

APRIL 2026

ECONOMIC NEWSLETTER

for the construction industry

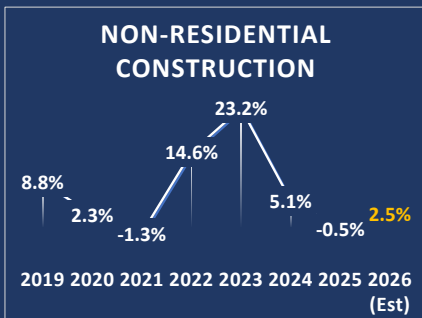
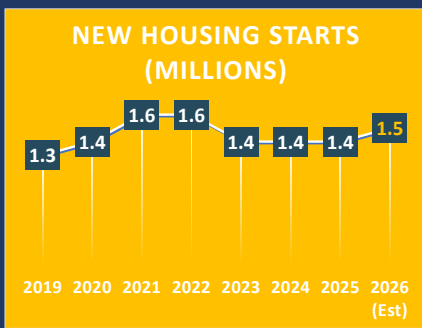
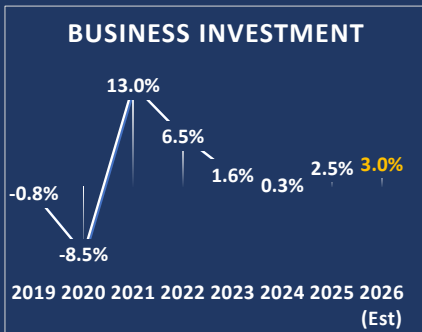
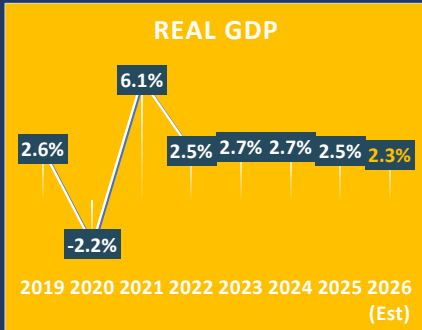


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Selected Indices



Big Items

GDP: Q1 has just come to an end and the data is being collected so we will soon have some idea what that quarter actually looked like (although there will be at least two revisions coming). The last estimate from GDPNow was not a great one - just 1.3%. At one point earlier in the quarter, the numbers looked promising and some asserted that 2.5% was possible. That was before the Iran war and the oil crisis and now the economy as a whole is limping at the slowest pace seen since Q1 of 2025.

Housing Permits/Starts: Housing starts showed some solid growth at the start of the year. They were up 7.2% over December of last year and 9.5% over the previous year. The pace of multi-family housing was the driver with a remarkable gain of 29.1% compared to a slight decline in the pace of single-family construction (down by 2.8%). That took place during the period when the 10-year bond yield fell slightly below 4.0% and mortgage rates fell a bit.

Raw Material Prices/Availability: The supply chain woes have been front and center for weeks now and the prospect for more disruption is high. The war in Iran has affected global supplies of oil, petrochemicals, precursor materials, fertilizer and so on. The list is very long. Add in the confusion over tariffs and there is spectacular variability across the supply chain. The most immediate pressing issue (beyond shortages) is the threat of much higher prices. Inflation has already hit the transportation sector with hikes of close to 5.0% over last year. Capacity is strained. The load to truck ration has not been this high since the pandemic – there are now 80 loads for every flatbed truck and that leads to very high pricing.

Labor Situation / Labor Costs: The latest reading for the Employment Cost Index for construction was growing at a somewhat accelerated pace. It was up 0.7% in the fourth quarter of last year and up by 4.3% for the year as a whole. That pace is expected to hold in Q1 of this year. Most of the increase has been accounted for by the medical sector but there have been major hikes in construction and manufacturing depending on the skill level involved. Labor shortage is acute despite the fact that 7 million people are looking for work. They lack the skills needed and already skilled workers are in short supply.

Manufacturing: The S&P PMI has been showing pretty solid global activity. Most of the nations are now in the expansion category (only four are in contraction). The US is at 51.6 and Canada is at 51.0. Mexico has slipped a bit from the 50s to 46.3 last month and 47.1 this month. The expectation had been that trade wars would have dragged these numbers down but that has not been the case thus far. The Asian states are doing better than those in Europe. China has a PMI reading of 52.1 despite the restrictions on selling to the US.

Risks

Oil, Oil, Oil – It seems like we have this scenario pretty often. Oil still propels the world in both obvious and subtle ways. As of this writing there had been a breakthrough in the Iran conflict as there is a ceasefire between the Hezbollah and Israel in Lebanon. This involves Iran as they are the supporters of Hezbollah. This truce means the Straits of Hormuz opened to traffic. Oil prices fell by 11% immediately. Whether this is temporary or more lasting remains to be seen.

Waiting for the Ten-Year Bond – The “magic” number when it comes to the yield on the ten-year bond is 4.0%. There is no hard and fast rule here but the mortgage markets respond. When the yield drops below that 4.0% level there is much more aggressive mortgage activity as we saw a few months ago. Right now, the yield is above that line and it has to retreat before there is another mortgage surge.

Macroeconomic Viewpoints

- Dr. Chris Kuehl

Can We Say Volatility? – The textbook definition of volatile just about says it all – “likely to change rapidly and unpredictably – especially for the worse”. It has been a volatile year and so was last year. Not that business leaders are unaccustomed to change – that is the norm as one never knows what the competitors have in mind and consumers are notoriously fickle. When one adds in a series of essentially “man-made” issues, the landscape gets very hard to navigate. There are currently three motivators for the current volatile climate.

The most recent one is the turmoil that surrounds the war with Iran. The oil markets have been significantly alarmed as the transportation of oil from the Middle East has been all but shut down. By now every person in the US has become familiar with the Straits of Hormuz and now understands that the bulk of the oil produced in this region has to travel through that narrow waterway. Given that the US is the world’s largest crude oil producer and shipper, it is confusing that problems in the Middle East matter. It is simply that oil is a traded commodity and the price per barrel is set by the markets. That price affects the US output as well as everybody else’s. This is how we get per barrel oil prices above \$100 when they were only between \$50 and \$60 a few months ago. Beyond that the region produces a whole host of products required by any number of industries – fertilizers. Helium, bromine and an alphabet soup of petrochemicals. This is essentially a supply chain issue and for the time being the supply chain is in total disarray. This means inflation spikes as well as mass uncertainty regarding when a given supply item will be available.

The second major motivator is one we have been familiar with for more than a year – tariffs. The decision on the part of the Supreme Court to back up all the previous court rulings on the use of IEEPA to impose a blanket tariff on the world threw the tariff conversation back to its origin. What system will be deployed now and for how long. The replacement system was Section 122 but it was limited in duration and expires on July 24. It will likely be replaced by Section 301 but that requires an investigation. If a country is found violating the provisions prohibiting structural excess capacity rules they can be hit with high tariffs. They can also be hit with tariffs if they are accused of deploying forced labor to make a product. This latter provision is very hard to prove. Even the US finds itself subject to this because there is prison labor used to produce things in the US. We call this part of a prison rehabilitation effort but others claim this is also forced labor. Working out these new tariff systems will be time-consuming and confusing.

This last issue is just starting to emerge and has not had a profound impact as yet. It will. China has been actively pressuring Taiwan and has now declared a “no fly” zone that prohibits air traffic between Taiwan and trading partners such as South Korea and Japan. This makes that business very costly and has affected the US supply chain as well. The Beijing leadership has been actively engaging with opposition parties in Taiwan as a means by which to exert even more pressure on the current Taiwanese government. The US has been on alert as far as these moves are concerned but reacting will be costly as it would mean pulling ships from the Middle East. The most immediate impact is a supply chain crisis involving what we obtain from Taiwan – the world’s largest manufacturer of chips. There is already a chip shortage due to the interruptions in the Middle East and further strains related to Taiwan make the issue all the more urgent.

All of these are the direct result of political decisions and that makes them all the more unpredictable. They came out of nowhere in most cases and the duration of the crisis depends on political calculations rather than any kind of economic consideration.

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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. Q3 2025 data is the latest available.

