Some credit deterioration was noticed, but questions remained as to whether this was just anecdotal, single-case situations or the signs of a broader problem. Delinquency rates for credit cards and auto loans are elevated, but mortgage and HE loan defaults are still historically low amid a “decent” wage environment.



ABA Credit Conditions (ABA)

- The American Bankers Association’s Credit Conditions Index for business credit fell by 9.1 points to 32.1 in Q2 (latest available at the time of publication). This was the second consecutive quarterly decline according to the ABA but it is below the 50 level. It suggests that bankers believe credit conditions will deteriorate over the next 6 months.
- Outlook:** According to the ABA: “The Consumer Credit Index fell 8.9 points to 28.6. Most surveyed bank economists expect consumer credit quality to deteriorate over the next six months, though most also expect consumer credit availability to remain unchanged. Overall, banks appear likely to maintain a prudent but stable lending posture in the near term. The Business Credit Index fell 9.3 points to 35.7 due to falling expectations for business credit quality. While just over half of respondents expect credit quality to weaken, respondents were more upbeat about firms maintaining access to credit, with all respondents indicating they expect business credit availability to hold steady over the next six months.”

Transportation Demand Inches Higher



- The Transportation Demand Index shows the current demand environment for freight services, and it remains in line with the long-term average.
- The composite TDI index came in 2.0% lower M/M in September (+0.5% last month) but was still 0.5% higher Y/Y (1.7% last month).
- **Outlook:** Shippers should watch the transportation sector closely. The inventory glut that has plagued the transportation sector for the past three years is largely now over. Inventories across the board are balanced and small, incremental increases in shipping activity will lead to more pressure in the national supply chain than we have seen. Some sectors, such as LTL, are still adjusting to the Yellow Transportation bankruptcy and there has not been a “normal” demand environment since its exit in 2023. LTL prices surged by 10% in August amid slightly higher volumes. That could become the norm in ’26.

Mode Demand Sluggish M/M

- Shippers should still be able to find ample capacity available, despite a heavy harvest season. Capacity near the nation’s ports is generally fluid, and most modes of transportation are still weaker as we get deeper in the fall. Most demand indexes did experience some slight improvement over last year’s volumes, but pricing has largely not moved. Spot rates for truckload capacity are up less than 1% Y/Y and contract rates are in-line with those estimates. Many trucking firms will opt for a 4.9% GRI for 2026, anticipating that economic growth will improve after Fed rate cuts and benefits from the tax bill hit households.

| | 25-Sep | 25-Aug | 24-Sep | Y/Y Change % | M/M Change % |
|-----------|--------|--------|--------|--------------|--------------|
| Composite | 57.8 | 59.0 | 57.5 | 0.5% | -2.0% |
| Rail | 54.9 | 56.6 | 55.3 | -0.7% | -3.0% |
| Trucking | 57.6 | 58.8 | 57.4 | 0.3% | -2.0% |
| Air | 71.0 | 71.0 | 67.3 | 5.5% | 0.0% |
| Maritime | 68.4 | 69.0 | 65.6 | 4.3% | -0.9% |

Construction Industry Outlook

What we are Watching in Transportation

What Will 2026 Bring? Economic conditions are challenging, and getting a handle on the direction of the economy is a challenge for transportation professionals and the shippers that they serve. Economic policy stimulants like the tax bill (\$7,500-\$10,000 average benefit for households and tax benefits for auto sales, industrial construction projects, and other areas), easing Federal Reserve interest rates, and a calming 10 Year Treasury are all bullish for growth. However, that is being offset by pressure building in the labor market (widespread across income ranges due to automation and AI worker replacements outpacing Baby Boomer retirements).

The transportation sector adds more complexity because 2025 saw the end of the inventory glut overstock situation that plagued transportation since the fall of 2022. For the first time in three years, most firms have balanced (if not underweight) inventory levels. As new orders flow into the supply chain, for the first time in three years, the entire supply chain from the procurement of raw materials to the shipment of finished goods to end users is activated. Prior to this, only the downstream portion of the supply chain was active.

