DUCKER CARLISLE

GLOBAL CONSULTING, STRATEGY AND M&A SERVICES

2025 Q3
US Construction Industry Outlook

Approaching the Trough in the Overall Construction Spending Cycle

Building & Construction Team

With over 6 decades of research, consulting and M&A advisory services, our teams offer the greatest depth, rigor and value by translating data into action.

Our accomplished building and construction team has the trust and confidence of business executives and deal-makers around the world.

Growth Strategy	Portfolio Optimization	Competitive Benchmarking	Pricing and Supply Strategy
M&A Strategy	Sell-Side Market Studies	Buy-Side Diligence	AI Strategy NEW

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BUILDING & CONSTRUCTION

Design for advantage, build for growth

Serving Industry Leaders and Dealmakers Across the Construction Value Chain

Residential Construction	Residential Remodel	Nonresidential Construction
Facility Management/MRO	One and Two Step-Distribution	Design-Build and Installation Services
Dry Infrastructure (road, utility, telecom)	Wet Infrastructure (water, wastewater, stormwater)	Off-site Construction

Our clients include building product manufacturers and material suppliers, leading one step and two step distribution businesses, associations and industry groups representing the building and construction sector, and private equity firms and investment banks. With over 60 years of experience, our consultants have experience in nearly every construction product market and segment of the value chain.

Building and Construction Sectors and Sub Sector Expertise

- Residential Construction
- Residential Remodeling
- Nonresidential Construction
- Facilities Management
- Dry Infrastructure
- Wet Infrastructure
- Off-Site Construction

Access Controls/Automation	Electrical housings	Lumber distribution	Rental Communities
Adhesives and sealants	Electrochromic glazing	Manufactured housing	Road Construction
Asphalt, Aggregates, SCM	Fiberglass door	Metal roofing	Roofing materials
Architectural coatings	Flat glass	Office furniture	Roofing membranes
Architectural glass	Gate operators	Pipe distribution	Roofing services
Brick, block, masonry	Hardwood products	Pipe fittings	RTA cabinets
Building coatings	Hollow metal doors	Precast accessories	Self-storage doors
Commercial ceilings	HPL panels	Precast construction	Surfaces
Commercial doors/ operators	HVAC components	Precast enclosures	Skylights
Commercial interiors/finishes	HVAC contractors	Precast products	Smart glass
Commercial framing systems	Infrastructure composites	Prefab glass	Structural Steel
Commercial glazing	Insulation contractors	PVC trim	Spray foam insulation
Concrete accessories	Interior glazing	Residential paint	Stone veneer
Door glass	Landscape stone	Residential trim	Stormwater products
Doors/hardware	Large format glass	Residential windows	Trim products
Drywall/Gypsum	Locksets and security	Roof coatings	Water Infrastructure

Overcome Complex Challenges with Unrivaled Global Consulting Services

Uncovering opportunities starts with mastering the landscape. Our unique continuum of global consulting services combines market intelligence and advisory services from multi-disciplinary experts to enhance your business performance and deliver insights driven outcomes.

Research Intelligence & Analytics

Through industry expertise and insights, we accelerate client planning decisions and implementation

Insights, Data & Benchmarks

We leverage our proprietary data to drive strategy and solve clients' complex problems.

Strategy & Consulting

Practical frameworks and strategic programs increase operational performance, improve customer service, and reduce costs.

Pricing Solutions & Implementation

We deliver aligned brand and channel strategies, along with high, immediate ROI and advanced client capabilities for long term sustainability.

M&A Transaction Support

Deep industry expertise and primary research/access to industry provide recency-based market, customer and customer insights that support commercial diligence and value-creation.

Supply Chain Operations

Partner with experienced consultants to make your supply chain efficient, resilient, and better connected with your customers.

Accelerate Construction Industry Revenues with AI

The SparkWise Igniter

Understand where to infuse AI

From a team good will approach to a business case and AI expertise-driven strategy

Results: +$10M identified value

The SparkWise BidMaster

Leverage AI to Supercharge Your B2B RFPs

From a manual process to an automated, AI powered RFP (proposal) engine

Results: +$5M additional revenue per year

The SparkWise QuoteMaster

Use AI to generate quotes in seconds

From a manual, slow quoting process to a data-driven, AI-enabled CPQ solution

Results: +$2M additional revenue per year

The SparkWise Librarian

Use AI to manage your (Sales) data

From a tedious and manual data Collection approach to a one-click data Consumption and recommendation service

Results: +$100K savings per year

The SparkWise CXAIOptimizer

Tap into a new lead generation source

Complement your SEO with GEO (Generative AI Engine Optimization)

Results: +$XM worth of new lead in the next year

The SparkWise PriceGenius

Leverage AI to Price your SKUs

From pricing SKUs one by one to having a machine provide recommendations based on live price data points

Results: +$10M additional margin per year

The SparkWise ContractNavigator

Use AI to manage your procurement

From manually checking sourcing Agreements, contracts and invoices to scanning thousands of invoices and purchase orders in seconds.

Results: +$1M in invoicing mistakes identified

The SparkWise SmartFlow

Use AI to automate your processes

From human-based tasks to LLM-powered automated agents and solutions.

Results: at least $150k savings per year

Construction Industry Themes, Trends and Outlook through 2029

Meaningful changes across the industry noted as we approach the bottom of the cycle in construction

Trends we are monitoring across the industry!

Construction price increases stabilized -improving future affordability

Infrastructure spending/backlog reaching peak. Future growth in energy and water treatment

Federal Reserve interest rate cuts will stimulate sentiment and momentum in housing

Shift from climate/ESG guidelines to resilient building materials and performance

Focus on Tier 2 and 3 MSAs offering profitable growth and expansion

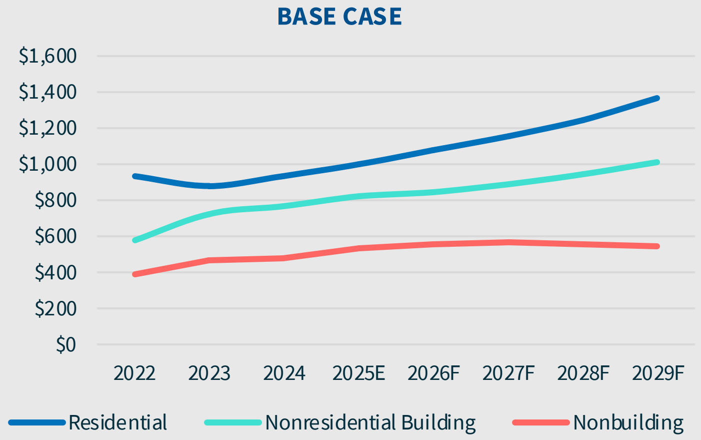
Panelized and off-site manufacturing, value-add distribution to off-set labor challenge

AI technology used to improve construction specification, bidding and quoting

Consolidation and productivity enhancements across distribution (HD, QXO etc.)