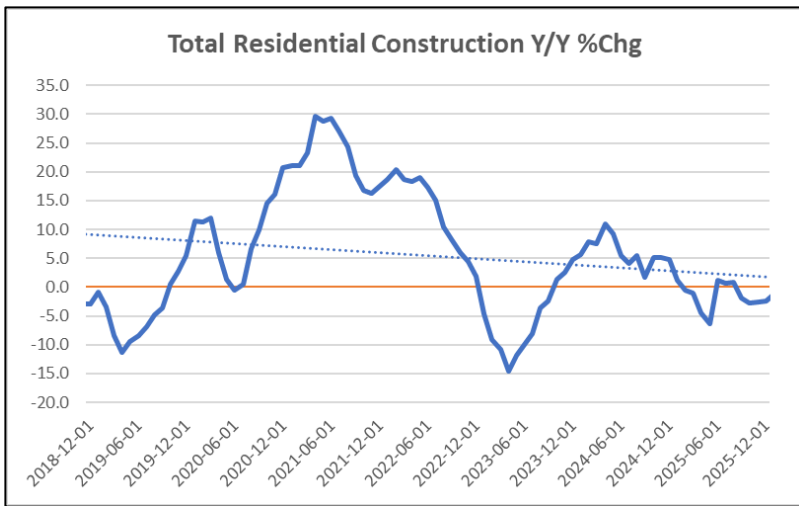
| Rank | MSA | Construction Scoring System | Outlook Region | Change in Gross Construction GDP | | BEA Region |
|------|--|------------------------------|----------------|--|--|------------|
| | | Construction Potential Score | | Q3 2025 Q/Q Change in Gross Construction GDP | Q3 2025 Y/Y Change in Gross Construction GDP | |
| 1 | Dallas-Fort Worth-Arlington, TX | 2781.9 | South | 0.2% | 1.2% | SW |
| 2 | Chicago-Naperville-Elgin, IL-IN-WI | 2612.7 | Midwest | 0.7% | 3.5% | GL |
| 3 | Houston-The Woodlands-Sugar Land, TX | 2583.9 | South | 0.2% | 1.2% | SW |
| 4 | New York-Newark-Jersey City, NY-NJ-PA | 2460.7 | Northeast | -0.7% | -1.4% | ME |
| 5 | Washington-Arlington-Alexandria, DC-VA-MD-WV | 2378.5 | Northeast | -0.6% | 0.9% | ME |
| 6 | Los Angeles-Long Beach-Anaheim, CA | 2109.8 | West | -0.6% | -2.6% | FW |
| 7 | Phoenix-Mesa-Scottsdale, AZ | 1959.9 | South | 0.2% | 4.0% | SW |
| 8 | Atlanta-Sandy Springs-Roswell, GA | 1781.1 | South | 0.3% | 6.5% | SE |
| 9 | Miami-Fort Lauderdale-West Palm Beach, FL | 1500.7 | South | -0.5% | -1.8% | SE |
| 10 | San Francisco-Oakland-Hayward, CA | 1387.2 | West | -0.6% | -2.6% | FW |
| 11 | Seattle-Tacoma-Belleue, WA | 1287.8 | West | -1.1% | -4.1% | FW |
| 12 | Minneapolis-St. Paul-Bloomington, MN-WI | 1271.8 | Midwest | 1.3% | 3.1% | GL |
| 13 | Boston-Cambridge-Newton, MA-NH | 1221.6 | Northeast | -0.4% | -0.8% | NE |
| 14 | Las Vegas-Henderson-Paradise, NV | 1130.6 | West | 0.1% | 3.9% | FW |
| 15 | Denver-Aurora-Lakewood, CO | 1094.5 | West | -0.4% | -1.3% | RM |
| 16 | Baltimore-Columbia-Towson, MD | 1048.1 | Northeast | 0.4% | 3.7% | ME |
| 17 | Riverside-San Bernardino-Ontario, CA | 999.9 | West | -0.6% | -2.6% | FW |
| 18 | Austin-Round Rock, TX | 992.9 | South | 0.2% | 1.2% | SW |
| 19 | Orlando-Kissimmee-Sanford, FL | 966.3 | South | -0.5% | -1.8% | SE |
| 20 | Tampa-St. Petersburg-Clearwater, FL | 919.5 | South | -0.5% | -1.8% | SE |
| 21 | Portland-Vancouver-Hillsboro, OR-WA | 888.2 | West | -0.9% | -3.5% | FW |
| 22 | Salt Lake City, UT | 886.1 | West | 0.4% | -0.5% | RM |
| 23 | Indianapolis-Carmel-Anderson, IN | 808.5 | Midwest | 1.1% | 2.9% | GL |
| 24 | Nashville-Davidson-Murfreesboro-Franklin, TN | 804.9 | South | -0.2% | 1.0% | SE |
| 25 | Charlotte-Concord-Gastonia, NC-SC | 732.6 | South | 1.2% | 4.8% | SE |
| 26 | St. Louis, MO-IL | 721.5 | Midwest | 0.8% | 3.5% | P |
| 27 | Sacramento-Roseville-Arden-Arcade, CA | 713.5 | West | -0.6% | -2.6% | FW |
| 28 | Detroit-Warren-Dearborn, MI | 710.4 | Midwest | 0.7% | 2.1% | GL |
| 29 | Raleigh, NC | 679.8 | South | 1.2% | 4.8% | SE |
| 30 | Columbus, OH | 678.2 | Midwest | 0.7% | 6.7% | GL |
| 31 | San Diego-Carlsbad, CA | 666.2 | West | -0.6% | -2.6% | FW |
| 32 | San Antonio-New Braunfels, TX | 650.0 | South | 0.2% | 1.2% | SW |
| 33 | Kansas City, MO-KS | 576.8 | Midwest | 0.9% | 3.9% | P |
| 34 | Baton Rouge, LA | 564.0 | South | 1.6% | 3.6% | SE |
| 35 | Cincinnati, OH-KY-IN | 563.8 | Midwest | 0.7% | 3.1% | GL |
| 36 | San Jose-Sunnyvale-Santa Clara, CA | 537.6 | West | -0.6% | -2.6% | FW |
| 37 | Jacksonville, FL | 516.3 | South | -0.5% | -1.8% | SE |
| 38 | Provo-Orem, UT | 427.6 | West | 0.4% | -0.5% | RM |
| 39 | Charleston-North Charleston, SC | 413.2 | South | -1.0% | 5.0% | SE |
| 40 | Boise City, ID | 409.7 | West | 1.5% | 7.9% | RM |
| 41 | Richmond, VA | 363.6 | South | -1.4% | -1.1% | SE |
| 42 | Louisville-Jefferson County, KY-IN | 361.0 | South | 0.8% | -0.4% | SE |
| 43 | Grand Rapids-Wyoming, MI | 337.6 | Midwest | 0.7% | 2.1% | GL |
| 44 | Urban Honolulu, HI | 324.6 | West | 0.1% | 3.1% | FW |
| 45 | Reno, NV | 318.8 | West | 0.1% | 3.9% | FW |

