

Non-Residential Construction Outlook Reflects Measured Start to 2025 Amid Evolving Global Trade Shifts

The outlook for nonresidential construction in early 2025 remains steady, with modest cost increases across all regions and continued stability in labor and material availability. That said, emerging shifts in global trade policy and evolving tariff measures are beginning to ripple through the supply chain. While most markets reported improved sourcing and fewer constraints, we anticipate cost volatility in select material categories as trade partners adjust to the new landscape. Elevated planning activity and firm demand in several regions continue to support a balanced start to the year.

Nationally, nonresidential construction costs tracked by the Mortenson Quarterly Cost Index for the 1st Quarter of 2025 rose by +2.24% over the past quarter and +3.91% over the previous twelve months. All Mortenson regional offices reported cost increases this quarter. Salt Lake City reported the smallest increase at +1.00%, while Seattle led with a +2.60% rise. Other offices showed comparable growth: Milwaukee at +2.58%, Chicago at +2.55%, Minneapolis at +2.52%, Denver at +2.24%, Portland at +2.19%, and Phoenix at +2.07%.

After a period of softening prices, construction material costs bounced back this quarter, increasing by 3.8% year-over-year. This shift appears driven in part by the evolving tariff environment, which is influencing aluminum glazing systems and, indirectly, structural steel pricing. While the full impact remains uncertain, most trade partners report a cautious wait-and-see approach as vendors provide updated pricing guidance.

Despite the bump in material prices, overall supply chains remain steady. Most regions report no major concerns regarding material availability, and logistics continue to normalize after past disruptions. Notably, Minneapolis and Phoenix trade partners cited improved confidence in sourcing even as re-bids and delayed project awards continue to characterize the early-year pipeline.

Labor markets remained relatively stable. While national labor costs have risen 4.6% year-over-year, most trades reported little to no concern with labor availability. Only limited trade shortages were mentioned as contractors work regional mega-projects. Minneapolis cited a lack of rod busters and pipefitters due to a large data center project, and Chicago likewise noted data center work straining local electrician availability.

For a more specific update or questions regarding this report, please contact:

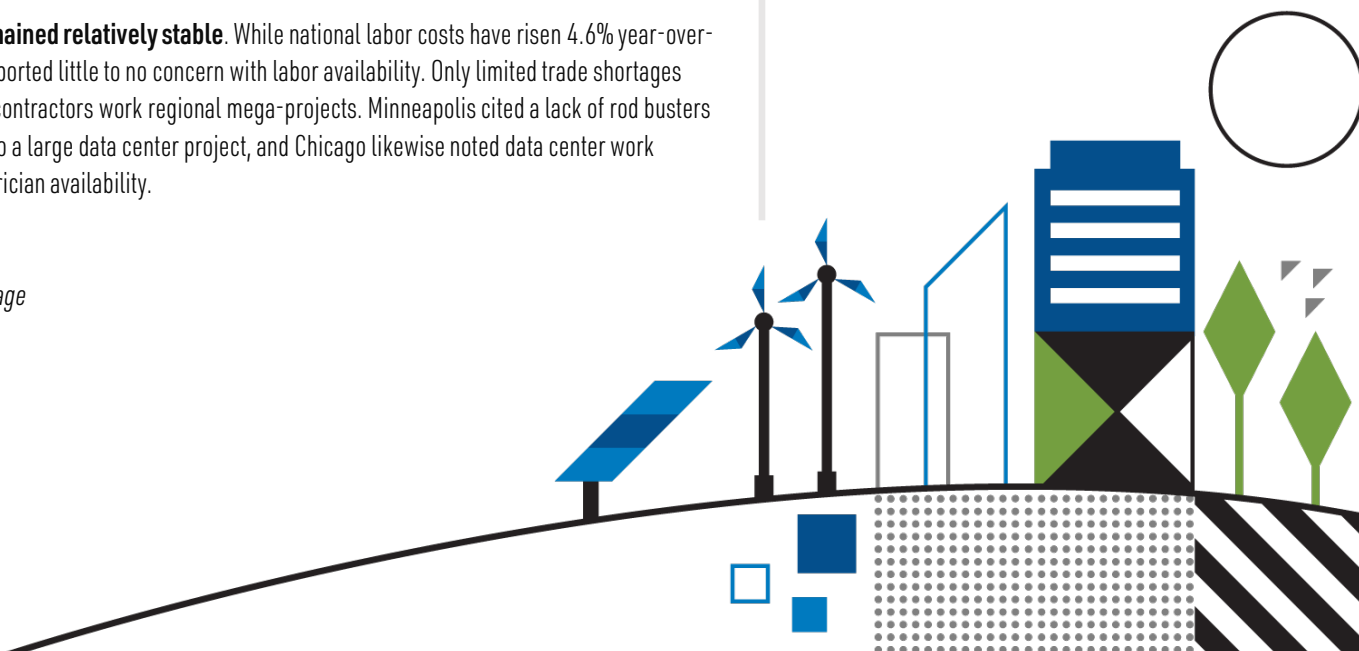


Frank Kosmach
Chief Estimator
763.287.5641
frank.kosmach@mortenson.com



Troy Blizzard
Vice President General Manager
763.287.5595
troy.blizzard@mortenson.com

Continued on next page



COST INDEX ▶▶

MINNEAPOLIS Q1 2025



Continued from previous page

Top material cost increases this quarter include Structural Steel and Metal Decking Material (+6.0%), Aluminum Storefronts (+4.0%), Plumbing (+3.5%), and Reinforcing Steel Material (+3.5%). Cost declines were limited but included Resilient Flooring and Carpeting (-2.1%) and Wood Doors (-1.0%). Costs for Floor and Wall Tile remained flat.