Building and Construction company benchmarking yields key areas business leaders are pursuing to outperform the construction cycle

United States Put-In-Place Construction Forecast Scenarios
In millions of 2025 dollars



	'25 to '26	2025-2029 CAGR
Residential Building	7.8%	8.2%
Nonresidential Building	2.3%	5.6%
Nonbuilding Construction	3.7%	0.8%
Total PIP Construction	5.3%	5.7%

1 Adjacency and Portfolio Expansion

Exploring adjacencies, pursuing noncore sectors to capture volume growth. Redefining product and business portfolio mix. Significant *inorganic* activity, consolidation strategies

2 Upgrade Non-Price Strategies

Conducting price/value benchmarking and segmentation to redefine pricing and non-price terms opportunities. *Redesigning legacy rebate and terms/conditions* strategies across customer segments

3 Cost Optimization and Logistics

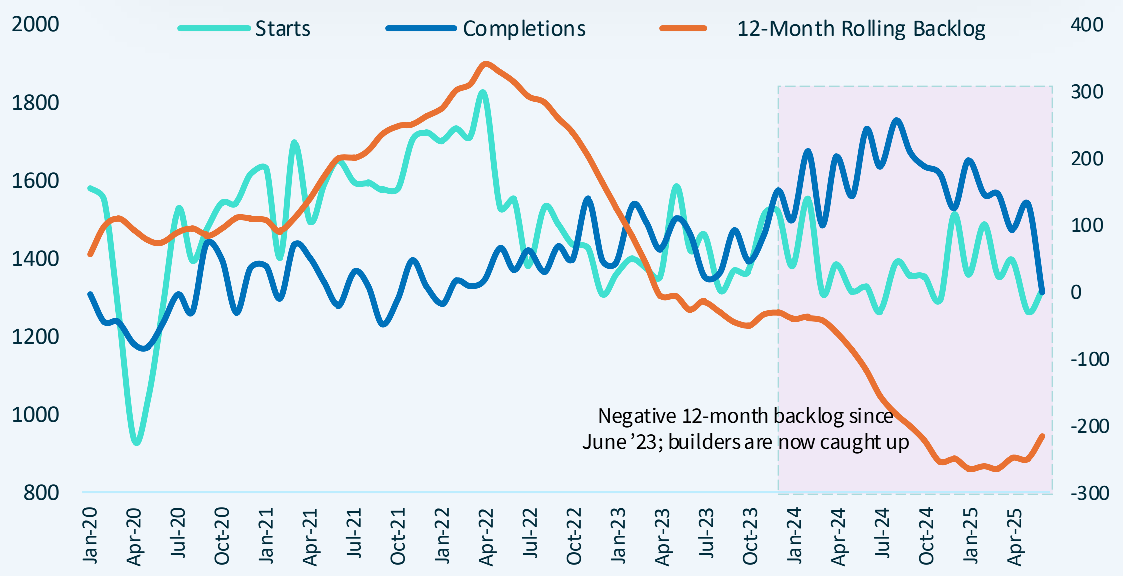
To achieve best cost competitive position, analyze and reduce legacy cost norms through *optimizing network of supply and logistics,* improve inventory and service level outcomes

4 AI powered Commercial Productivity

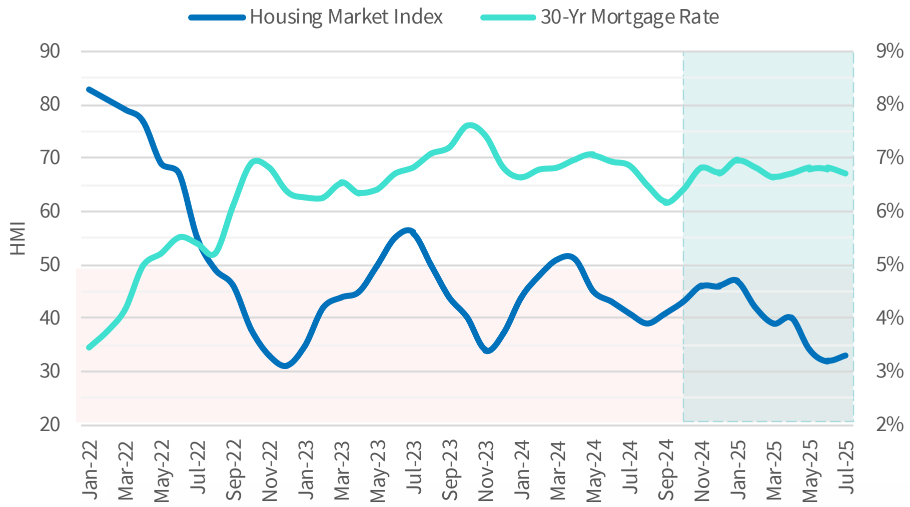
Add AI agents and overlay solutions to existing platforms which *accelerate and prioritize bid, quote packages and upsell* opportunities without significant IT overhaul

New residential build backlogs have mostly cleared, and builders are pessimistic about the pressures they face while waiting for anticipated mortgage rate relief

Residential Housing Starts vs. Completions
000s of units, seasonally adjusted



Sources: Ducker Analysis, Fannie Mae, NAHB, MBA, NAR, Market Feedback

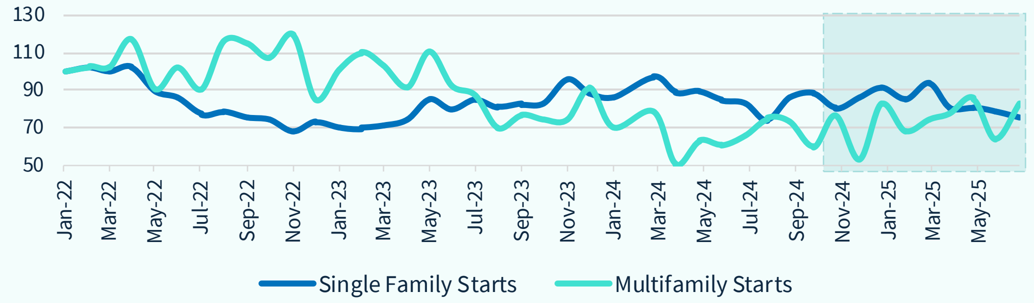


- New housing backlogs have been mostly cleared, which will place builders under pressure to create greater incentives to sell existing inventory and adapt their ongoing builds to buyer affordability and preferences
- Homebuilder sentiment* remains near its lowest levels since the COVID pandemic and has declined since January '25 (47) to its current level of 33 in July '25
- A long-term housing gap remains, with a deficit of >5 million completed housing units compared to new households formed since 2010

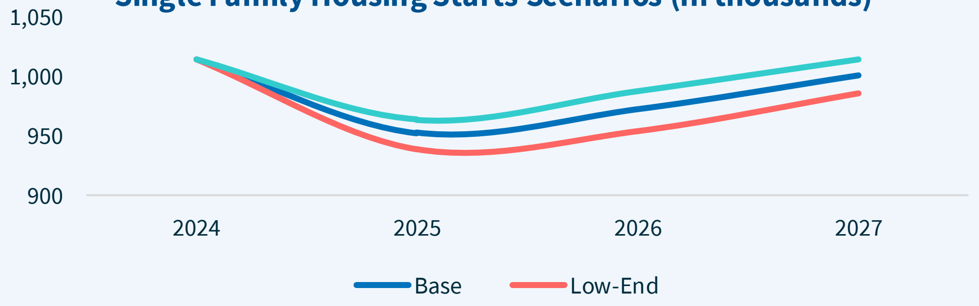
**NAHB/Wells Fargo Housing Market Index - >50 majority positive*

Single-family housing has stalled in 2025 and may not rebound until early- to mid-2026; multifamily growth this year will not sustain into 2026

SF-MF Starts - Indexed to Jan 22



Single Family Housing Starts Scenarios (in thousands)