| Rank | MSA | Construction Scoring System | Outlook Region | Change in Gross Construction GDP | | BEA Region |
|------|---|------------------------------|----------------|--|--|------------|
| | | Construction Potential Score | | Q3 2025 Q/Q Change in Gross Construction GDP | Q3 2025 Y/Y Change in Gross Construction GDP | |
| 46 | North Port-Sarasota-Bradenton, FL | 317.2 | South | -0.5% | -1.8% | SE |
| 47 | New Orleans-Metairie, LA | 317.1 | South | 1.6% | 3.6% | SE |
| 48 | Philadelphia-Camden-Wilmington, PA-NJ-DE-MD | 316.0 | Northeast | 0.0% | 1.3% | ME |
| 49 | Ogden-Clearfield, UT | 313.8 | West | 0.4% | -0.5% | RM |
| 50 | Cape Coral-Fort Myers, FL | 308.6 | South | -0.5% | -1.8% | SE |
| 51 | Milwaukee-Waukesha-West Allis, WI | 304.3 | Midwest | 0.8% | 4.0% | GL |
| 52 | Greenville-Anderson-Mauldin, SC | 296.3 | South | -1.0% | 5.0% | SE |
| 53 | Des Moines-West Des Moines, IA | 279.3 | Midwest | 0.5% | -0.5% | P |
| 54 | Oklahoma City, OK | 270.4 | South | 1.2% | -3.0% | SW |
| 55 | Colorado Springs, CO | 253.1 | West | -0.4% | -1.3% | RM |
| 56 | Columbia, SC | 240.0 | South | -1.0% | 5.0% | SE |
| 57 | Omaha-Council Bluffs, NE-IA | 238.5 | Midwest | 0.8% | 1.9% | P |
| 58 | Birmingham-Hoover, AL | 234.5 | South | 1.8% | 6.0% | SE |
| 59 | Tucson, AZ | 220.7 | South | 0.2% | 4.0% | SW |
| 60 | Memphis, TN-MS-AR | 219.4 | South | -0.5% | 0.9% | SE |
| 61 | Lakeland-Winter Haven, FL | 212.8 | South | -0.5% | -1.8% | SE |
| 62 | Durham-Chapel Hill, NC | 208.4 | South | 1.2% | 4.8% | SE |
| 63 | Myrtle Beach-Conway-North Myrtle Beach, SC-NC | 203.4 | South | 0.5% | 4.9% | SE |
| 64 | Tulsa, OK | 197.3 | South | 1.2% | -3.0% | SW |
| 65 | Madison, WI | 195.1 | Midwest | 0.8% | 4.0% | GL |
| 66 | Greensboro-High Point, NC | 189.8 | South | 1.2% | 4.8% | SE |
| 67 | Albuquerque, NM | 185.3 | South | 0.1% | 9.4% | SW |
| 68 | Naples-Immokalee-Marco Island, FL | 173.7 | South | -0.5% | -1.8% | SE |
| 69 | Fresno, CA | 172.2 | West | -0.6% | -2.6% | FW |
| 70 | Deltona-Daytona Beach-Ormond Beach, FL | 170.9 | South | -0.5% | -1.8% | SE |
| 71 | Fayetteville-Springdale-Rogers, AR-MO | 167.2 | South | 0.9% | 2.0% | SE |
| 72 | Bridgeport-Stamford-Norwalk, CT | 165.7 | Northeast | 0.3% | 3.2% | NE |
| 73 | Lancaster, PA | 164.8 | Northeast | 0.2% | 1.1% | ME |
| 74 | Palm Bay-Melbourne-Titusville, FL | 162.7 | South | -0.5% | -1.8% | SE |
| 75 | Knoxville, TN | 158.3 | South | -0.2% | 1.0% | SE |
| 76 | Augusta-Richmond County, GA-SC | 157.5 | South | -0.1% | 6.0% | SE |
| 77 | Stockton-Lodi, CA | 156.9 | West | -0.6% | -2.6% | FW |
| 78 | Albany-Schenectady-Troy, NY | 154.2 | Northeast | -1.1% | -3.3% | ME |
| 79 | Greeley, CO | 152.8 | West | -0.4% | -1.3% | RM |
| 80 | Little Rock-North Little Rock-Conway, AR | 147.9 | South | -0.4% | -0.9% | SE |
| 81 | Santa Rosa, CA | 144.0 | West | -0.6% | -2.6% | FW |
| 82 | Corpus Christi, TX | 141.9 | South | 0.2% | 1.2% | SW |
| 83 | Rochester, NY | 141.1 | Northeast | -1.1% | -3.3% | ME |
| 84 | Huntsville, AL | 140.2 | South | 1.6% | 3.6% | SE |
| 85 | Bakersfield, CA | 134.1 | West | -0.6% | -2.6% | FW |
| 86 | Anchorage, AK | 129.3 | West | 1.5% | 7.0% | FW |
| 87 | Lexington-Fayette, KY | 129.0 | South | 0.0% | -7.3% | SE |
| 88 | Salisbury, MD-DE | 127.0 | Northeast | 0.3% | 3.1% | ME |
| 89 | Fort Collins, CO | 126.6 | West | -0.4% | -1.3% | RM |
| 90 | Oxnard-Thousand Oaks-Ventura, CA | 124.9 | West | -0.6% | -2.6% | FW |
| 91 | Pensacola-Ferry Pass-Brent, FL | 122.3 | South | -0.5% | -1.8% | SE |
| 92 | Wichita, KS | 121.3 | Midwest | 0.0% | 5.3% | P |
| 93 | Vallejo-Fairfield, CA | 115.4 | West | -0.6% | -2.6% | FW |
| 94 | Spokane-Spokane Valley, WA | 113.5 | West | -1.1% | -4.1% | FW |
| 95 | Port St. Lucie, FL | 111.2 | South | -0.5% | -1.8% | SE |
| 96 | Savannah, GA | 106.2 | South | 0.3% | 6.5% | SE |
| 97 | Fargo, ND-MN | 104.0 | Midwest | 1.6% | 2.9% | P |
| 98 | Killeen-Temple, TX | 103.9 | South | 0.2% | 1.2% | SW |
| 99 | McAllen-Edinburg-Mission, TX | 96.9 | South | 0.2% | 1.2% | SW |

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|------|-------------------------------|------------------------------|----------------|--|--|------------|
| | | Construction Potential Score | | Q3 2025 Q/Q Change in Gross Construction GDP | Q3 2025 Y/Y Change in Gross Construction GDP | |
| 100 | Kennewick-Richland, WA | 93.9 | West | -1.1% | -4.1% | FW |
| 101 | Sioux Falls, SD | 91.6 | Midwest | 0.7% | -3.5% | P |
| 102 | Modesto, CA | 83.0 | West | -0.6% | -2.6% | FW |
| 103 | Santa Maria-Santa Barbara, CA | 73.5 | West | -0.6% | -2.6% | FW |
| 104 | Lafayette, LA | 72.6 | South | 1.6% | 3.6% | SE |
| 105 | Visalia-Porterville, CA | 47.4 | West | -0.6% | -2.6% | FW |

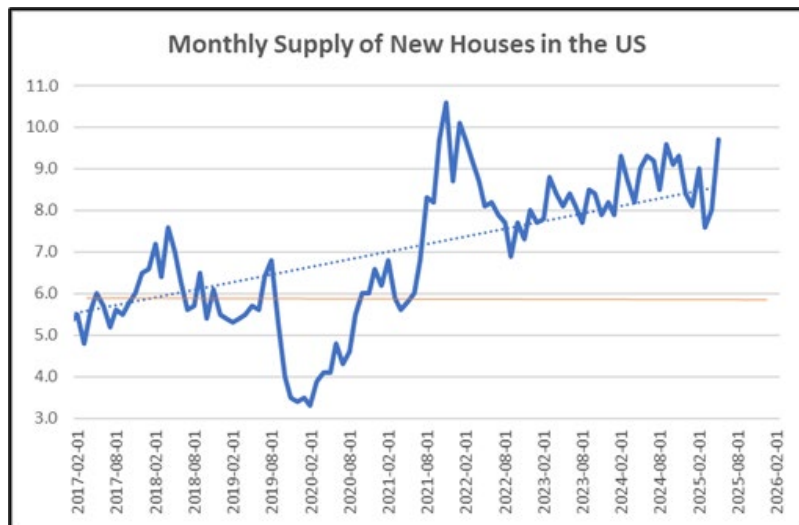
Residential Construction

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



Total Residential Construction (PRRESCONS)

- Total residential construction in January (latest available), was up 2.3% Y/Y (1.3% last month). But it was down 0.8% M/M (unchanged last month).
- Outlook:** Once again, the 10Y Treasury yield rate is critical for the sector. At the time of writing, the 10-Year Treasury is hovering around 4.32%, which is higher than the 4.1% noted in last month's report. Remember that early in February it dipped below 4% and mortgage rates dipped below 6%. That helped boost refinancing activity by 128% and new mortgage originations were up 8% Y/Y vs the same comparable week a year ago. This shows how important the treasury rate is and how sensitive the market can be. But bond traders typically run from geopolitical uncertainty, inflation, and deficits – and all three are at risk since the start of the conflict in the Middle East.