| | 2024 | | | | 2025 | | | | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
|---------------------------|------|-----|-----|-----|------|-----|-----|-----|------|------|------|------|------|------|------|------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | | | | | | | | |
| Real GDP | 1.6 | 3.0 | 3.1 | 2.3 | -0.5 | 3.8 | 3.3 | 1.4 | 2.3 | -2.8 | 5.9 | 2.1 | 2.9 | 2.7 | 2.2 | 2.5 |
| Unemployment rate (%) | 3.8 | 4.0 | 4.2 | 4.2 | 4.2 | 4.1 | 4.2 | 4.3 | 3.7 | 8.1 | 5.4 | 3.6 | 3.6 | 4.2 | 4.3 | 4.2 |
| PCE Inflation (%Y/Y) | 2.7 | 2.6 | 2.3 | 2.5 | 2.5 | 2.5 | 2.8 | 3.0 | 1.5 | 1.1 | 4.0 | 5.6 | 3.7 | 2.5 | 2.9 | 2.5 |
| Core PCE Inflation (%Y/Y) | 3.0 | 2.7 | 2.6 | 2.8 | 2.6 | 2.7 | 2.9 | 3.0 | 1.7 | 1.3 | 3.5 | 4.8 | 4.1 | 2.5 | 3.0 | 2.5 |
| Fed Funds Rate | 5.4 | 5.2 | 4.8 | 4.3 | 4.3 | 4.1 | 3.8 | 3.6 | 1.6 | 0.1 | 0.1 | 4.4 | 5.4 | 4.3 | 3.6 | 3.4 |
| Canada Real GDP | 0.6 | 0.9 | 1.0 | 1.6 | 0.6 | 0.9 | 1.0 | 1.6 | 1.8 | -5.2 | 4.5 | 3.4 | 1.1 | 1.6 | 1.7 | 2.0 |
| Unemployment rate (%) | 6.1 | 6.4 | 6.5 | 6.6 | 6.7 | 6.5 | 6.5 | 6.5 | 5.8 | 9.7 | 7.5 | 5.3 | 5.8 | 6.5 | 6.5 | 6.3 |
| Mexico Real GDP | 1.8 | 1.0 | 1.0 | 2.1 | 0.6 | 1.0 | 1.0 | 2.1 | -1.8 | -8.2 | 5.0 | 2.7 | 1.6 | 1.3 | 1.5 | 2.5 |
| Unemployment rate (%) | 2.3 | 2.9 | 3.0 | 3.2 | 3.2 | 3.4 | 3.3 | 3.2 | 5.0 | 7.9 | 7.1 | 4.1 | 2.6 | 3.2 | 3.2 | 3.2 |

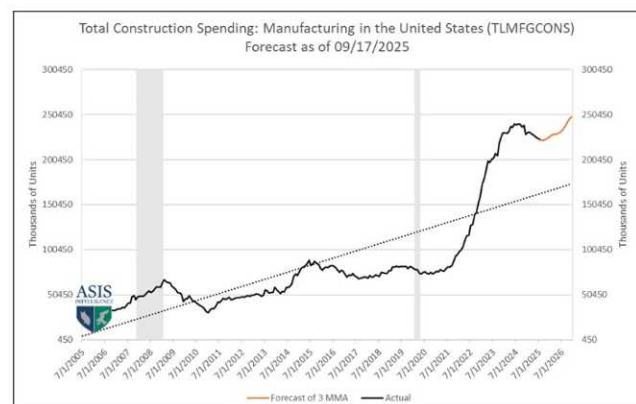
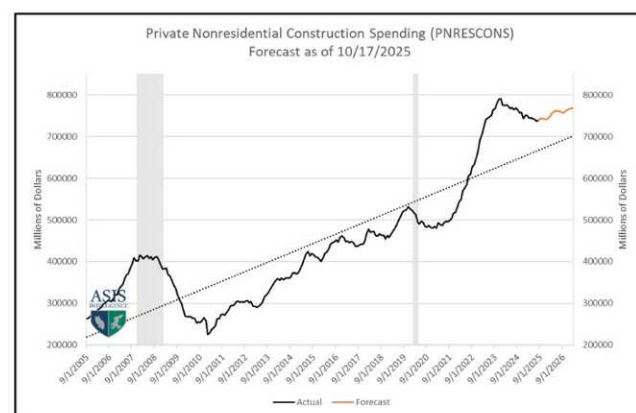
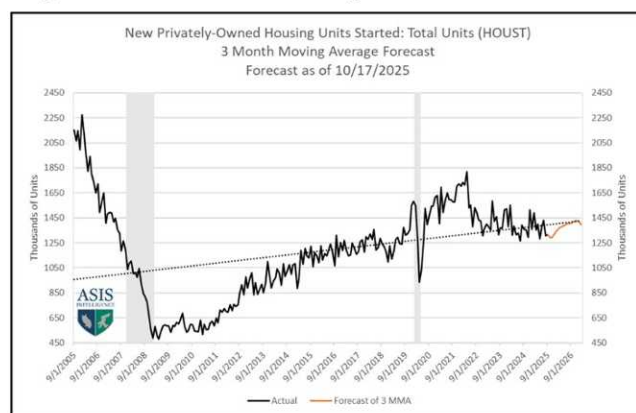
Coming out of the government shutdown, most estimates suggest that it stripped up to 1-1.5 points of growth off of GDP (roughly \$15 billion a week and 60,000 jobs). Prior to this, Q3 was growing at 3.9% with 29% of that growth rate tied to nonresidential fixed investment (largely commercial construction activity). The residential side of the market is still struggling.