New model input data

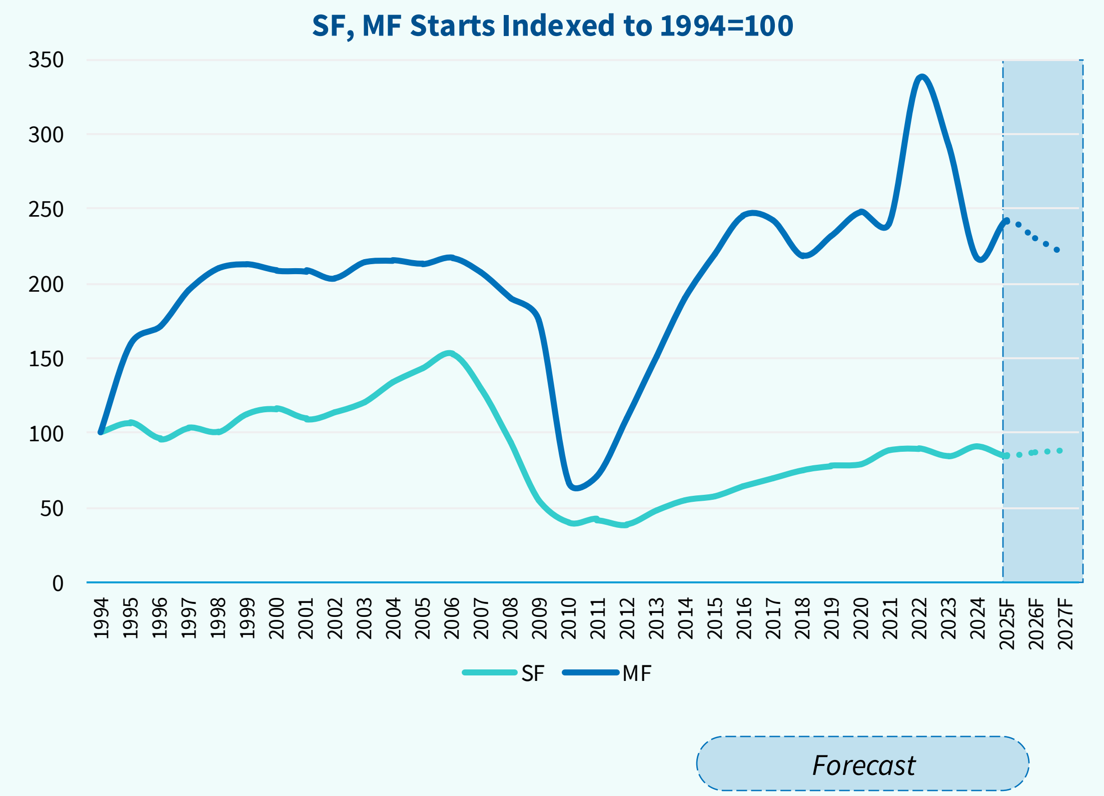
Single Family Housing Starts ('000)	2024	2025E	2026F	2027F	2024F to 2025F	2025F to 2026F	2026F to 2027F
Fannie Mae	1,013	955	972		-6%	+2%	
MBA	1,013	963	987	1,013	-5%	+3%	+3%
NAR	1,050	1,110			+6%		
NAHB	1,016	938	953	986	-8%	+2%	+4%
Average (excl. NAR)	**1,014**	**952**	**971**	**1,000**	-6%	**+2%**	**+3%**

Multifamily Housing Starts ('000)	2024	2025E	2026F	2027F	2024F to 2025F	2025F to 2026F	2026F to 2027F
Fannie Mae	354	381	380		+8%	FLAT	
MBA	354	392	351	323	+11%	-10%	-8%
NAR	500	340			-32%		
NAHB	355	404	393	387	+14%	-3%	-2%
Average (excl. NAR)	**354**	**392**	**375**	**355**	**+11%**	**-5%**	**-5%**

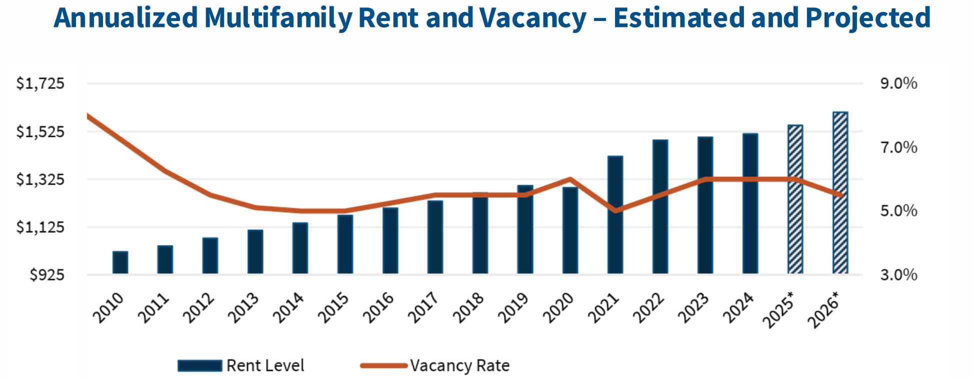
Total Housing Starts ('000)	2024	2025E	2026F	2027F	2024F to 2025F	2025F to 2026F	2026F to 2027F
Fannie Mae	1,367	1,336	1,352		-2%	+1%	
MBA	1,367	1,354	1,338	1,335	-1%	-1%	FLAT
NAR	1,550	1,450			-6%		
NAHB	1,371	1,342	1,346	1,373	-2%	FLAT	+2%
Average (excl. NAR)	**1,368**	**1,344**	**1,345**	**1,355**	-2%	**FLAT**	**+1%**

Sources: Ducker Analysis, Fannie Mae, NAHB, MBA, NAR, Market Feedback

The burst of multifamily building has cooled to pre-pandemic levels, and single-family activity will remain flat unless affordability can be addressed by interest rate cuts or other solutions from the industry

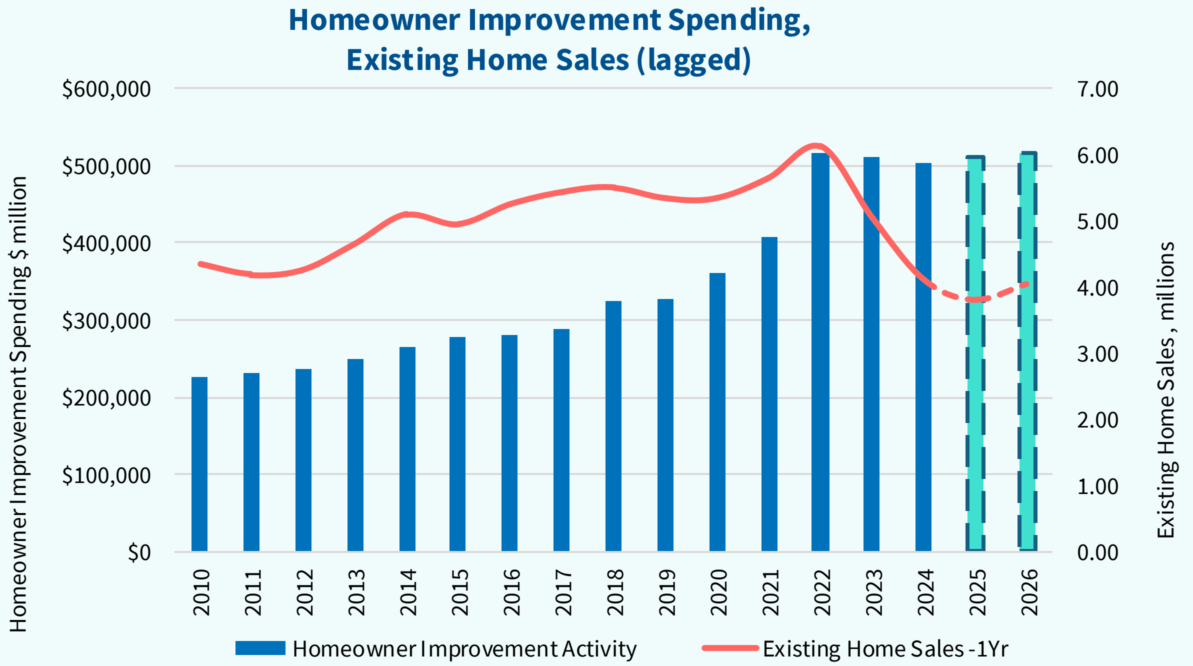


- Multifamily units started near a 50-year peak in ’22; however, increasing costs associated with acquisition, development, and construction loans (AD&C) have led to declines in sharp declines in ’23 and ’24. With construction costs and interest rates still high, expectations for similar start levels in ’25 to ’24 and a slight increase in ’26 as rent prices increase and vacancy rates hold relatively stable
- Despite pushback of interest rate cuts, anticipated cuts are expected to push mortgage rates downward and improve single-family starts in ’26 and ‘27