Monthly Supply of Homes (MSACSR)

- The monthly supply of homes came in at 9.7, which is the highest since 2022. A balanced market would be roughly 6 months of inventory on hand.
- Outlook:** The monthly supply of homes data was worrisome in January. Reports were suggesting that the demand side of the equation, however, is quite strong. Many different reports at the end of Q1 suggested anywhere from 2 million to 3 million homes needed to meet demand over the next couple of years. In a normal year, the country will struggle to build 1.6-1.7 million. Like other residential measures, this will be highly regional. Also note that in many areas, some housing cooling is due to limits in infrastructure (water, sewer, roads, etc.). As infrastructure “catches up” we see improvements in housing. Overall, it looks like lower mortgage rates are the real trigger as mentioned.

| Month | United States | | | | |
|----------|---------------|--------|---------|--------------|-----------------|
| | Total | 1 unit | 2 units | 3 to 4 units | 5 units or more |
| 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 |
| Sep 2025 | 118.2 | 73.4 | 3.1 | 1.7 | 40.0 |
| Oct 2025 | 125.3 | 76.4 | 3.5 | 1.7 | 43.3 |
| Nov 2025 | 94.1 | 58.5 | 2.7 | 1.2 | 31.7 |
| Dec 2025 | 117.6 | 63.6 | 2.4 | 1.5 | 50.0 |
| Jan 2026 | 100.2 | 62.0 | 2.5 | 1.2 | 34.5 |

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

- Housing permits were down 5.1% Y/Y through the end of January (latest available due to government shutdown). Single-family was down 11.3% from a year ago but multi-family was up 10.1% from last year (multi-family rates can be volatile M/M).
- Looking Ahead:** Many homebuilders are trying to understand where the market is headed. Custom home builders are doing well, with backlogs stretching out well into 2027 for many. In fact, many builders have a waiting list before they have the capacity to actually start new homes. But the spec builder market is slow to initiate new construction – and are concerned that a combination of higher interest rates and higher construction prices will keep consumers on the sidelines. Weaker permit data and weak consumer sentiment will continue to hold some of them back. Again, the 10Y under 4% would be a key psychological threshold.

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 |
| 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% |
| Sep 2025 | 12.1 | 19.8% | 6.4% | 14.2% | 5.1 | 0.0% | 0.0% | 4.1% | 7.0 | 40.0% | 12.5% | 22.8% |
| Oct 2025 | 12.1 | 9.0% | 3.8% | 0.0% | 5.5 | -5.2% | 3.3% | 7.8% | 6.6 | 24.5% | 4.6% | -5.7% |
| Nov 2025 | 9.0 | -18.2% | -3.8% | -25.6% | 4.0 | -7.0% | -5.1% | -27.3% | 5.0 | -25.4% | -2.4% | -24.2% |
| Dec 2025 | 16.0 | 15.1% | 17.4% | 77.8% | 4.6 | 4.5% | -1.5% | 15.0% | 11.4 | 20.0% | 32.7% | 128.0% |
| Jan 2026 | 11.4 | 16.3% | 7.8% | -28.8% | 3.9 | -11.4% | -9.2% | -15.2% | 7.5 | 38.9% | 23.2% | -34.2% |

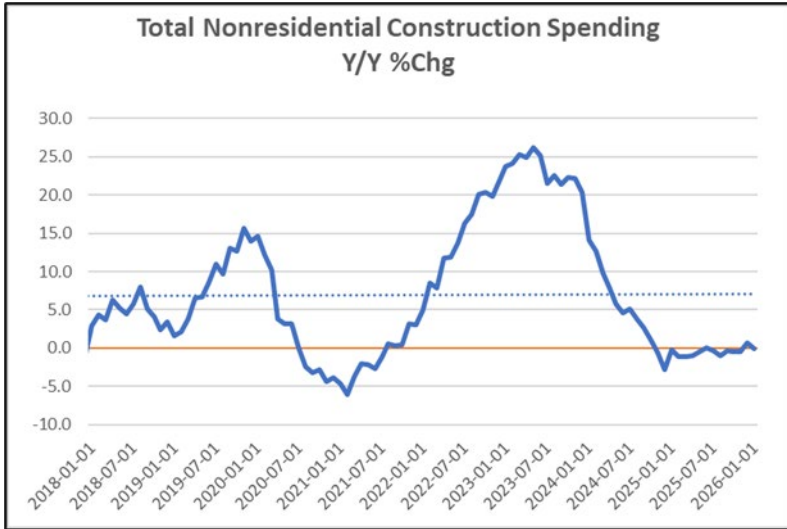
| Month | Midwest | | | | | | | | | | | |
|----------|---------|--------|---------------------|--------|--------|--------|---------------------|--------|--------|--------|---------------------|--------|
| | Total | Y/Y | 3-Month Moving Avg. | M/M | 1 unit | Y/Y | 3-Month Moving Avg. | M/M | 5 unit | Y/Y | 3-Month Moving Avg. | M/M |
| 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% |
| Sep 2025 | 19.0 | 3.8% | -2.9% | 3.3% | 12.4 | 6.9% | 1.9% | 10.7% | 6.6 | -1.5% | -9.8% | -8.3% |
| Oct 2025 | 20.4 | -0.5% | 0.9% | 7.4% | 12.1 | -4.0% | 1.3% | -2.4% | 8.3 | 5.1% | 1.4% | 25.8% |
| Nov 2025 | 13.8 | -16.9% | -7.2% | -32.4% | 8.1 | -9.0% | -8.3% | -33.1% | 5.7 | -26.0% | -4.6% | -31.3% |
| Dec 2025 | 14.1 | -0.7% | -7.6% | 2.2% | 7.6 | 0.0% | -13.9% | -6.2% | 6.5 | -1.5% | 2.8% | 14.0% |
| Jan 2026 | 12.8 | -0.8% | -13.1% | -9.2% | 6.6 | -9.6% | -17.5% | -13.2% | 6.2 | 10.7% | -7.3% | -4.6% |

| Month | South | | | | | | | | | | | |
|----------|---------------------|--------|-------|--------|--------|--------|---------------------|--------|--------|--------|---------------------|--------|
| | 3-Month Moving Avg. | | | | 1 unit | | | | 5 unit | | | |
| | Total | Y/Y | Avg. | M/M | 1 unit | Y/Y | 3-Month Moving Avg. | M/M | 5 unit | Y/Y | 3-Month Moving Avg. | M/M |
| 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% |
| Sep 2025 | 61.5 | 4.1% | -4.0% | 3.7% | 41.1 | -4.4% | -4.2% | -2.6% | 20.4 | 26.7% | -3.0% | 19.3% |
| Oct 2025 | 63.1 | -3.8% | -1.4% | 2.6% | 42.9 | -10.4% | -2.5% | 4.4% | 20.2 | 14.1% | 1.7% | -1.0% |
| Nov 2025 | 47.4 | -13.3% | -6.2% | -24.9% | 34.1 | -12.3% | -6.2% | -20.5% | 13.3 | -15.8% | -5.3% | -34.2% |
| Dec 2025 | 56.0 | -6.5% | -1.4% | 18.1% | 36.5 | -11.6% | -3.0% | 7.0% | 19.5 | 4.8% | 3.8% | 46.6% |
| Jan 2026 | 54.2 | -17.9% | -3.3% | -3.2% | 38.2 | -14.7% | -2.9% | 4.7% | 16.0 | -24.5% | -1.8% | -17.9% |

| Month | West | | | | | | | | | | | |
|----------|---------------------|--------|-------|--------|--------|--------|---------------------|--------|--------|--------|---------------------|--------|
| | 3-Month Moving Avg. | | | | 1 unit | | | | 5 unit | | | |
| | Total | Y/Y | Avg. | M/M | 1 unit | Y/Y | 3-Month Moving Avg. | M/M | 5 unit | Y/Y | 3-Month Moving Avg. | M/M |
| 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% |
| Sep 2025 | 25.6 | -1.2% | -2.2% | -0.4% | 14.8 | -12.9% | -2.6% | 5.0% | 10.8 | 21.3% | 0.9% | -6.9% |
| Oct 2025 | 29.4 | 5.8% | 6.6% | 14.8% | 15.8 | -12.7% | 0.3% | 6.8% | 13.6 | 40.2% | 18.0% | 25.9% |
| Nov 2025 | 23.8 | -4.8% | -1.5% | -19.0% | 12.2 | -15.9% | -3.7% | -22.8% | 11.6 | 10.5% | 1.4% | -14.7% |
| Dec 2025 | 31.4 | 27.6% | 9.2% | 31.9% | 15.0 | 0.0% | 2.3% | 23.0% | 16.4 | 70.8% | 17.5% | 41.4% |
| Jan 2026 | 21.7 | -4.8% | -6.0% | -30.9% | 13.3 | -19.9% | -3.7% | -11.3% | 8.4 | 35.5% | -7.4% | -48.8% |

