vjs CONSTRUCTION SERVICES

CONSTRUCTION OUTLOOK

MID-YEAR 2026

Building With Purpose in an Uncertain Economy

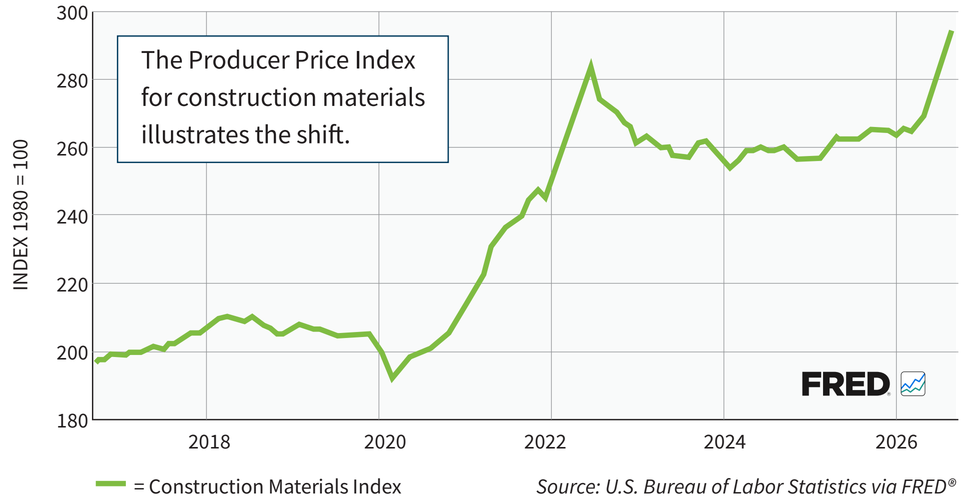
WHAT IS THE REAL COST TO BUILD RIGHT NOW AND HOW DO WE PROTECT THE INVESTMENT?

While the operational disruptions of the pandemic have eased, the economic reset it triggered continues to shape construction markets. Material pricing, labor availability, tariff policy, and sector demand are influencing not only cost, but confidence. The data tells a clear story: construction has entered a new pricing era. The challenge is no longer temporary escalation, but managing volatility in a market that remains structurally higher than pre-2020 levels.

CONSTRUCTION INPUT COSTS: A PERMANENT RESET

Construction input costs have climbed to record highs in 2026 - surpassing even the peak of the 2022 supply chain crisis.

While today's increases aren't being **driven by shortages, they are being fueled by tariffs, higher energy costs, and sustained demand** for steel, aluminum, copper, and other construction materials.



Source: U.S. Bureau of Labor Statistics via FRED®

Metal prices continue to outpace overall construction inflation, creating ongoing cost pressure for contractors and owners.

Construction input prices continue to climb.

Source: AGC (June 2026)

CONSTRUCTION INPUT PRICES	STEEL MILL PRODUCTS	ALUMINUM MILL SHAPES	COPPER & BRASS PRODUCTS
+ 8.4%	+ 16%	+ 49%	+ 27%
Year-Over-Year	Year-Over-Year	Year-Over-Year	Year-Over-Year

SECTOR OUTLOOK: WHERE GROWTH IS CONCENTRATED

Expectations for 2026 show divergence across sectors.

SOFTENING SEGMENTS

- Private office
- Retail
- Lodging
- Manufacturing and warehouse categories

GROWTH AREAS

- Data centers
- Power and energy
- Specialty healthcare
- Select infrastructure

CATEGORY	2026 EXPECTING PROJECT VALUE	NET CHANGE FROM 2025
Data Center	57%	15%
Power	34%	2%
Other Healthcare	24%	- 3%
Hospital	20%	- 4%
Water/Sewer	16%	- 18%
Manufacturing	15%	- 10%
Transportation	11%	- 18%
Bridge/Highway	10%	- 14%
Warehouse	5%	- 9%

CATEGORY	2026 EXPECTING PROJECT VALUE	NET CHANGE FROM 2025
Federal	5%	- 17%
Multifamily	4%	- 8 %
Public Building	1%	- 13%
K-12 School	- 1%	- 14%
Higher Edu.	- 5%	- 17%
Lodging	- 7%	- 14%
Private Office	- 14%	- 11%
Retail	- 18%	- 13%

Source: AGC Outlook Surveys, 2026

This shift reflects capital allocation trends, financing conditions, and evolving demand patterns.