Source: Fannie Mae MF ESR ** Projected*

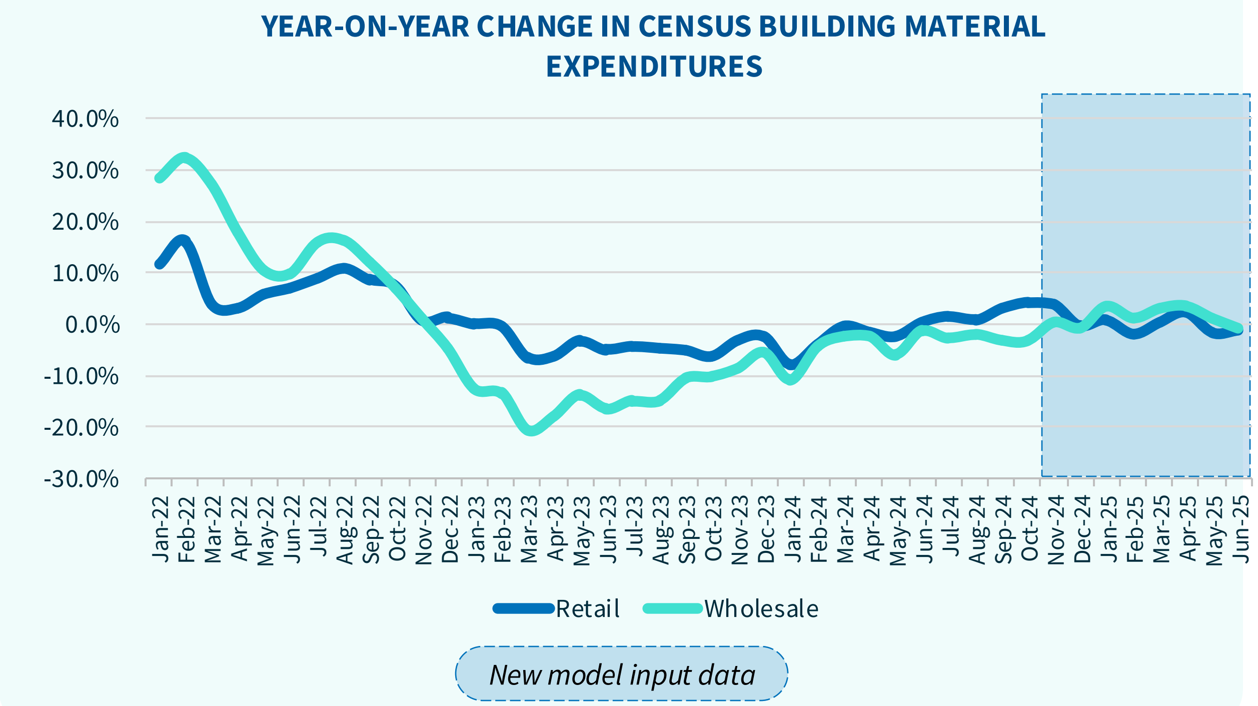
Remodeling expenditure growth will achieve low-single-digit growth in 2025 due to ongoing investment in in-place improvements, and as more homeowners choose to sell their homes and cash in on historically high equity levels



- Homeowners' improvement spending has remained elevated based on effective price maintenance across the B&C value chain
- The homeowner 'locked-in' effect from low, pre-pandemic interest rates has begun to unwind as homeowners seek to sell their homes to realize a portion of their elevated home equity levels
- The traditional correlation between existing home sales and pre- and post-sale improvement activity will re-emerge as post-pandemic trends related to shifts in homeowner lifestyle mature (including increased remote working and desires regarding greater living spaces in the home)

Home Improvement Spending, $Billions (LIRA)	Annual	2024	2025E	2026F	2024 to 2025	2025 to 2026
		$502.4	$511.3	$515.8	+2%	+1%

Stabilization in both retail and wholesale building material expenditures illustrates ongoing softness in both renovation and new construction through the rest of 2025



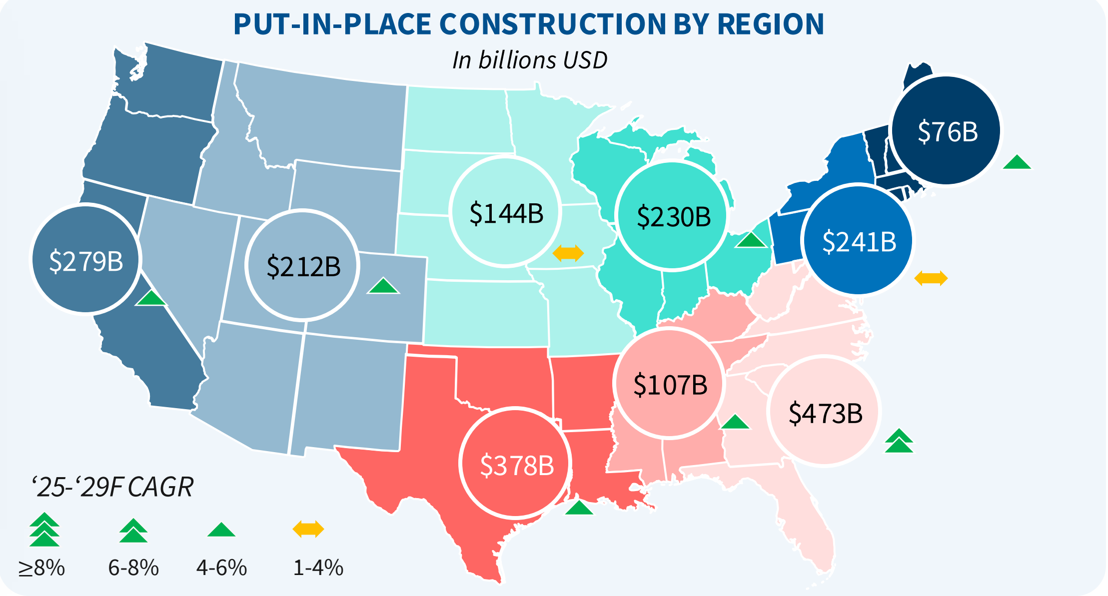
- Retail building material expenditures remain mostly flat through the first half of 2025, which reflects the stability in homeowner improvements spending and that retail distribution is still slow to see significant gains from its efforts to take share with traditional pro customers

- Wholesale and distribution sales have performed better, but remain challenged by the softness in the new construction market (starts still sluggish while builders have mostly worked through their backlog of projects and inventoried materials)

Building Material Expenditures, $B	2024-H1	2024-H2	2025-H1	2024-H1 to 2024-H2	2024-H2 to 2025-H1
Retail	$209.3	$214.6	$208.9	+2.5%	-2.7%
Wholesale	$104.9	$106.5	$107.2	+1.5%	+0.7%
Total	**$314.2**	**$321.1**	**$316.1**	**+2.2%**	**-1.6%**

As construction activity has softened, the Southern regions of the US have continued to outperform and will represent nearly half of spending by 2029

- Put-in-place construction is highest in the Southern region of the US, which accounts for a combined $957B, or ~45% of the national construction spending across residential, nonresidential, and nonbuilding projects by both private and public asset owners
- Although overall growth has slowed, the Southern regions remain some of the fastest growing, driven by long-term trends related to net inbound migration, lower-cost housing markets, and post-disaster rebuild and resilience-building
- Regions with robust economic growth often see more construction activity due to increased investments in both residential and commercial properties.
  - For example, areas with growing tech industries or significant manufacturing expansions, like Texas, Georgia, Arizona, Utah, the Carolinas and Colorado