| Housing and Interest Rate Forecast, 04/02/2026 | | | | | | | |
|---|-------|-------|-------|-------|-------|-------|-------|
| NAHB: https://www.nahb.org/news-and-economics/housing-economics/Forecasts | | | | | | | |
| | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 |
| Housing Activity (000) | | | | | | | |
| Total Housing Starts | 1,552 | 1,421 | 1,371 | 1,357 | 1,333 | 1,335 | 1,370 |
| Single Family | 1,005 | 947 | 1,016 | 943 | 908 | 954 | 995 |
| Multifamily | 547 | 473 | 355 | 415 | 425 | 381 | 375 |
| New Single Family Sales | 637 | 665 | 685 | 679 | 653 | 675 | 697 |
| Existing Single-Family Home Sales | 4,532 | 3,670 | 3,664 | 3,700 | 3,801 | 4,206 | 4,489 |
| Interest Rates | | | | | | | |
| Federal Funds Rate | 0.00% | 5.03% | 5.15% | 4.21% | 3.62% | 3.35% | 3.13% |
| Treasury Yield: | | | | | | | |
| Ten Year Maturity | 2.95% | 3.96% | 4.21% | 4.29% | 4.20% | 4.00% | 3.95% |
| Freddie Mac Commitment Rate: | | | | | | | |
| Fixed Rate Mortgages | 5.34% | 6.81% | 6.72% | 6.60% | 6.14% | 5.94% | 5.89% |
| Prime Rate | 4.85% | 8.19% | 8.31% | 7.37% | 6.75% | 6.48% | 6.25% |
| For more forecast details, visit www.nahb.org . | | | | | | | |

Nonresidential Construction



Total Non-Residential Construction (TLNRESCONS)

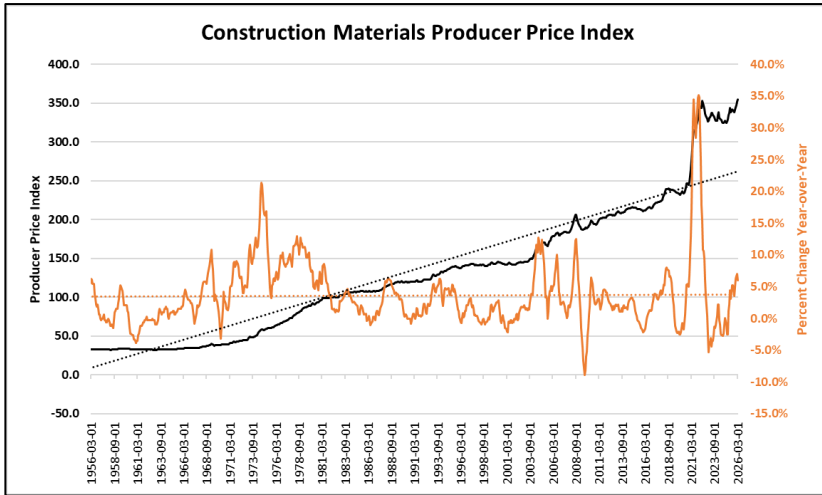
- Total Non-Residential Construction activity in January (latest available) was 0.1% lower than it was a year ago (0.7% higher last month) but was unchanged M/M (-0.5% in the last report). Overall spending was still high at \$1.245T (the prior annualized run rate peak of \$900B was in September of 2022).
- Outlook:** The industry continues to be driven by data center, advanced manufacturing, power generation, pockets of health care and education spending. Infrastructure spending on water/sewer, highway and bridges, and other elements under the IJA funding are also growing at high single digit rates. The sluggishness is still coming from general commercial, office, and a few pockets of low-tech structures. Even transportation spending (logistics and advanced warehousing) was showing modest elements of improvement.

Non-Residential Spending by Sector

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

| Category | Current Spending (\$M) | 2024 Annual (\$M) | 2025 Annual (\$M) | Historical CAGR 1Y % |
|----------------------------------|------------------------|-------------------|-------------------|----------------------|
| Total Private Construction | \$1,661,190 | \$1,696,044 | \$1,650,755 | -2.7% |
| Residential (inc. Improvements) | \$932,950 | \$929,547 | \$908,177 | -2.3% |
| New single family | \$410,014 | \$433,280 | \$419,245 | -3.2% |
| New multifamily | \$115,115 | \$125,113 | \$114,671 | -8.3% |
| Nonresidential | \$728,241 | \$766,497 | \$742,578 | -3.1% |
| Manufacturing | \$195,309 | \$234,872 | \$218,899 | -6.8% |
| Power (inc. Gas and Oil) | \$144,171 | \$136,761 | \$140,539 | 2.8% |
| Electric | \$118,899 | \$114,967 | \$118,899 | 3.4% |
| Commercial (inc. Farm) | \$115,583 | \$126,815 | \$115,061 | -9.3% |
| Computer/ electronic/ electrical | \$103,658 | \$122,332 | \$103,658 | -15.3% |
| Office | \$93,209 | \$87,376 | \$89,868 | 2.9% |
| Warehouse | \$55,351 | \$62,833 | \$55,351 | -11.9% |
| Health care | \$52,947 | \$54,713 | \$53,213 | -2.7% |
| General commercial | \$49,276 | \$55,878 | \$49,276 | -11.8% |
| General | \$46,062 | \$52,950 | \$46,062 | -13.0% |
| Chemical | \$43,737 | \$39,989 | \$43,737 | 9.4% |
| Data center | \$41,100 | \$31,141 | \$41,100 | 32.0% |
| Communication | \$28,808 | \$28,754 | \$28,566 | -0.7% |
| Hospital | \$27,521 | \$26,666 | \$27,521 | 3.2% |
| Educational | \$25,988 | \$25,807 | \$25,142 | -2.6% |
| Lodging | \$23,304 | \$23,695 | \$22,909 | -3.3% |
| Medical building | \$20,441 | \$23,613 | \$20,441 | -13.4% |
| Transportation | \$19,593 | \$19,737 | \$19,354 | -1.9% |
| Amusement and Recreation | \$19,969 | \$19,188 | \$19,482 | 1.5% |
| Multi-retail | \$16,008 | \$17,467 | \$16,008 | -8.4% |
| Food/beverage/ tobacco | \$15,268 | \$15,602 | \$15,268 | -2.1% |
| Transportation equipment | \$14,655 | \$15,658 | \$14,655 | -6.4% |
| Higher education | \$13,089 | \$13,231 | \$13,089 | -1.1% |
| Land | \$12,857 | \$13,841 | \$12,857 | -7.1% |
| Food/beverage | \$4,912 | \$5,573 | \$4,912 | -11.9% |

- The chart on the left shows a number of primary sectors of non-residential construction, and its one-year growth rate. The next 3 and 5 year annual growth rates are in a chart now shown in the forecast section at the end of the quarterly report. The sectors are ranked based on size of spending.
- Not surprisingly, data centers are expected to grow at the fastest pace at nearly 32% over the past year and the outlook shows it remaining strong through 2028. Debates are raging concerning the sustainability of data center demand, but the latest forecasts show it remaining resilient and struggling to keep pace with demand well into the end of the decade.
- Manufacturing is going through a transitional phase in which many projects started in 2021/2022 are delivering and new projects are facing slight delays in kickoff.
- Power creation still 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. Many GC's are forecasting more near-term demand for power generation resources – perhaps outpacing data centers in the near term – and will certainly outpace it in total dollars of construction spending.
- 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.
 - Healthcare and hospital construction will be needed to meet demographic trends.
 - There are still signals that higher ed construction will be accelerating, largely because of retraining in the trades and the lab/hands on facilities that will be required.



