



Non-Residential construction outlook stable as flat material costs and growing labor pools encourage continued spending. Tariffs remain an area of concern.

The overall outlook for non-residential construction is relatively stable, with a \$1.24 trillion tailwind in 2024 construction spending expected to be bolstered by heavy investment into data center, warehouse, and manufacturing projects across 2025. Slight decreases to material costs in 2024 and an easing workforce shortage also bode well for project starts even as the industry evaluates the impact of tariffs on construction economics.

The Denver regional office reported a cost decrease of -0.89% for the quarter, joining the Milwaukee office (-0.13%) in two successive quarters of decreasing costs while offices showing slight cost increases included Portland (+0.28%), Phoenix (+0.43%), Seattle (+0.60%), Chicago (+0.62%), and Salt Lake City (+1.46%).

Nationally, nonresidential construction costs tracked by the Mortenson Quarterly Cost Index for the 4th Quarter 2024 edged nominally higher by +0.33% over the past quarter and +1.97% over the previous twelve months.

Construction material costs continued to soften in the fourth quarter, falling 0.2% for a year-over-year decrease of 0.8% as markets show some recovery from inflation and supply chain disruptions triggered by natural disasters and the coronavirus pandemic. Ocean freight container rates have remained steady and over the road transport is widely available with rates at historic lows.

While several energy and infrastructure categories—including High Voltage Circuit Breakers (+12%) and Power Conversion Systems (+10%)—remain challenging from a procurement standpoint, lead times across most categories have stabilized.

For Q4, the only packages seeing price increases across the Denver region were Site Utilities (+1.3%) and Aluminum Storefronts and Entrances (+1.3%), Top packages showing decreases include Gypsum Board (-3.8%), Fire Protection (-2.1%), and Plumbing (-2.0%).

Trade partner work costs increased nationally by 0.7% during the fourth quarter, contributing to a year over year cost increase of 3.7%. In the Denver market, trade partners reported an increase in competition and aggressive pricing across various scopes, which is likely to lead to cost decreases for those packages.

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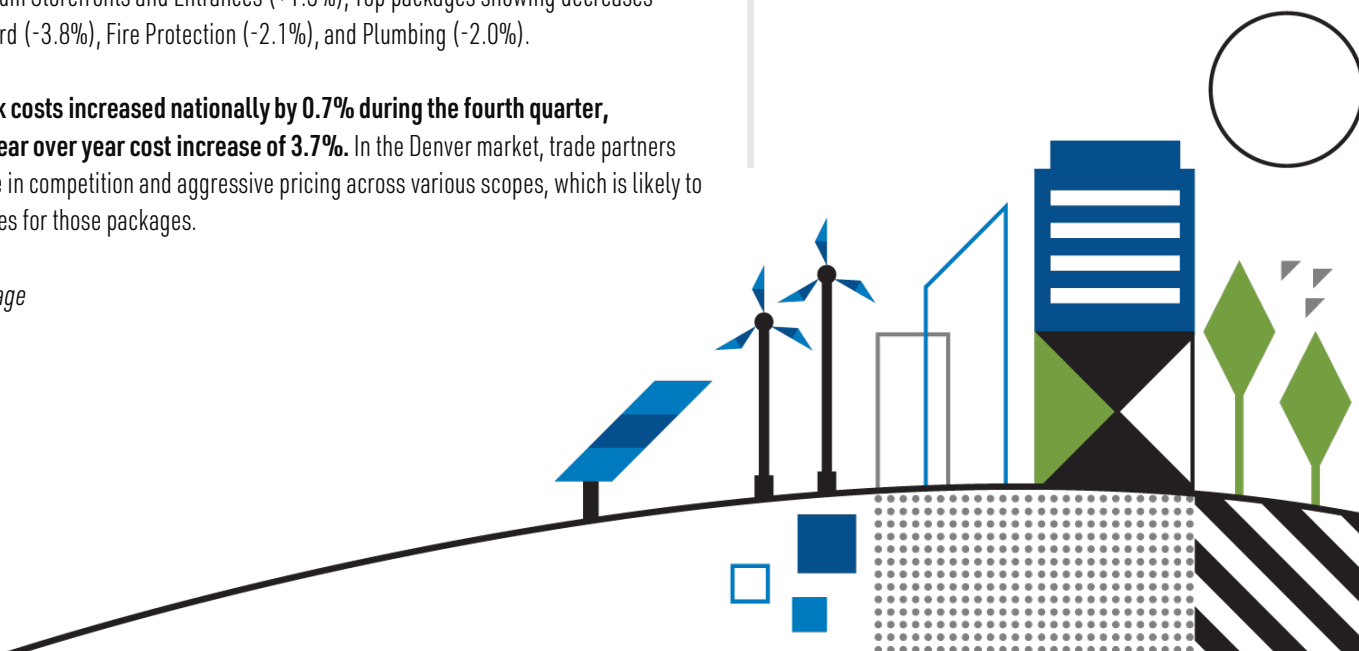
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Drivers of labor costs, which increased 5.7% nationally year over year, have likewise remained market specific. Large projects in some markets have triggered cost increases in MEP scopes as trade partners look to attract and retain workers even as job openings industry-wide hit historic lows.