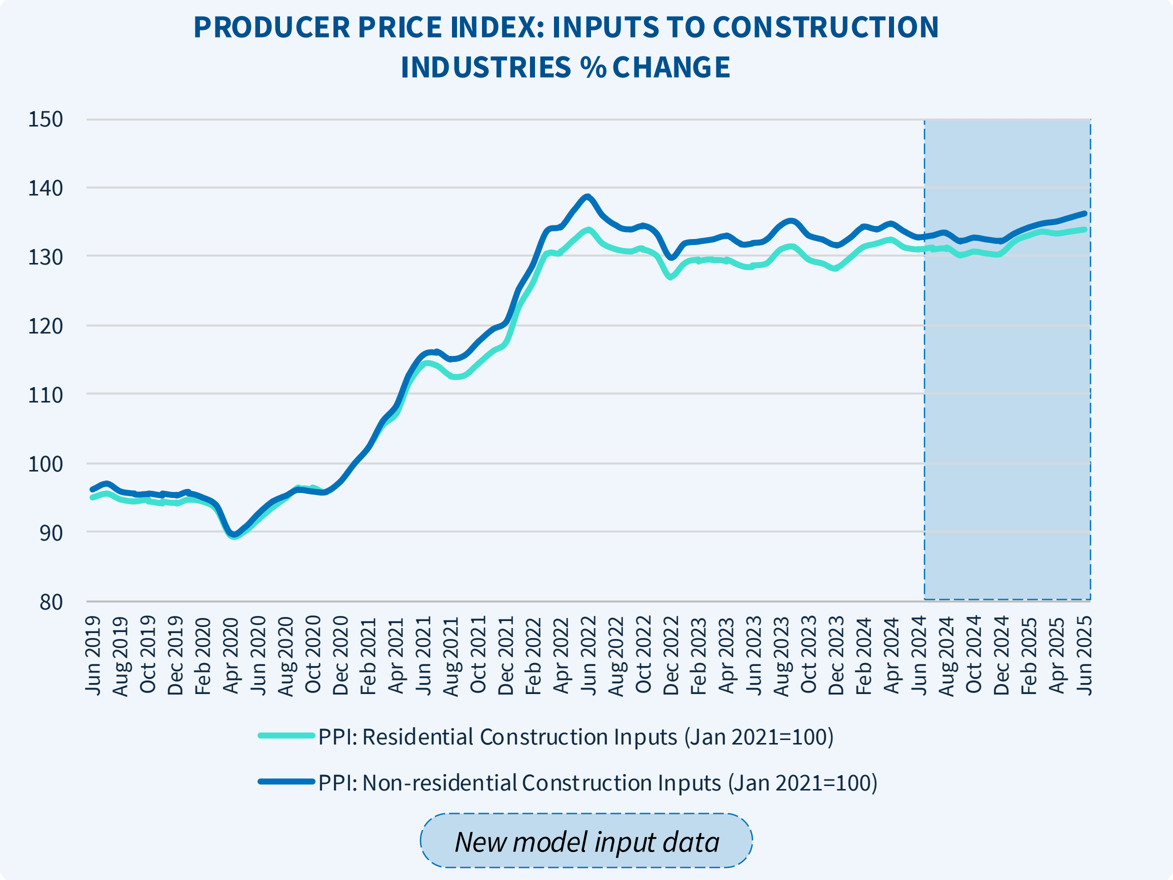


2025 Put-in-Place Construction & Outlook
In billions USD

	South Atlantic		E South Central		W South Central		New England		Mid Atlantic		E. North Central		W North Central		Mountain		Pacific	
	2025E	'25-'29 CAGR	2025E	'25-'29 CAGR	2025E	'25-'29 CAGR	2025E	'25-'29 CAGR	2025E	'25-'29 CAGR	2025E	'25-'29 CAGR	2025E	'25-'29 CAGR	2025E	'25-'29 CAGR	2025E	'25-'29 CAGR
	$472.6	6.8%	$107.0	4.6%	$377.9	5.8%	$75.5	5.9%	$241.2	2.3%	$229.5	5.2%	$143.7	3.9%	$211.7	5.2%	$279.1	4.6%

Sources: Ducker Carlisle, Bureau of Labor Statistics

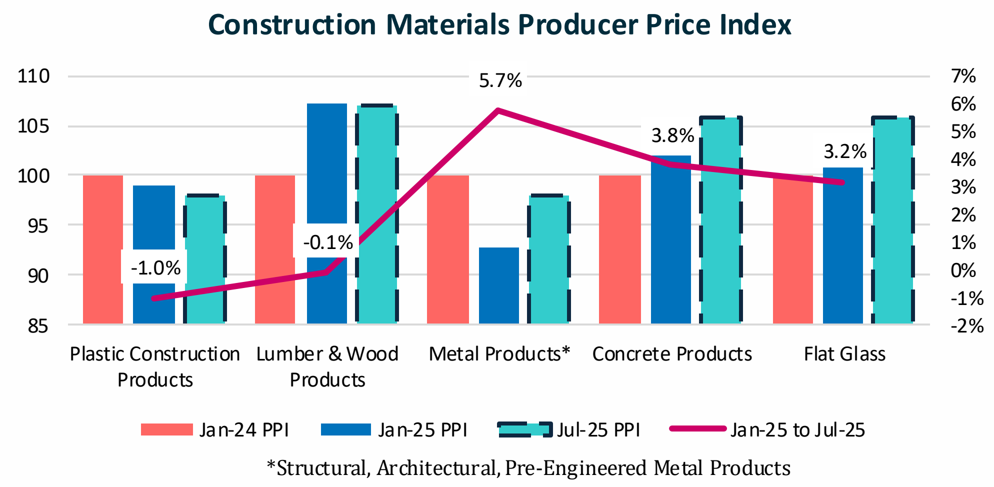
Construction input prices have begun to reflect tariff-based inflation expectations, but remain stable between 1-3% below mid-2022 highs



- Producer Price Index for inputs to both residential and nonresidential construction has begun to show upward momentum after being effectively sustained near post-2022 highs

- Construction materials are expected largely to hold at current levels/slightly increase as inflation expectations remain elevated in the wake of anticipated "Liberation-Day" tariff impacts

- Even in cases of price decline, materials are still widely expected to maintain levels above pre-COVID pricing



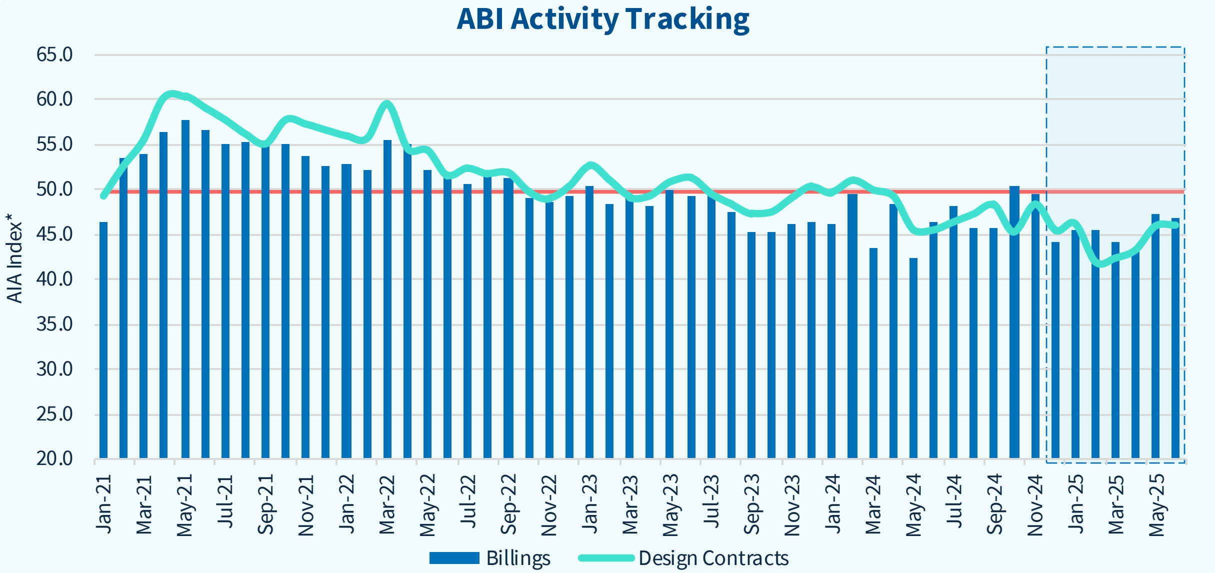
Data centers, health care, and leisure-related sectors will grow fastest in an otherwise mixed nonresidential construction landscape

Construction PIP $ - Nonresidential	2025 Expected	2026 Forecast	2027 Forecast	2028 Forecast	2029 Forecast
Amusement and Recreation	11.7%	5.4%	5.9%	9.1%	8.6%
Commercial	3.0%	-1.6%	5.8%	7.5%	8.3%
Educational	1.6%	3.9%	5.5%	7.2%	7.7%
Health Care	22.0%	5.9%	5.9%	7.6%	7.7%
Lodging	6.3%	8.6%	7.8%	9.8%	11.0%
Manufacturing	-0.5%	-1.6%	2.7%	2.7%	5.1%
Office	18.1%	12.7%	5.5%	3.8%	5.8%
Public Safety	27.9%	-9.3%	13.9%	1.0%	7.1%
Religious	8.5%	5.6%	2.2%	7.1%	7.3%
NONRESIDENTIAL BUILDING	7.4%	2.8%	5.4%	5.7%	7.1%

