

COST INDEX

NON-RESIDENTIAL MARKETS Q2 2025



Non-Residential Construction Outlook Remains Fluid as Costs Adjust to Market Uncertainties

The outlook for nonresidential construction for the second half of 2025 remains fluid, as evolving tariff measures and trade negotiations continue to shape market conditions.

Labor costs rose in many regions in line with collective bargaining agreements, contributing roughly one point to this quarter's index growth.

While total construction starts have shown notable gains, economic uncertainty is prompting some owners to delay projects, particularly those dependent on tariff-sensitive sectors like steel and aluminum. This combination of delayed investment and selective market strength has created offsetting pressures on pricing. Planning activity remains supported by manufacturing and data center growth, but broader nonresidential momentum faces headwinds from fluctuating trade policies and uncertain federal funding.

Nationally, nonresidential construction costs tracked by the Mortenson Quarterly Cost Index for the second quarter of 2025 rose by +2.72% over the past quarter and +5.42% over the previous twelve months. All Mortenson regional offices reported cost increases this quarter. Portland reported the smallest increase at +0.57%, while Denver led with a +4.72% rise. Other offices showed comparable growth between those percentiles: Phoenix at +1.90%, Seattle at +2.37%, Minneapolis at +2.46%, Chicago at +2.47%, Salt Lake City at +3.24% and Milwaukee at +4.48%.

Tracked construction material costs continued to rise this quarter, increasing by 2.3% and contributing to a year-over-year increase of 5.3%. This growth was mostly driven by rising commodity costs, even as non-commodity material packages remained steady. Top scope package cost increases this quarter include Electrical Systems (+3.4%), HVAC Systems (+4.6%), and Plumbing Systems (+6.4%). Cost declines were again limited in Q2.

Trade partner work increased +2.9% this quarter, contributing to a +5.6% year-over-year rise. In Minneapolis, Denver, Phoenix, Portland, and Salt Lake City, heightened trade competition is driving more aggressive pricing and pressuring select scopes downward.

The Dodge Momentum Index, a leading indicator of nonresidential construction planning, rose 3.7% in May and accelerated 6.8% in June, reflecting strengthened planning pipeline momentum in both institutional and commercial sectors. At the same time, **total construction starts grew 13% in May and 16% in June, with nonresidential building rebounding significantly—nonresidential starts surged 18% in May and 39% in June.**

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ADVANCED MANUFACTURING

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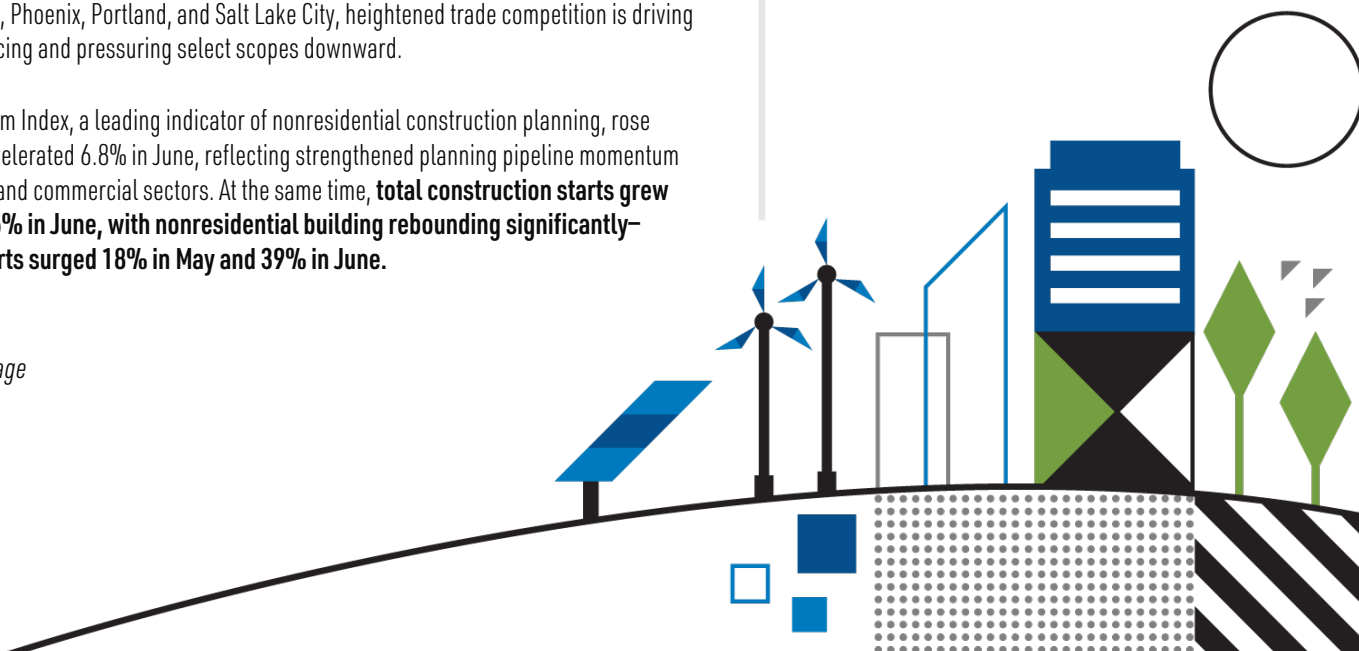
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"Construction starts rebounded across most sectors in May and saw solid growth in June, with particular strength in manufacturing and data center construction," said Dodge Construction Network associate director of forecasting Sarah Martin. "However, risks remain elevated that construction starts will be more subdued in the back half of the year alongside ongoing uncertainty over trade policy and the broader economy."