Trade partner work increased 1.4% this quarter, contributing to a +4.5% year-over-year rise. In Minneapolis, Denver, and Seattle, heightened competition among trade partners has led to more aggressive pricing, putting downward pressure on select scopes.

While down year over year, construction starts were up 3% in March to a seasonally adjusted annual rate of \$1.1 trillion, according to Dodge Construction Network, with both nonresidential building starts (+6%), and nonbuilding starts (+9%) seeing gains as residential starts decreased 5%.

The Dodge Momentum Index, a measure of nonresidential projects entering the planning stage, showed elevated activity in Q1 2025 – advancing 5.6% in January to land 26% higher than a year earlier, fueled in part by a surge in data center developments. While the index dipped 6.9% in March amid rising uncertainty around material prices and fiscal policy, Dodge's Sarah Martin noted that "activity remains considerably higher than year-ago levels and still suggests steady construction activity" through mid-2026.

The Mortenson Construction Cost Index reflects a moderate cost increase for the 1st Quarter of 2025. While pricing has stabilized across most categories, we are closely monitoring potential fluctuations as the global supply environment responds to policy changes and new tariffs. With planning activity elevated and labor conditions stable, we expect overall nonresidential construction activity to remain steady through the first half of the year. We continue to advise customers to approach project starts with a measured mindset, balancing opportunity with preparedness for ongoing change.

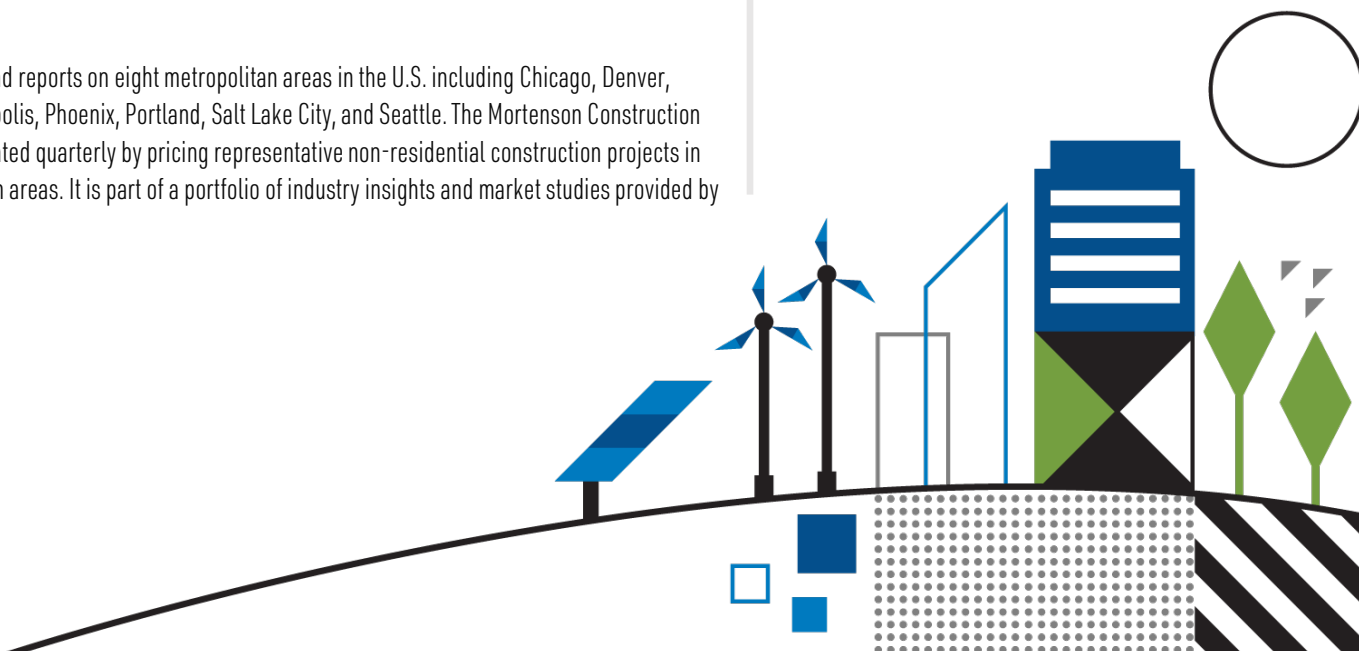
Mortenson tracks and reports on eight metropolitan areas in the U.S. including Chicago, Denver, Milwaukee, Minneapolis, Phoenix, Portland, Salt Lake City, and Seattle. The Mortenson Construction Cost Index is calculated quarterly by pricing representative non-residential construction projects in various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