"Construction industry hiring slowed to an unprecedented pace in December," said Anirban Basu, BC Chief Economist for the Associated Builders and Contractors. "This slowdown is a direct result of diminished demand for labor, and industry wide job openings have fallen exactly 50% over the past year." For the first time since 2011, the median construction worker is younger than 42, Basu said, which means an increasingly larger section of the workforce is comparatively unskilled, putting upward pressure on costs for skilled labor.

Commenting on tariffs, Basu noted that activity in the data center and manufacturing segments will remain elevated regardless of upward pressure on construction costs as tech giants including Google, Microsoft, and Amazon continue their investments into building increased capacity to keep pace with the growth in artificial intelligence.

The Dodge Momentum Index (DMI), issued by Dodge Construction Network, grew 10.2% in December to close the quarter, with data center and warehouse project plans again leading the way. "Commercial activity rebounded strongly in December, thanks to a re-acceleration in data center and warehouse planning activity," said Dodge Construction Network associate director of forecasting Sarah Martin. "Overall, the strong performance of the Momentum Index this past year is expected to support nonresidential construction spending throughout 2025."

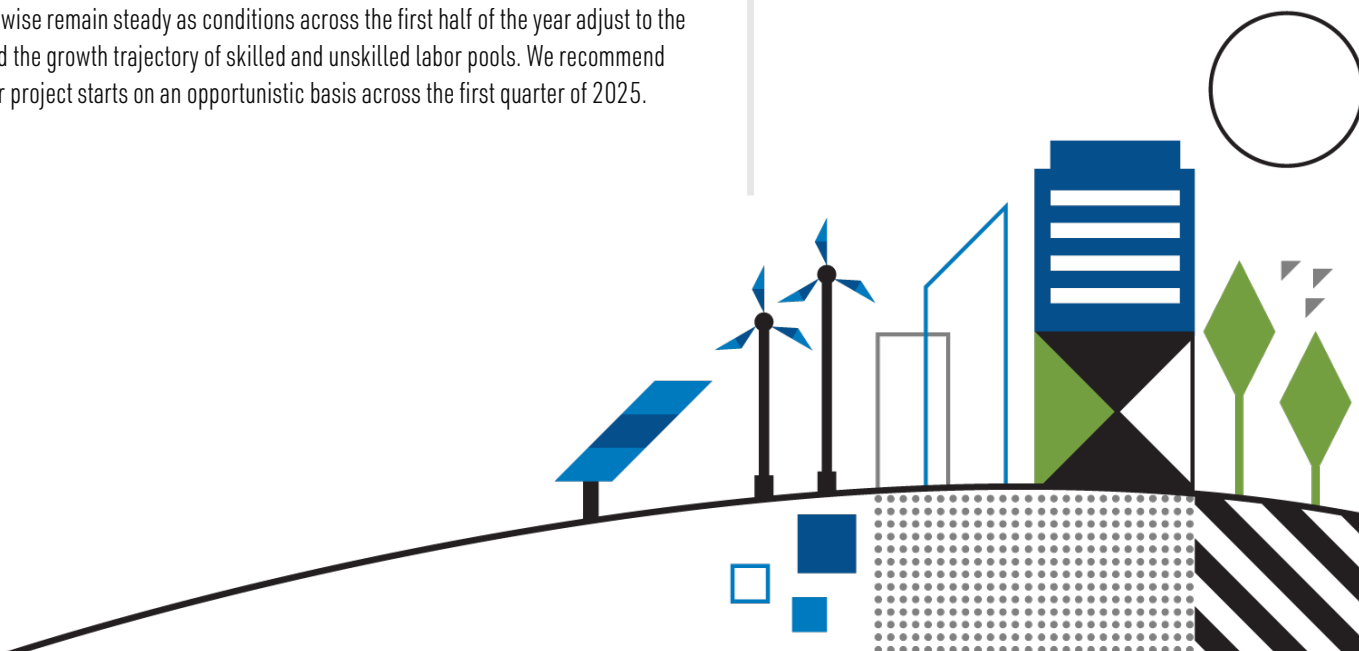
The Mortenson Construction Cost Index shows a negligible cost increase for the 4th Quarter 2024, continuing a period of relative cost stability as inflation cools and material costs recover from the impact of inflation. We expect overall spending on non-residential construction to likewise remain steady as conditions across the first half of the year adjust to the impact of tariffs and the growth trajectory of skilled and unskilled labor pools. We recommend customers consider project starts on an opportunistic basis across the first quarter of 2025.