- The Manufacturing segment will continue to contract through 2026 due to a combination of continued unwinding from 2022-2023 peaks related to growth in the computer/electronics/electrical sub-segments, and from uncertainties related to unclear tariff and trade policy effects on global supply chains
- The office segment will be driven more by data center construction than by pure-play office builds; however, this growth will be concentrated in fewer geographic/regional markets
- Lodging and Amusement/Recreation sectors will display strength through the forecast period as travel growth and hotel occupancy rates trace back to pre-pandemic levels
- The Commercial segment remains a weak point, sustaining a long-term trend of commercial inventory reorganization/repurposing

Sources: Ducker Carlisle, AIA

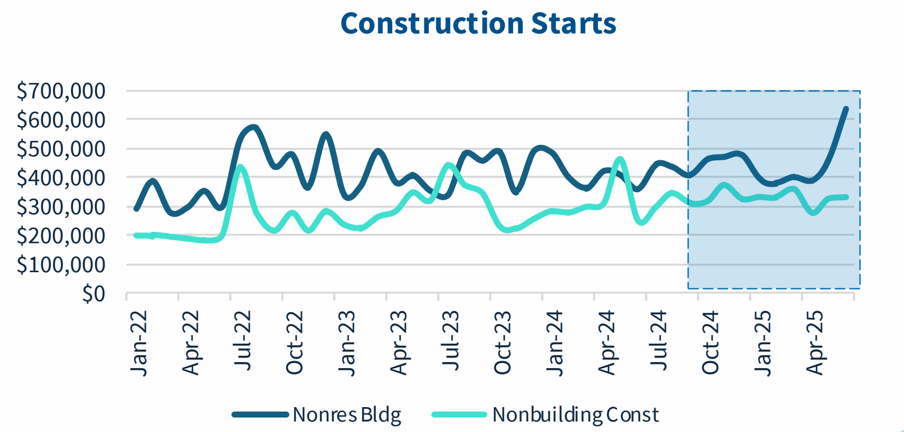
ABI tracking continues to signal weakness in the nonresidential outlook, but data center construction underpins signals of limited growth



Sources: Ducker, AIA

New model input data

**A score above 50 indicates an increase in billings from the previous month, and a score below 50 indicates a decline*



Construction Starts, $B	Jan-Jun 2024	Jan-Jun 2025	% change
Nonresidential Building	$405.9	$442.3	9%
Nonbuilding Construction	$313.4	$326.2	4%

- Billings and Design Contracts activity has continued to indicate a declining outlook through Q2 of ‘25, with signs of improvement but remaining at or below a score of 47
- Nonresidential building starts registered a spike in starts value in June above an annualized $600B level; however, this is related to select ‘high tech’ manufacturing and data center builds, and are not anticipated to drive nonresidential performance overall, considering lingering uncertainty in tariff impacts and macroeconomic outlook
- Nonbuilding starts value remains stable and growing slightly faster than inflation

Sources: Census, NAHB, Dodge

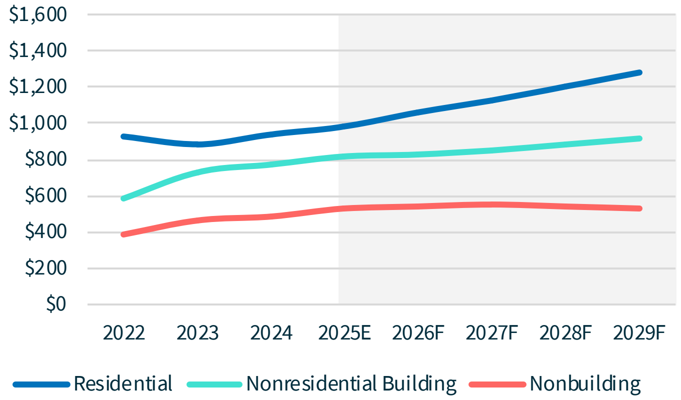
Industry Insights – Forecast Scenarios

All scenarios show an overall increase in $ expenditures over the next 5 years, with the residential construction strengthened based on expected interest rate reductions by the Federal Reserve leading to residential activity rebounding beyond ’25 with future annual growth between 7% and 9%; nonresidential building spending will moderate after a strong surge in ’23/’24, with annual growth over the next 5 years driven by continued funding from IIJA (Infrastructure Investment and Jobs Act); the outlook for nonbuilding construction has moderated based on sluggish nonbuilding starts performance in H1 2025, policy-related uncertainties, and slowing of mega-project-related activity

United States Put-In-Place Construction Forecast Scenarios

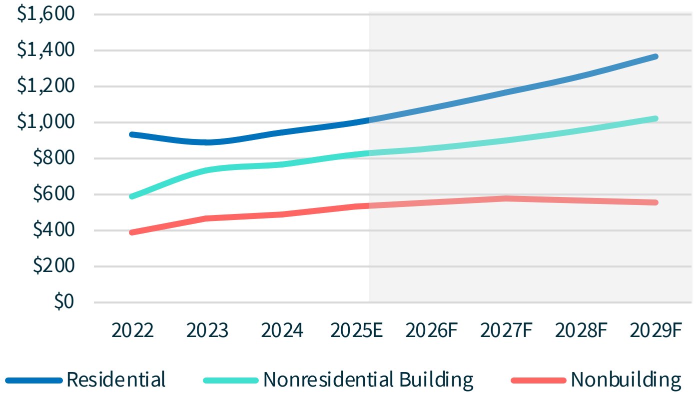
In millions of 2025 dollars

DOWNSIDE CASE



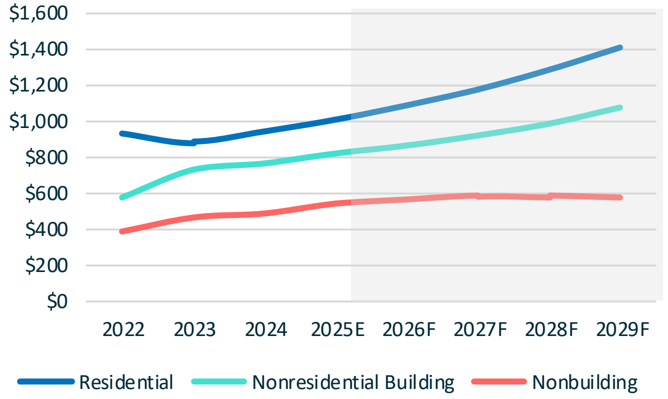
	‘25 to ’26	2025-2029 CAGR
Residential Building	8.3%	7.1%
Nonresidential Building	1.3%	3.1%
Nonbuilding Construction	2.7%	(0.2%)
Total PIP Construction	4.6%	4.1%

BASE CASE



	‘25 to ’26	2025-2029 CAGR
Residential Building	7.8%	8.2%
Nonresidential Building	2.3%	5.6%
Nonbuilding Construction	3.7%	0.8%
Total PIP Construction	5.3%	5.7%

UPSIDE CASE



	‘25 to ’26	2025-2029 CAGR
Residential Building	8.3%	8.9%
Nonresidential Building	4.5%	6.7%
Nonbuilding Construction	4.8%	1.9%
Total PIP Construction	6.2%	6.6%

Sources: Census, NAHB, AIA, FRED, CBRE, HUD, NAR, Ducker Interviews and Expertise

Sector Spotlight: Data Centers

Data Center are highly secure, energy-efficient facilities that house and manage critical computing, storage, and networking infrastructure