**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.



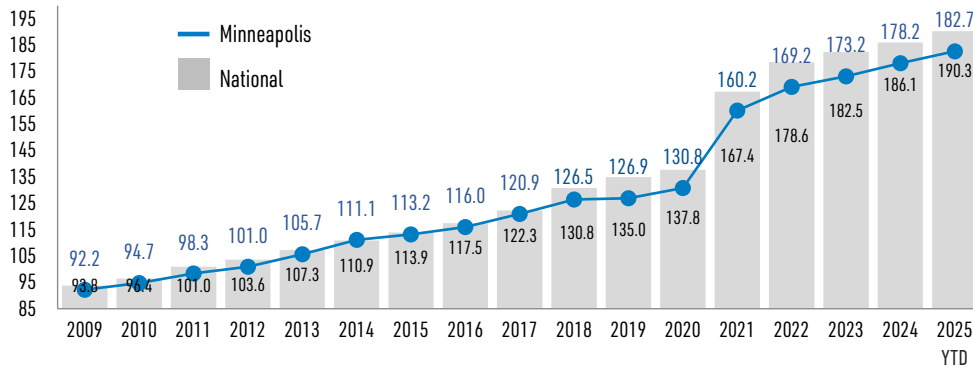
COST INDEX

MINNEAPOLIS Q1 2025



CONSTRUCTION COST INDEX

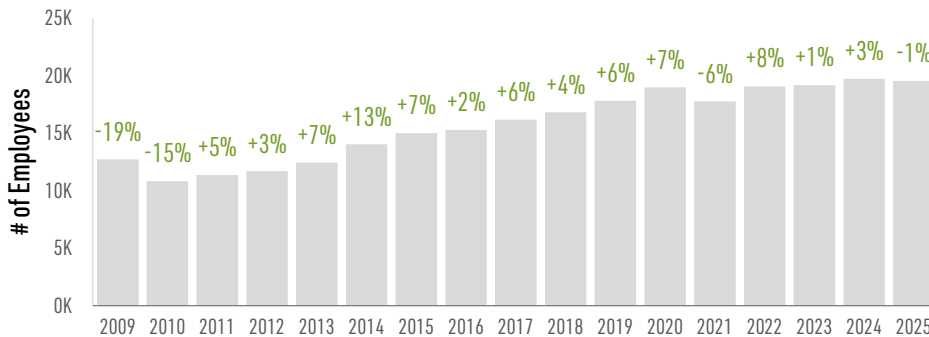
(January 2009 = 100)



Nationally, the Mortenson Cost Index went up 2.2% in the first quarter of 2025 and is up 3.9% compared to a year ago. In Minneapolis, costs rose 2.5% this quarter and 5% over the last twelve months.

MINNEAPOLIS CONSTRUCTION EMPLOYMENT

(Jan-Mar Average Monthly Employment and YoY % Change)

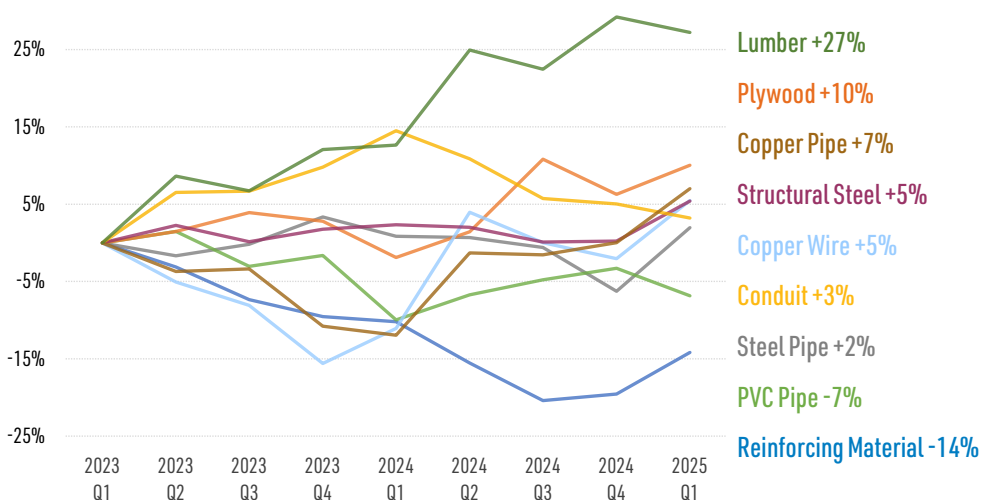


Building construction employment in the Twin Cities metro averaged 19,600 workers in the first three months of 2025—a 1% decline compared to the same period in 2024. Market uncertainties will continue to impact industry employment.

Source: Bureau of Labor Statistics
Minneapolis-St. Paul-Bloomington, MN - Construction of Buildings

MATERIAL PRICING CHANGES

(National Average - Cumulative Q1 2023 to Q1 2025)



After a period of softening prices, construction material costs bounced back this quarter. Despite the bump in material prices, overall supply chains remain steady.