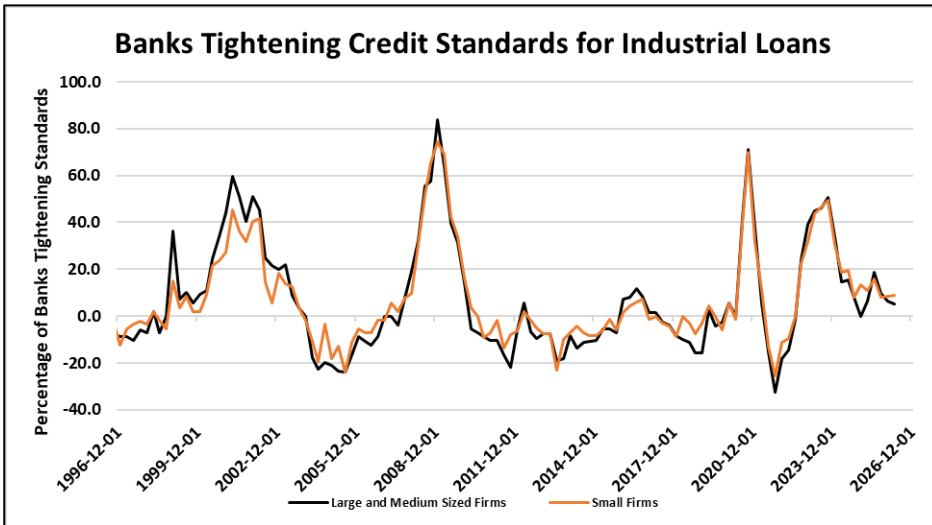
Construction Materials Price Index (WPUSI012011)

- The Producer Price Index for Construction Materials was higher by 0.8% M/M but was up 6.0% Y/Y through March (latest available). The current index is at 354.9 points; a new peak in the index.
- **Outlook:** The tariff architecture is shifting rapidly and construction materials are in the crosshairs. The February IEEPA replacement, a 10% Section 122 tariff, expires July 24th, and Section 301 investigations launched in March are expected to produce higher, more durable replacement rates before that deadline. Copper is the sharpest pressure point, COMEX near \$5.76/lb, up ~32% Y/Y, driven by AI data center demand, global defense buildout, and Chinese smelter cuts. The real concern remains inventory depth: distributors have operated lean for years, and a shock or disruption at a single mill, port, or fabricator could translate immediately to job-site shortfalls with very little runway to substitute.

| Producer Price Index - Key Industry Products | | | | | | | |
|---|----------------|--------|--------|----------|--------|-----------|-----------------|
| Category | PPI Code | Feb-26 | Jan-26 | M/M% Chg | Feb-25 | Y/Y % Chg | Annual Forecast |
| Core Materials | | | | | | | |
| Copper | WPUSI019011 | 709.0 | 706.3 | 0.4% | 568.1 | 24.8% | 0.1% |
| Lumber | WPU081 | 272.0 | 265.4 | 2.5% | 269.4 | 1.0% | -1.2% |
| Nickel | WPU102504 | 211.5 | 215.7 | -2.0% | 206.0 | 2.7% | -3.5% |
| Cement | PCU32732032732 | 398.0 | 397.0 | 0.3% | 369.7 | 7.7% | 4.1% |
| Pipe, Valves and Fittings | | | | | | | |
| Metal valves, except fluid power | WPU114902 | 485.7 | 484.9 | 0.2% | 454.0 | 7.0% | 5.8% |
| Gates, globes, angles and check valves | WPU114902011 | 187.8 | 186.8 | 0.5% | 175.9 | 6.8% | 6.0% |
| Ball valves | WPU11490202 | 630.0 | 630.0 | 0.0% | 593.4 | 6.2% | 3.9% |
| Butterfly valves (formerly W2421490203) | WPU11490203 | 369.7 | 369.7 | 0.0% | 334.4 | 10.6% | 2.7% |
| Industrial plug valves | WPU11490204 | 336.5 | 336.5 | 0.0% | 332.5 | 1.2% | 7.1% |
| Solenoid valves | WPU11490208 | 372.2 | 372.2 | 0.0% | 372.2 | 0.0% | 1.5% |
| Other industrial valves, including nuclear | WPU11490209 | 446.6 | 446.6 | 0.0% | 411.1 | 8.6% | 9.3% |
| Automatic valves | WPU11490211 | 289.0 | 286.5 | 0.9% | 272.5 | 6.1% | 4.6% |
| Metal pipe fittings, flanges and unions | WPU11490301 | 535.7 | 535.6 | 0.0% | 497.2 | 7.7% | 3.8% |
| Steel pipe and tube | WPU101706 | 394.8 | 387.2 | 2.0% | 350.8 | 12.5% | -0.5% |
| Steel pipe and tube, stainless | WPU10170674 | 147.8 | 148.1 | -0.2% | 133.2 | 11.0% | 1.2% |
| Copper and Brass Mill Shapes | WPU102502 | 757.2 | 747.4 | 1.3% | 657.9 | 15.1% | 1.2% |
| Plastic pipe | WPU07210603 | 170.2 | 171.3 | -0.6% | 179.2 | -5.0% | -4.9% |
| Plastic pipe fittings and unions | WPU07210604 | 334.5 | 334.6 | 0.0% | 319.3 | 4.8% | 11.8% |
| Plumbing Fixtures, Fittings and Trim | | | | | | | |
| Bath and shower fittings | WPU10540211 | 286.7 | 286.7 | 0.0% | 286.7 | 0.0% | 0.0% |
| Lavatory and sink fittings | WPU10540218 | 211.6 | 211.6 | 0.0% | 208.6 | 1.4% | 1.4% |
| Enameled iron and metal sanitary ware | WPU1056 | 284.5 | 284.5 | 0.0% | 284.5 | 0.0% | 0.0% |
| Steam and Hot Water Equipment | | | | | | | |
| Cast iron heating boilers, radiators and convectors | WPU10610106 | 331.9 | 331.5 | 0.1% | 311.1 | 6.7% | 12.1% |
| Domestic water heaters | WPU106601 | 647.4 | 647.4 | 0.0% | 591.4 | 9.5% | 8.2% |
| Electric water heaters | WPU10660101 | 641.0 | 641.0 | 0.0% | 587.0 | 9.2% | 8.5% |
| Non-electric water heaters | WPU10660114 | 394.2 | 394.2 | 0.0% | 359.7 | 9.6% | 7.9% |
| Warehousing, Storage and Relates Services | | | | | | | |
| | WPU321 | 151.1 | 149.9 | 0.8% | 147.4 | 2.5% | -1.0% |

Banking Credit and Finance

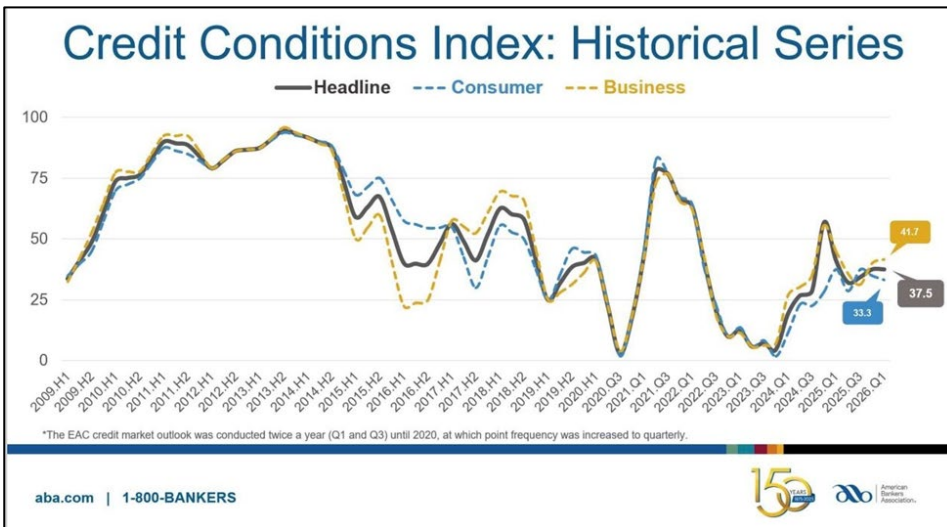
Overall Observations: The Federal Reserve unchanged in its latest meeting but is still on track to only trim another 25 basis points in 2026 if current conditions hold. As mentioned last quarter, most eyes are still on the 10 Year Treasury, and concerns over the conflict, inflation, and US deficits are keeping rates high, which keeps mortgage rates above accommodative levels. Banks were shrugging off concerns in the private credit sector and conditions were still generally more accommodative than they have been since 2021.