	Hyperscale	Co-location	Enterprise	Edge
Description	• Extremely large campuses comprising millions of square feet and consuming multiple hundreds of gigawatts • Owner is the single tenant • Support online services such as SaaS and cloud applications • Leading development on artificial intelligence and AI integration into products and business solutions	• Size, rack density and energy consumption varies by provider, customer and application • Tenants are businesses and individuals that rent space in the data center while relying on the co-locator to handle the oversight, cooling and risk associated with owning the building	• Private facility designed for the sole purpose of supporting a single company's data and compute needs • New enterprise construction are large scale while many legacy data centers are small data rooms in office space • Allows for greater data control and security compared to co-location or cloud	• Small facilities placed near data generators or data consumers to reduce latency • Compute and cache time-sensitive data for immediate access and response in mission-critical settings • Rely on hyperscale and co-location data centers for heftier compute needs, cold storage and network communication

Hyperscale: Google , Clarksville TN

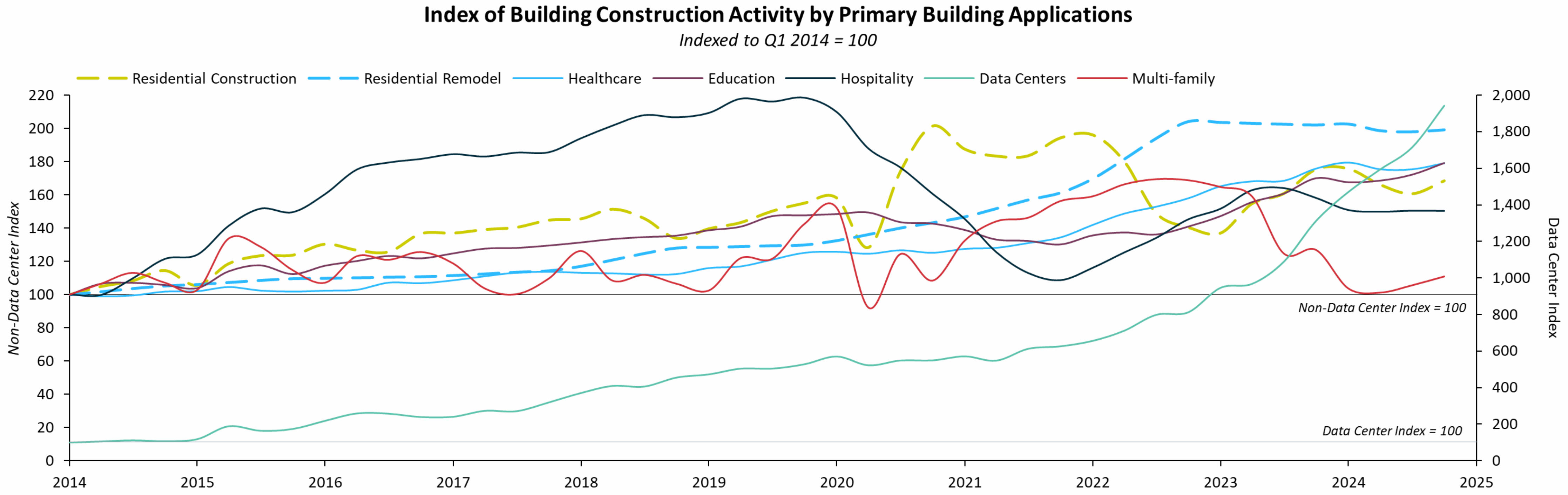
Co-Location: Equinix, Dallas-Forth Worth, TX

Enterprise: FedEx ,Colorado Springs, Colorado

Edge: SBA Edge, West Chicago Illinois

Sources: Ducker Carlisle, AIA

The growth in data center construction has significantly exceeded the outlook across residential, institutional, and manufacturing sectors



Construction is driven by data center CAPEX expansion to serve existing services growth (such as cloud storage and streaming) as well as the rapid build out of AI-related computation

Sources: Ducker Carlisle, AIA

Although some headwinds exist, data center construction is driven by powerful trends in AI and Cloud services and will reach more than $50B by 2029

Drivers of Data Center Construction

AI build-out

- Rapid build-out due to the introduction of highly computationally-intensive AI products will continue to drive new construction activity

Cloud and other services expansion

- Growth in CAPEX related to servicing increasing cloud storage, streaming, and ecommerce customers will continue to drive new construction and retrofit activity
- Applications like autonomous driving will shift demand from hyperscale central hubs to more edge locations

Headwinds Against Data Center Construction

Energy and Land Availability

- Increasing zoning regulations and legislation to restrict construction of data centers (for grid reliability and noise mitigation) poses some challenges for data center expansion

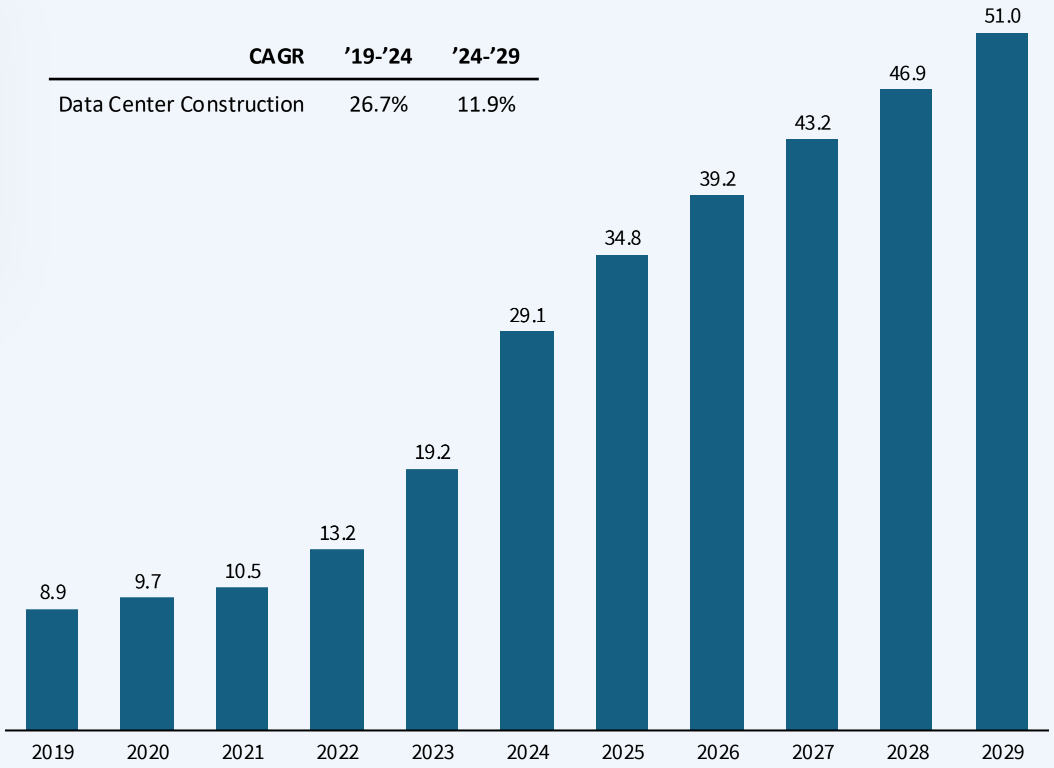
Uncertainty due to rapid pace of technological advancement

- With the introduction of potentially more computationally-efficient LLM's into the AI ecosystem, the logic behind the rapid build out for AI is being scrutinized
- However, hyperscalers have not changed their CAPEX outlook for data center build out due to these developments this year, and demand may not be impacted for another 2-3 years