PRIVATE VS. PUBLIC CONSTRUCTION: MIXED SIGNALS

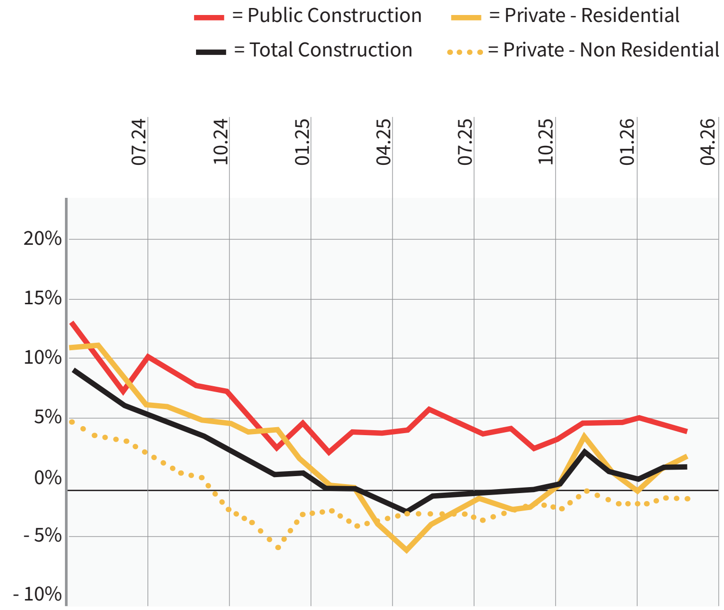
PUBLIC CONSTRUCTION

Public construction continues to provide stability, growing about 4% from a year ago.

PRIVATE CONSTRUCTION

Private nonresidential remains slightly below 2025 levels.

TYPE	APRIL 2026 (BILLION $)	YEAR-OVER-YEAR CHANGE (2024 - 2025)	YEAR-OVER-YEAR CHANGE (2025 - 2026)
Public Construction	$533	3%	4%
Private - Residential	$910	- 4%	2%
Private - Non Residential	$730	- 4%	-2%
TOTAL CONSTRUCTION	$2,172	- 2%	0.9%



Source: Author, from U.S. Census Bureau, www.census.gov/constructionspending

Overall construction spending has held relatively steady despite higher costs and market uncertainty, with much of the private-sector strength concentrated in data centers and power infrastructure.

WHAT THIS MEANS FOR CLIENTS PLANNING PROJECTS

In today's environment, risk is most concentrated early during scope definition, budgeting, and procurement planning.

The challenge isn't simply "costs are higher." It's that variability can:

- Delay Approvals
- Compress Schedules
- Trigger Redesign if Bids Exceed Exceptions
- Reduce Contingency Flexibility

Projects that perform best in this market share two characteristics:

- **EARLY CLARITY AROUND PRIORITIES & COST DRIVERS**
- **PROACTIVE MANAGEMENT OF ESCALATION & PROCUREMENT**

MARKET TRENDS TO WATCH: STEADY DEMAND, RISING COST PRESSURES

Industry forecasts suggest:

Materials costs expected to
REMAIN VOLATILE
with continued upward pressure

Data Centers, Infrastructure, and Power continue to drive
CONSTRUCTION DEMAND

Labor costs up
4 - 6% ANNUALLY
as labor shortages continue to challenge the industry

OFFICE & RETAIL
remain among the softest market sectors

Construction demand remains resilient, but owners should plan for higher material costs, ongoing labor shortages, and longer procurement timelines for select materials and equipment.

HOW VJS HELPS CLIENTS NAVIGATE THIS MARKET

Building in a volatile environment requires discipline, not reaction. Our approach focuses on:

EARLY MARKET ALIGNMENT

- Real-time cost benchmarking
- Identification of high-risk materials
- Transparent budget modeling

DECISION FRAMEWORKS

- Clear milestone structures
- Defined owner decision windows
- Reduced exposure to redesign cycles

SCENARIO PLANNING

- Escalation modeling
- Contingency calibration
- Value alignment discussions before pricing pressure occurs

PROCUREMENT STRATEGY

- Early release packages
- Timing analysis on buyout decisions
- Supplier engagement to mitigate lead-time risk

BUILDING WITH PURPOSE... EVEN IN UNCERTAINTY.

Economic uncertainty does not eliminate opportunity, but it does demand preparation.

Clients who plan deliberately, monitor risk closely, and align early with their construction partner are positioned to succeed. At VJS, we approach each project with purpose, protecting the investment, strengthening partnerships, and delivering long-term value for the communities we serve.

CONNECT WITH US

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