Over the past twelve months, construction labor costs have risen an average of 4.9%. This quarter brought previously negotiated wage adjustments across most offices. Denver, Seattle, and Portland saw supervisory wage increases, while Chicago, Minneapolis, Milwaukee, and Seattle implemented pre-negotiated rate increases. **While interest rate declines and eventual demand recovery could renew wage pressures, overall labor availability appears stable,** even as long-term nonresidential construction activity is projected to slow, with real spending expected to rise 1.4% in 2025 before contracting 1.8% in 2026.

Transportation costs are trending lower as both trucking and ocean freight markets soften. U.S. trucking prices, elevated in early 2025 due to congestion and tariff-related demand, are expected to stabilize in the second half of the year as diesel prices fall and capacity improves. Ocean container rates have dropped roughly 50% from last year, driven by weak global demand and trade uncertainty, with seasonal pressures likely to bring only temporary tightening before broader availability resumes.

The Mortenson Construction Cost Index reflects higher than normal cost increase for the 2nd Quarter of 2025. While material and labor costs continue to edge higher, overall labor availability remains stable, with pre-negotiated wage adjustments largely contributing to cost increases this quarter.

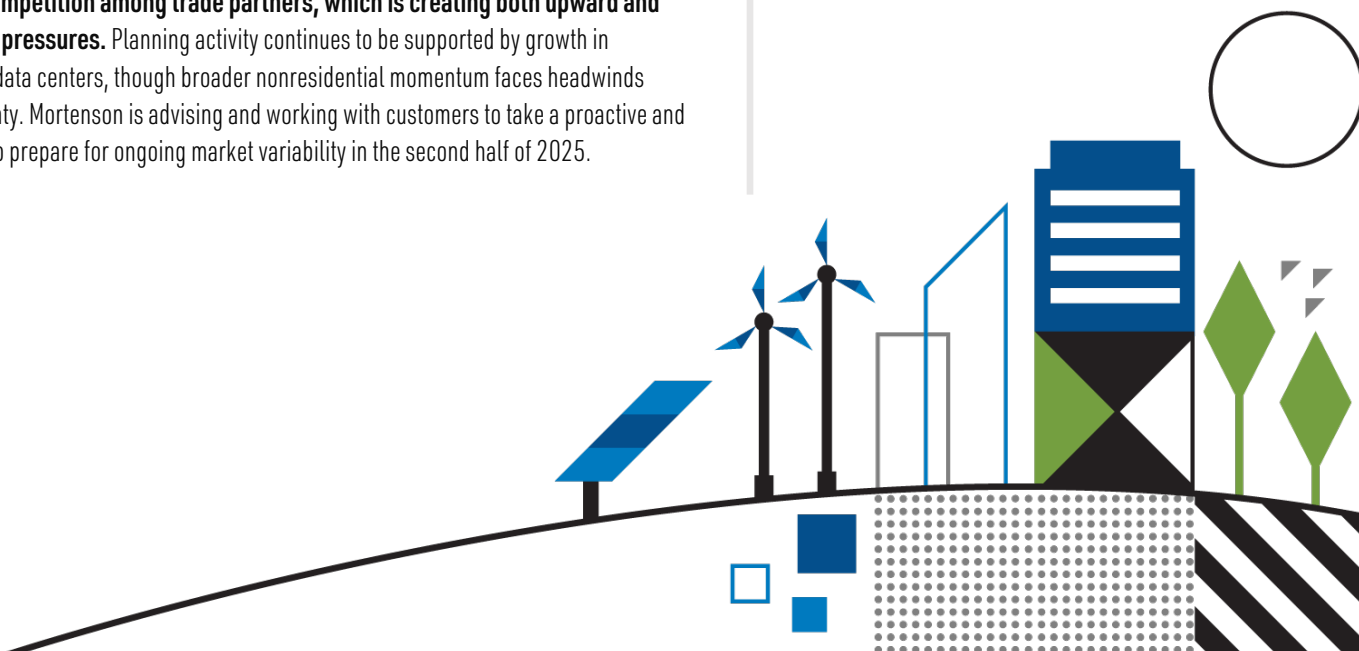
Market conditions remain fluid, shaped by evolving tariffs, selective investment delays, and heightened competition among trade partners, which is creating both upward and downward pricing pressures. Planning activity continues to be supported by growth in manufacturing and data centers, though broader nonresidential momentum faces headwinds from trade uncertainty. Mortenson is advising and working with customers to take a proactive and resilient approach to prepare for ongoing market variability in the second half of 2025.

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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 more information on our regional and nationwide construction cost index data, visit: Mortenson.com/Cost-Index.