N.A. Data Center Construction Spending

In billions of USD

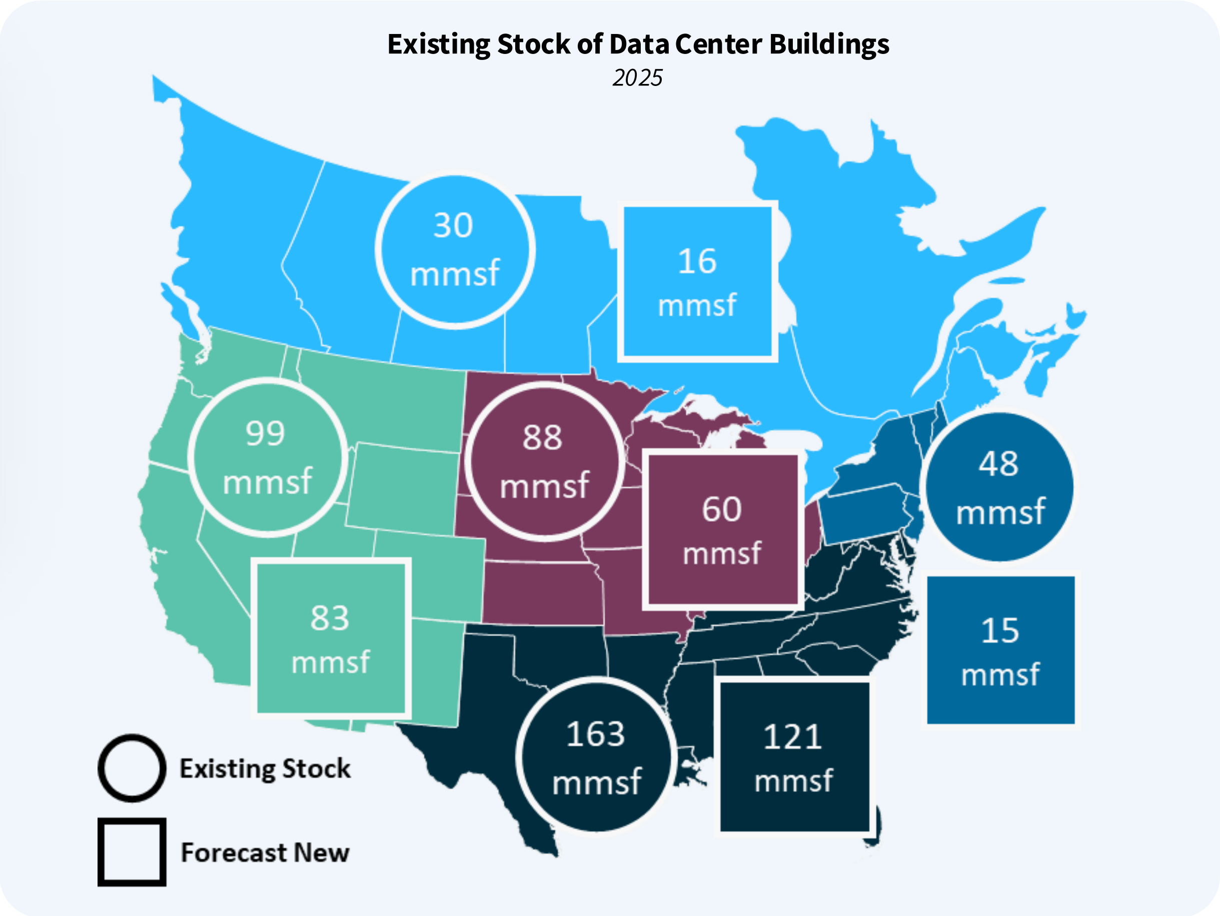
CAGR	'19-'24	'24-'29
Data Center Construction	26.7%	11.9%



Sources: Ducker Carlisle Analysis, FMI, Dodge, ConstructConnect, EIA, US Census

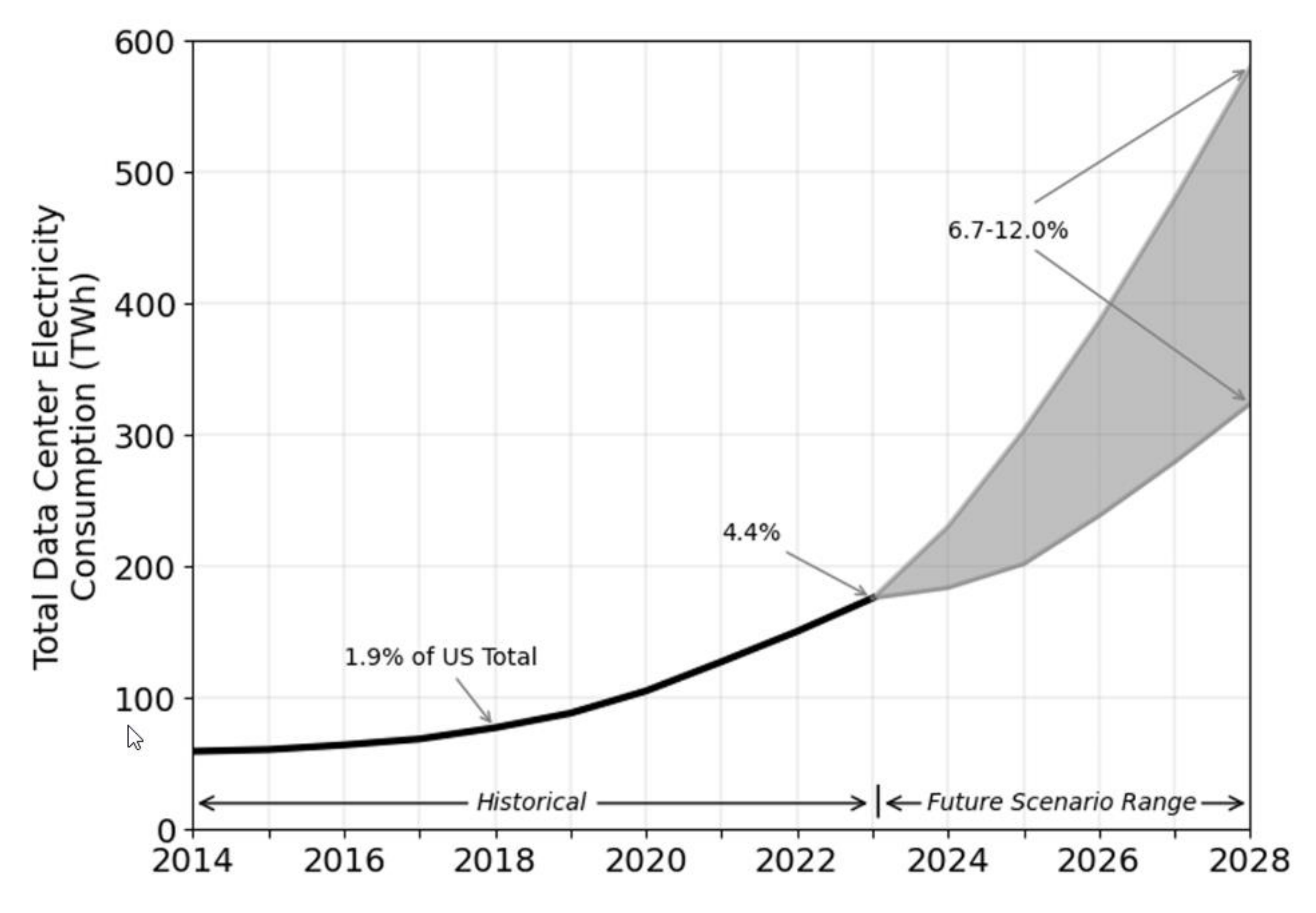
Regional data center demand is driven by the presence of extensive network infrastructure, energy availability, and differences in regulatory environments

- The North American data center building stock covered 429M square feet in 2024
- There are currently 3,698 datacenter in North America, with the majority concentrated in the US (3,440)
- Northern Virginia (Ashburn, Loudon County) is the largest data center hub in the world (~2,500 MW capacity)
- The south's high concentration of data centers is also supported by continued build out in cities like Dallas and Atlanta
- Canada's 258 data centers are highly concentrated in Toronto, Montreal and Vancouver



Sources: Ducker Carlisle, AIA

Data Center Forecasted Electricity Usage will more than double through 2028; technology breakthroughs may offset



- Data centers will be a major driver of increased electricity demand and usage, while other efficiencies are gained (further LED adoption, building energy management systems, etc.)
- A major technology shock, such as low-power processors (Deep Seek), would lower electricity usage in data centers, but would lead to many more data centers being built, likely at smaller scale
- Either way, major companies driving this technology (Amazon, Google, Microsoft, etc.) will likely find ways to obtain the electricity needed to power data centers, whether through distributed generation, microgrids, or more efficient designs

- Source: Department of Energy

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