Banks Tightening Conditions

(DRTSCILM; DRTSCIS)

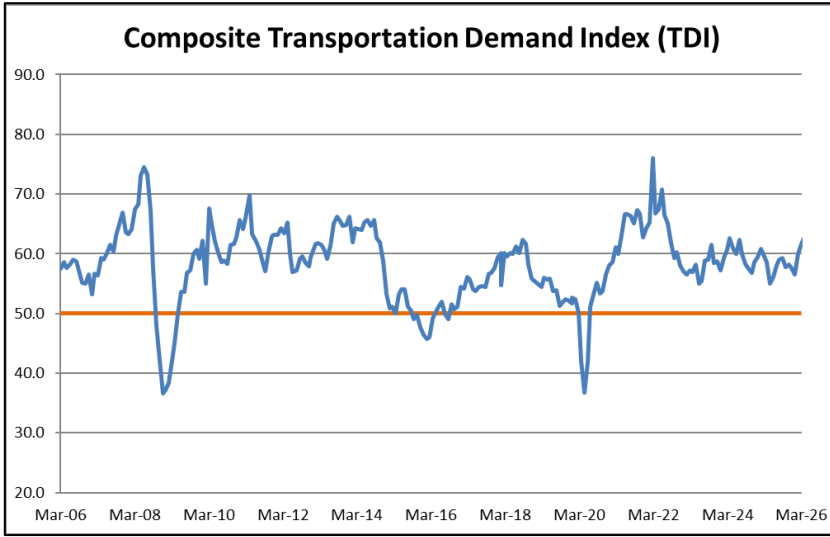
- Bank tightening was mixed in Q1. Approximately 5.3% of large and medium-sized commercial firms were getting tighter conditions and 8.9% of smaller firms were seeing tightening, relatively unchanged from last quarter.
- **Outlook:** The credit market is going through a wave of uncertainty, largely tied to private credit firms and self-tightening taking place on lending in the (loose regulatory) sector. But traditional credit availability remains good for qualified borrowers and banks are looking for opportunities across many sectors of nonresidential. Given the data reported by the Federal Government on banks tightening, the best way to characterize it is to say that “conditions are not loose, but accommodative for most projects seeking funding – at a cost”.



ABA Credit Conditions (ABA)

- The American Bankers Association’s Credit Conditions Index for business credit was unchanged at 37.5 in Q1 (latest available at the time of publication). This was the fifth consecutive quarter that the index remained below the 50 level suggesting that bankers believe credit conditions will deteriorate over the next 6 months. The Business Credit Index rose 1.7 points to 41.7 in the first quarter, following an 8.7-point jump in the previous quarter. While the below-50 reading still signals expected deterioration, the outlook for both business credit quality and availability became less negative over the quarter.
- **Outlook:** According to the ABA: “This is the fifth consecutive quarter the index has come in below the neutral threshold of 50, signaling expectations of deteriorating credit conditions over the next six months, with the index remaining unchanged from the previous quarter. EAC economists currently expect real GDP growth to slow and return to on-trend growth through the end of 2027 and estimate a 25% probability of a recession in 2026.”

Supply Chain and Transportation Situation



Transportation Demand Growing

- The Transportation Demand Index shows the current demand environment for freight services, and it was accelerating in March.
- The composite TDI index came in 1.6% higher M/M in March (2.7% last month) and it was 5.0% higher Y/Y (1.3% last month).
- **Outlook:** The index has now touched its highest level since nearly the 2022 global supply chain crisis. This means that the transportation sector is seeing demand return for the first time in nearly 3 years. The industry was emerging from a secular recession that began in the fall of 2022. Many companies will try to recover lost margins from the past few years and raise money to invest in outdated equipment that is past its replacement date.. This also typically leads to price increases and signals tightening capacity (mentioned in the broader article below).

| | Mar-26 | Feb-26 | Feb-25 | Y/Y Change % | M/M Change % |
|------------------|--------|--------|--------|--------------|--------------|
| Composite | 62.6 | 61.6 | 59.6 | 5.0% | 1.6% |
| Rail | 60.1 | 59.3 | 57.8 | 4.0% | 1.3% |
| Trucking | 63.4 | 61.4 | 59.4 | 6.7% | 3.3% |
| Air | 57.1 | 72.7 | 70.3 | -18.8% | -21.5% |
| Maritime | 55.5 | 71.4 | 68.6 | -19.1% | -22.3% |

Mode Capacity in Rail and Trucking Tighten

- Data is showing that two sectors were in sharp rebound while air and maritime were still struggling under the weight of higher operating costs. Trucking was the fastest growing, the index was 6.7% higher than it was a year ago while rail was bringing up a close second at 4.0%. Struggling under the weight of higher shipping costs and surging fuel prices was air cargo, the index showed an 18.8% dip against last year and maritime was still off-cycle, and was coming in 19.1% lower than last year. In these situations (higher fuel price environments) there is typically a shift from higher cost modes into trucking and rail, it is known as “modal migration”, and this was clearly underway based on the latest index data.

What we are Watching in Transportation

Watch for Surges. The transportation sector is under heavy impacts from the closure of the Strait of Hormuz and challenges in the Red Sea. Domestically, US inland distribution rates were surging late in Q1. Capacity in trucking has fallen off as a result of surging diesel prices (which led to small trucking firms temporarily exiting the market), crackdowns on CDL drivers that don’t meet qualifications, and driver retirements. A closely watched metric in the industry is known as the load-to-truck-ratio (LTR) and in the dry van truckload segment, it was 89.5% higher Y/Y, and it was showing that there were more than 9 loads for every available truck. Any firm trying to book flatbed would see LTR’s 81.6% higher Y/Y with more than 80 loads for every available truck. Spot prices are up anywhere from 4.5% to 9% depending on the lane, and on top of that, shippers are paying a fuel surcharge that is currently 57.7% higher Y/Y.

With a wave of inbound freight that should be hitting the US and no real changes in new capacity, we expect transportation freight rates to remain higher for longer. Trucking firms were reporting that their pricing environment was one of the strongest in nearly 4 years and as mentioned, they will be working on investing and purchasing new revenue equipment – using the margins on freight rates to do so. Class 8 new truck orders placed early in the year were surging on optimism that this was the end of the “freight recession”. Watch other modes and consider them (rail intermodal) in the near term.

Construction Industry Outlook

| | 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 |

At the time of writing, news was breaking that the Strait of Hormuz would be reopened by an agreement between the US and Iran. Details on the reopening were not clear at the time, but crude oil prices were reacting immediately. **That being said, analysts believe that the global supply chain recovery period will take “quarters – not months”.** Especially for refined fuels where refinery destruction in the Persian Gulf will take much time for full recovery. In addition, it sounds like Iranian exports will still be under restrictions, which will add some supply chain uncertainty.

The outlook for the full economy continues to be mixed. **The Federal Reserve increased its forecast for GDP (after the start of the conflict) from 2.3% to 2.4%. That was a modest increase – but directionally positive.** Some private forecasts have it as high as 3.5%-4% depending on several factors.

The most critical of which is **the performance of the bond market.** Bond traders generally resist high inflation, rising deficits, and geopolitical uncertainty, all of which were primary concerns in March. However, prior to the conflict, **yield rates moved below 4% which pulled mortgage rates below 6%. This triggered a 128% Y/Y increase in refi activity and an 8% increase in new mortgage originations in the first two weeks of February.** Those thresholds are clear, and if the 10Y revisits those levels post-conflict, it can have a significant impact on everything from residential housing to nonresidential project starts.

Tariff volatility is also still a factor but even in it, May/June could finally bring clarity into tariff policy. Current Section 122 tariffs expire on July 24th, and are expected to be replaced by Section 301 tariffs. At this time, it is unclear what the new 301 tariff percentages will be or what countries will get which tariffs. But after a period of public comments in May and early June, those percentages will become clearer. With luck, these would become the biggest (final) changes in tariff policy and purchasing managers could work with more certainty. Here’s hoping!