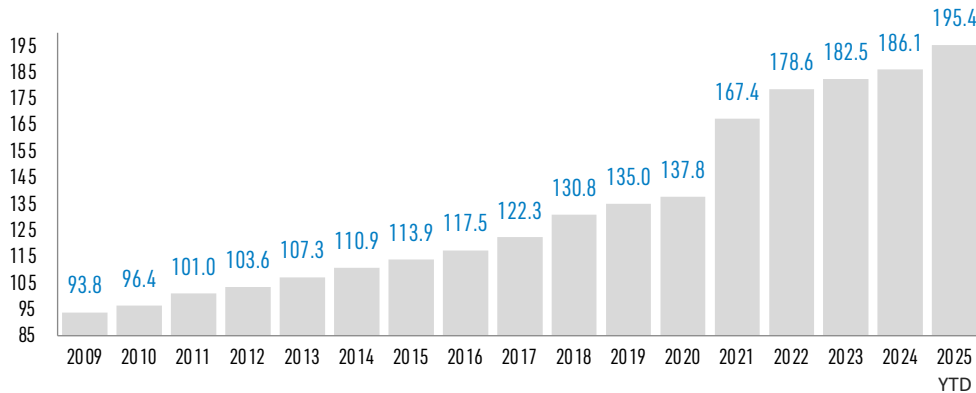
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NATIONAL CONSTRUCTION COST INDEX

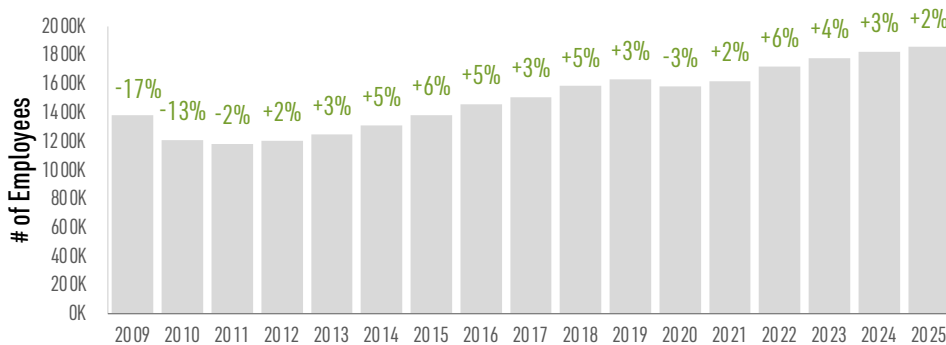
(January 2009 = 100)



Nationally, the Mortenson Cost Index went up 2.7% in the second quarter of 2025 and is up 5.4% compared to a year ago. Despite moderate cost increases, nonresidential building construction starts surged 39% in June.

NATIONAL CONSTRUCTION EMPLOYMENT

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

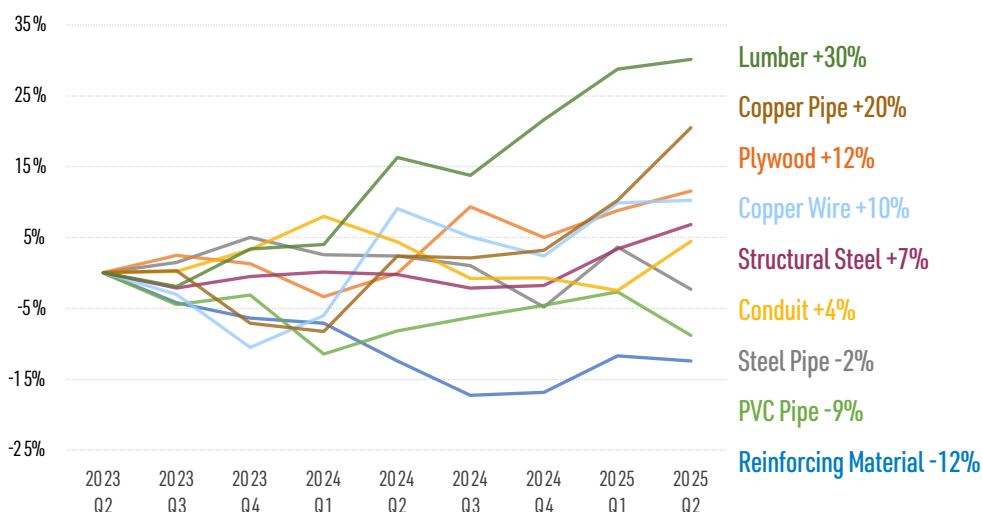


National employment for construction of nonresidential buildings averaged 1,858,300 workers in the first six months of 2025 – a 2% increase compared to the same period in 2024. Overall labor availability appears stable despite the market fluidity.

Source: Bureau of Labor Statistics
National | Construction of Buildings

MATERIAL PRICING CHANGES

(National Average - Cumulative Q2 2023 to Q2 2025)



Construction material costs continued to rise this quarter, influenced by the ongoing shifts in global trade dynamics. Tariff-related factors—both direct and indirect—are contributing to cost pressures, adding complexity to the broader pricing environment.