Armada predictive models for residential construction show continued sluggishness in construction activity. The current model for the next 18 months (shown on the right) has a swoon period continuing over the next two quarters before finding some stability early in Q2 of 2026. This is still sluggish, but could be returning to its long-term trajectory next year, largely hinging on the Fed and 10Year Treasury yield improving.

Nonresidential construction is still holding its own being driven heavily by data centers, power generation, manufacturing, health care, advanced and smart warehousing (including cold chain), and a few additional sectors. The chart on the right shows that nonresidential also gets a boost in 2026, coming in in the second half of the year (potentially kicking into high gear by the end of Q2).

One of the big drivers of that growth rate is the manufacturing construction sector. The model on the bottom right shows our latest forecast for that category. Typically what the model looks for are economic conditions that would create headwind pressure. But the benefits from bonus depreciation under the tax bill, trade and tariff pressures, and other factors are pushing more volumes. Even Foreign Direct Investment (FDI) expectations remain high, especially in data centers and power generation.

On the following page is a list of sub-sectors and potential forecasts for 3Y and 5Y growth rates. Be sure to take into account that a 2.5% growth rate on \$221B in annual activity is far better from a dollar generation perspective than 4.5% on \$19B. The sub-sectors are ranked based on total dollars of spending. Also remember that these figures are based on current trajectories, and don't incorporate Fed rate cuts or big changes in the 10Y Treasury, which would pull projects off of the sidelines.