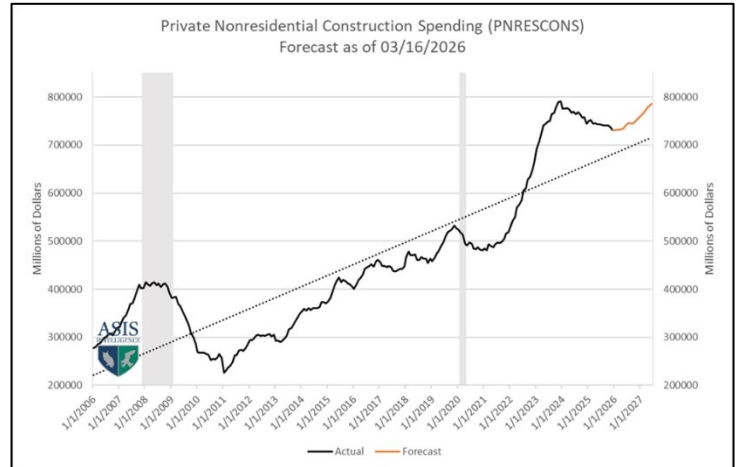
Non-residential construction is still holding its own but year-over-year growth rates are still slowing across many sectors through January. Obvious sectors are still surging and are expected to have a long runway. Data center construction, power generation, pockets of advanced manufacturing, health care, and pockets of higher education appear to have strong growth outlooks. Looking ahead across the broader sector, **the forecast still shows activity remaining ahead of the long-term average but they will continue to be flat through much of 2026 before new acceleration late this year and into 2027 (forecast on the right).** The big story continues to be the volume of inbound investments headed to the US (estimated to be \$2T in 2026/2027 and more than \$5T before the end of the decade). Additional spending and new project announcements continue, and stories continue to suggest that many shovel-ready projects are waiting for power accessibility before they can “put shovels in dirt”. **That will keep new starts sporadic, but leaning toward upside growth potential rather than prolonged downside risk.**



Based on regional locations, project announcements are becoming more wide-spread. Data center and power generation projects are hitting nearly every state. In addition, many manufacturing projects are following power generation developments.

What seems to delineate different regions is the ancillary construction activity (health care, education, commercial, and even residential) which is driven much higher in areas that are gaining corporate relocations and immigration headcount. Generally (although not a hard and fast rule), it is anticipated that this will continue to hit along the Sunbelt regions.

Armada predictive models for residential construction continue to show some good improvement in the outlook, but again, it depends on performance of the 10Y US Treasury bond. The current model for the next 18 months (shown on the right) has a good growth trajectory (and it will move just above the long-term trendline). A healthy housing market can contribute more than 16% of GDP, it has a significant impact on the economy and this is one of the “other” factors mentioned prior that if this acceleration hits, it could push US GDP growth well above the 2.4% Fed expectation levels and closer to the 3-3.5% range mentioned. The **National Realtors Association still believes that new home construction will grow at a 5% annual rate.** That would seem to corroborate with the model on the right.



Multifamily overbuilding is still a factor and many markets remain sluggish. Getting financing capital costs lower could help with new project starts. But for now, most markets are still stalled.

Looking at the broader outlook, the conflict was obviously a Black Swan event that few of us knew the timing on. We expected it to take place (it was easy to see the buildup), but the timing hit before expected. But overall, assuming that the conflict is indeed coming to an end, **paper demand across all sectors should remain stable** (but not robust) with some pockets likely seeing upside momentum continuing (e-commerce, shipping packaging and corrugated containers, etc.). And **if we see some relief in interest rates, the stalled housing sector will ignite which could lift all sectors** and this would lift the overall outlook.

| Category | Current Spending (\$M) | 2022 Annual (\$M) | 2023 Annual (\$M) | 2024 Annual (\$M) | 2025 Annual (\$M) | Forecast CAGR 3Y % | Forecast CAGR 5Y % |
|----------------------------------|------------------------|-------------------|-------------------|-------------------|-------------------|--------------------|--------------------|
| Total Private Construction | \$1,661,190 | \$1,519,223 | \$1,620,158 | \$1,696,044 | \$1,650,755 | 1.2% | 1.4% |
| Residential (inc. Improvements) | \$932,950 | \$922,756 | \$870,394 | \$929,547 | \$908,177 | 0.8% | 1.8% |
| New single family | \$410,014 | \$453,217 | \$400,423 | \$433,280 | \$419,245 | 2.2% | 2.8% |
| New multifamily | \$115,115 | \$114,756 | \$139,273 | \$125,113 | \$114,671 | -3.8% | -1.5% |
| Nonresidential | \$728,241 | \$596,467 | \$749,763 | \$766,497 | \$742,578 | 2.0% | 2.2% |
| Manufacturing | \$195,309 | \$124,458 | \$202,051 | \$234,872 | \$218,899 | 1.5% | 2.5% |
| Power (inc. Gas and Oil) | \$144,171 | \$111,073 | \$134,237 | \$136,761 | \$140,539 | 4.2% | 3.8% |
| Electric | \$118,899 | \$91,003 | \$109,821 | \$114,967 | \$118,899 | 4.5% | 4.0% |
| Commercial (inc. Farm) | \$115,583 | \$127,205 | \$146,779 | \$126,815 | \$115,061 | 0.8% | 1.5% |
| Computer/ electronic/ electrical | \$103,658 | \$42,658 | \$100,361 | \$122,332 | \$103,658 | -1.0% | 1.5% |
| Office | \$93,209 | \$82,372 | \$87,823 | \$87,376 | \$89,868 | 1.5% | 1.8% |
| Warehouse | \$55,351 | \$71,960 | \$80,474 | \$62,833 | \$55,351 | 3.5% | 4.0% |
| Health care | \$52,947 | \$46,328 | \$53,430 | \$54,713 | \$53,213 | 3.2% | 3.5% |
| General commercial | \$49,276 | \$66,130 | \$72,453 | \$55,878 | \$49,276 | 5.1% | 6.0% |
| General | \$46,062 | \$67,662 | \$65,048 | \$52,950 | \$46,062 | -2.5% | -1.0% |
| Chemical | \$43,737 | \$30,340 | \$37,484 | \$39,989 | \$43,737 | 2.5% | 3.0% |
| Data center | \$41,100 | \$12,583 | \$19,995 | \$31,141 | \$41,100 | 22.0% | 18.0% |
| Communication | \$28,808 | \$24,209 | \$28,064 | \$28,754 | \$28,566 | -1.0% | -0.5% |
| Hospital | \$27,521 | \$22,133 | \$24,340 | \$26,666 | \$27,521 | 3.0% | 3.2% |
| Educational | \$25,988 | \$20,000 | \$23,843 | \$25,807 | \$25,142 | 4.5% | 4.8% |
| Lodging | \$23,304 | \$19,650 | \$25,442 | \$23,695 | \$22,909 | 3.5% | 3.2% |
| Medical building | \$20,441 | \$19,797 | \$25,190 | \$23,613 | \$20,441 | 3.5% | 3.8% |
| Transportation | \$19,593 | \$18,054 | \$20,373 | \$19,737 | \$19,354 | 4.5% | 4.5% |
| Amusement and Recreation | \$19,969 | \$17,092 | \$19,634 | \$19,188 | \$19,482 | 7.5% | 7.0% |
| Multi-retail | \$16,008 | \$14,660 | \$18,508 | \$17,467 | \$16,008 | 1.9% | 2.2% |
| Food/beverage/ tobacco | \$15,268 | \$14,976 | \$18,212 | \$15,602 | \$15,268 | 2.0% | 2.5% |
| Transportation equipment | \$14,655 | \$9,483 | \$12,384 | \$15,658 | \$14,655 | 2.0% | 2.5% |
| Higher education | \$13,089 | \$10,744 | \$12,243 | \$13,231 | \$13,089 | 5.2% | 5.5% |
| Land | \$12,857 | \$12,699 | \$14,846 | \$13,841 | \$12,857 | 0.6% | 0.8% |
| Food/beverage | \$4,912 | \$4,290 | \$5,265 | \$5,573 | \$4,912 | 2.0% | 2.5% |