**VIEW THE FULL
CONSTRUCTION COST INDEX**



Mortenson tracks and reports on eight metropolitan areas in the U.S. including Chicago, Denver, Milwaukee, Minneapolis, Phoenix, Portland, Salt Lake City and Seattle. The Mortenson Construction Cost Index is calculated quarterly by pricing representative non-residential construction projects in various metropolitan areas. It is part of a portfolio of industry insights and market studies provided by Mortenson.

For nationwide construction cost index data visit: Mortenson.com/Cost-Index.



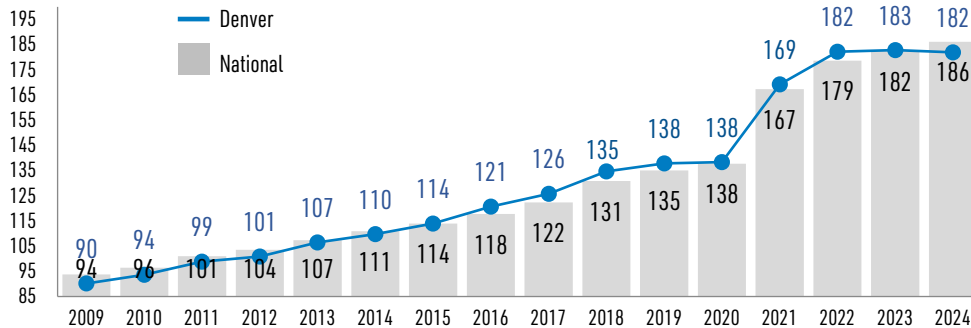
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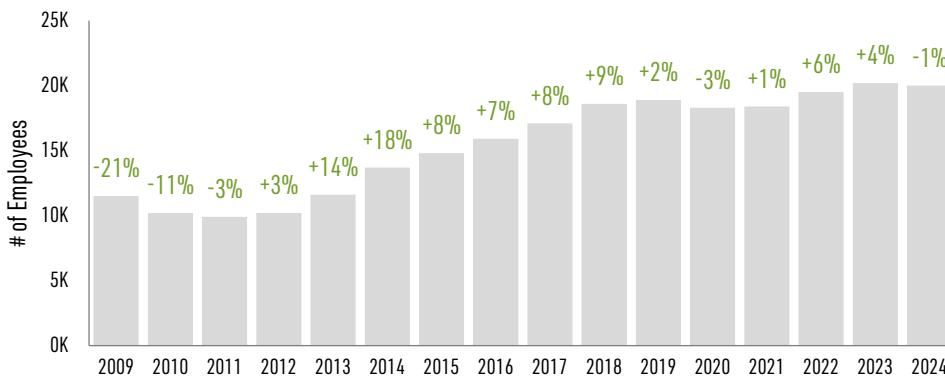
(January 2009 = 100)



Nationally, the Mortenson Cost Index increased 2.0% in 2024 compared to the previous year. Costs in Denver fell half a percent during the same period. Overall, the index remained stable in the last quarter of the year.

DENVER CONSTRUCTION EMPLOYMENT

(Average Annual Employment and Yearly Percentage Change)

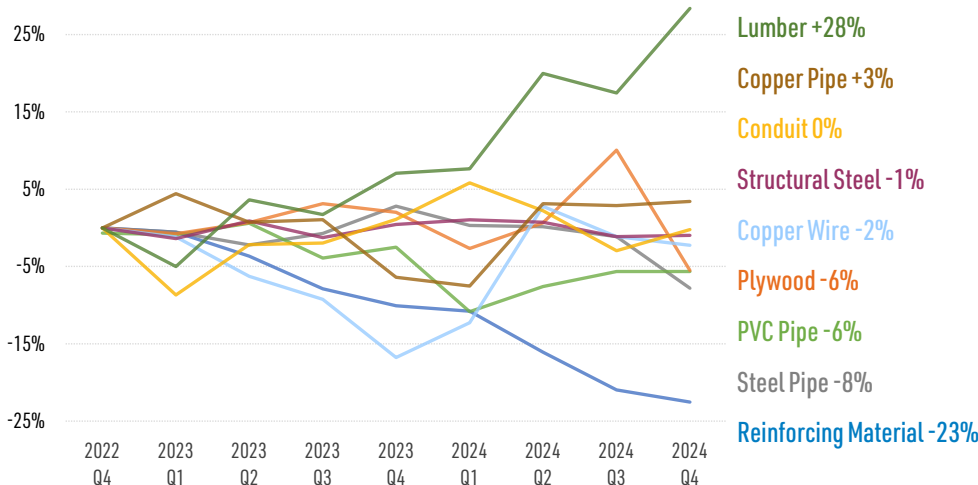


Building construction employment in the Denver metro region averaged 20,000 workers in 2024, a 1% decline (208 workers) compared to 2023 average employment. While labor shortages have eased slightly, they remain a persistent challenge for the industry.

*Source: Bureau of Labor Statistics
Denver-Aurora-Lakewood, CO | Construction of Buildings*

MATERIAL PRICING CHANGES

(National Average - Cumulative Q4 2022 to Q4 2024)



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