| Category | Current Spending in Millions | Historical _CAGR_1Y _% | Forecast_CAGR_ 3Y_% | Forecast_CAGR_ _5Y_% |
|----------------------------------|---------------------------------|------------------------------|------------------------|-------------------------|
| Total Private Construction | \$ 1,623,269 | -4.6 | 1.2 | 1.4 |
| Residential (inc. Improvements)2 | \$ 886,533 | -5.4 | 0.8 | 1.8 |
| New single family | \$ 419,136 | -2.1 | 2.2 | 2.8 |
| New multifamily | \$ 113,072 | -9.5 | -3.8 | -1.5 |
| Nonresidential | \$ 736,736 | -3.7 | 2.0 | 2.2 |
| Manufacturing | \$ 221,837 | -6.7 | 1.5 | 2.5 |
| Power (inc. Gas and Oil) | \$ 138,442 | 2.6 | 4.2 | 3.8 |
| Electric | \$ 116,783 | 2.6 | 4.5 | 4.0 |
| Commercial (inc. Farm) | \$ 111,889 | -9.9 | 0.8 | 1.5 |
| Computer/ electronic/ electrical | \$ 108,444 | -13.9 | -1.0 | 1.5 |
| Office | \$ 88,305 | -0.4 | 1.5 | 1.8 |
| Warehouse | \$ 53,955 | -11.6 | 3.5 | 4.0 |
| Health care | \$ 53,307 | -1.3 | 3.2 | 3.5 |
| General commercial | \$ 48,024 | -11.0 | 5.1 | 6.0 |
| General | \$ 44,719 | -16.5 | -2.5 | -1.0 |
| Chemical | \$ 43,300 | 11.4 | 2.5 | 3.0 |
| Data center | \$ 41,190 | 29.8 | 22.0 | 18.0 |
| Communication | \$ 28,557 | -0.8 | -1.0 | -0.5 |
| Hospital | \$ 27,470 | 3.3 | 3.0 | 3.2 |
| Educational | \$ 24,432 | -5.7 | 4.5 | 4.8 |
| Lodging | \$ 22,590 | -5.1 | 3.5 | 3.2 |
| Medical building | \$ 20,438 | -11.2 | 3.5 | 3.8 |
| Transportation | \$ 19,307 | -2.8 | 4.5 | 4.5 |
| Amusement and Recreation | \$ 19,182 | 0.6 | 7.5 | 7.0 |
| Multi-retail | \$ 15,678 | -6.5 | 1.9 | 2.2 |
| Food/beverage/ tobacco | \$ 14,863 | -6.7 | 2.0 | 2.5 |
| Transportation equipment | \$ 14,788 | -2.7 | 2.0 | 2.5 |
| Higher education | \$ 13,323 | 0.0 | 5.2 | 5.5 |
| Land | \$ 12,728 | -5.5 | 0.6 | 0.8 |
| Food/beverage | \$ 12,567 | -11.2 | 2.0 | 2.5 |
| Shopping center | \$ 11,478 | -11.8 | 2.9 | 3.4 |
| Automotive | \$ 10,743 | -3.7 | 1.0 | 1.5 |
| Dining/drinking | \$ 6,764 | -5.9 | 8.4 | 9.8 |
| Other commercial | \$ 6,584 | -22.8 | -0.2 | -0.3 |
| Air | \$ 6,174 | 1.2 | 5.0 | 5.0 |
| Sports | \$ 5,946 | 42.2 | 8.0 | 7.5 |
| Mini-storage | \$ 5,908 | -14.9 | 7.4 | 8.7 |
| Service/parts | \$ 5,835 | -4.3 | 4.8 | 5.6 |
| Instructional | \$ 5,763 | -6.4 | 2.5 | 2.9 |
| Primary/secondary | \$ 5,422 | -24.6 | 3.5 | 4.0 |
| Special care | \$ 5,400 | 23.2 | 1.0 | 1.1 |
| Religious | \$ 4,620 | 19.2 | 8.5 | 7.0 |
| Food | \$ 4,419 | -17.3 | 1.6 | 1.9 |
| Fabricated metal | \$ 3,931 | 40.3 | 12.7 | 14.8 |
| Dormitory | \$ 3,822 | -2.8 | -1.0 | -1.1 |
| Social center | \$ 3,817 | 6.3 | 10.1 | 11.8 |
| House of worship | \$ 3,793 | 8.5 | 2.6 | 3.1 |
| Sales | \$ 3,724 | 1.5 | 5.8 | 6.8 |
| Plastic/rubber | \$ 3,523 | -10.8 | 7.3 | 8.5 |
| Other stores | \$ 2,995 | -22.5 | -1.6 | -1.9 |
| Other educational | \$ 2,866 | -5.5 | 3.8 | 4.5 |
| Performance/ meeting center | \$ 2,225 | 14.4 | 5.6 | 6.5 |
| Theme/amusement park | \$ 2,218 | -8.7 | 6.0 | 7.0 |
| Sports/recreation | \$ 2,131 | 31.1 | 8.4 | 9.7 |
| Gallery/museum | \$ 2,106 | -14.0 | 4.0 | 4.7 |
| Nonmetallic mineral | \$ 1,900 | 5.7 | 5.8 | 6.8 |
| Financial | \$ 1,880 | -31.1 | 0.5 | 1.0 |
| Preschool | \$ 1,781 | 20.8 | 12.0 | 14.0 |
| General merchandise | \$ 1,637 | 5.4 | -2.2 | -2.6 |
| Fitness | \$ 1,545 | -14.2 | 0.2 | 0.2 |
| Shopping mall | \$ 1,206 | -8.1 | 0.2 | 0.2 |
| Parking | \$ 1,184 | -15.1 | 0.4 | 0.5 |
| Other religious | \$ 827 | 117.8 | 1.9 | 2.3 |
| Movie theater/ studio | \$ 767 | -45.2 | 0.0 | 0.0 |
| Building supply store | \$ 722 | -34.4 | -0.1 | -0.2 |
| Auxiliary building | \$ 446 | 80.6 | -0.4 | -0.5 |
| Drug store | \$ 183 | -47.3 | -6.2 | -7.3 |