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NON-RESIDENTIAL MARKETS Q3 2025



Despite Market Pressures, Non-Residential Construction Outlook Holds Steady with Modest Cost Increases

Nonresidential construction conditions remained steady through the third quarter, with market sentiment generally stable despite broader economic crosscurrents. Contractors continue to report consistent bidding activity, while owners are showing greater confidence in advancing projects that were previously delayed or under review. Supply chains continue to stabilize, and pricing volatility has eased across most major trades, helping keep overall cost escalation contained.

Broader market indicators reflect a cautious but tentatively more hopeful environment. The Dodge Momentum Index advanced sharply during the quarter, reflecting renewed planning activity across commercial and institutional sectors. Total construction starts also improved modestly in September, suggesting that underlying demand remains intact even as developers proceed cautiously amid policy and financing uncertainties.

Nationally, nonresidential construction costs tracked by the Mortenson Quarterly Cost Index for the third quarter of 2025 rose by +1.16% over the past quarter and +6.60% over the previous twelve months. All Mortenson regional offices reported modest cost increases this quarter. Portland and Chicago recorded the smallest quarterly changes, both at +0.78%. The remaining offices reported slightly elevated costs: Seattle (+0.88%), Milwaukee (+1.33%), Denver (+1.34%), Minneapolis (+1.38%), Phoenix (+1.42%), and Salt Lake City (+1.65%).

Material and labor costs increased nominally this quarter. **Tracked construction materials edged up slightly by +1.16%, nudging the year-over-year figure to +7.0%, while trade partner work increased +1.22% in Q3 and +6.3% annually.** Self-performed labor increased at a slower pace, two basis points lower compared to the previous quarter and 1.4% lower year over year.

Trucking and ocean freight markets are both expected to see relatively stable or declining prices in 2026 due to weak demand and ample capacity. In trucking, rates will likely remain low as warehouse prices fall amid strong inventory levels, though factors like driver shortages and rising container fees could create upward pressure.

Similarly, ocean freight rates are projected to decrease into early 2026 because of eased tariff front-loading, increased shipping capacity, and reduced congestion through the Panama Canal. While tariffs may briefly elevate prices in late 2025, freight costs are anticipated to stay low overall, with occasional temporary spikes caused by tariff pass-throughs and trade route changes.

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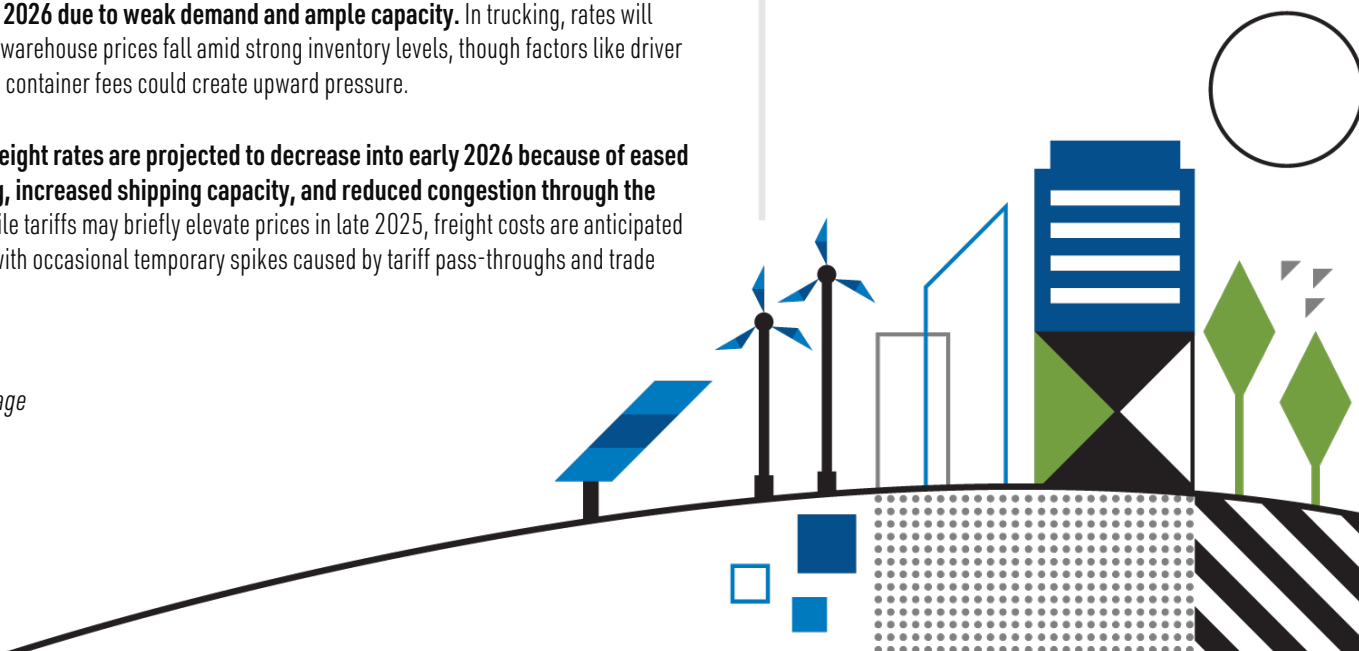
For specific updates or questions regarding this report, please contact:



David Green
Chief Estimator
763.516.0716
david.green@mortenson.com



Mark Schmidt
Vice President Preconstruction
763.287.5552
mark.schmidt@mortenson.com



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Cost movement this quarter was primarily driven by select material and installation scopes, particularly those tied to steel and mechanical systems. Top scope packages showing quarterly cost increases include reinforcing steel material (+8.1%), installation of reinforcing material (+2.8%), steel framing erection (+4.0%), conveying systems (+2.0%), and plumbing systems (+2.5%).

Across regional markets, activity remained steady with increasing trade partner competition and continued aggressive pricing. Minneapolis and other upper Midwest markets reported a gradual improvement in project awards and a more optimistic outlook, while **labor availability remained stable nationwide.**

The Dodge Momentum Index, a leading indicator of nonresidential construction planning, continued its upward trajectory through the third quarter. The index surged 20.8% in July, followed by additional gains of 8% in August and 3% in September, signaling renewed confidence in both commercial and institutional sectors. **Total construction starts also improved, rising 3.1% in September with nonresidential building up 11.9% for the month.**

"After months of wait-and-see due to tariff uncertainty, owners and developers have begun to move forward with projects and assumed higher costs for them," said Sarah Martin, associate director of forecasting at Dodge Construction Network. "While the recent uptick points to strengthening planning activity, Dodge notes that overall momentum remains tempered by broader economic headwinds."

Despite cost stability, the design pipeline remains under pressure. The AIA/Deltek Architecture Billings Index fell to 43.3 in September, indicating billings at architecture firms continue to decline. **As a forward-looking indicator for nonresidential construction activity, this softness suggests future project starts may continue at a measured pace,** even as cost pressures stay contained.

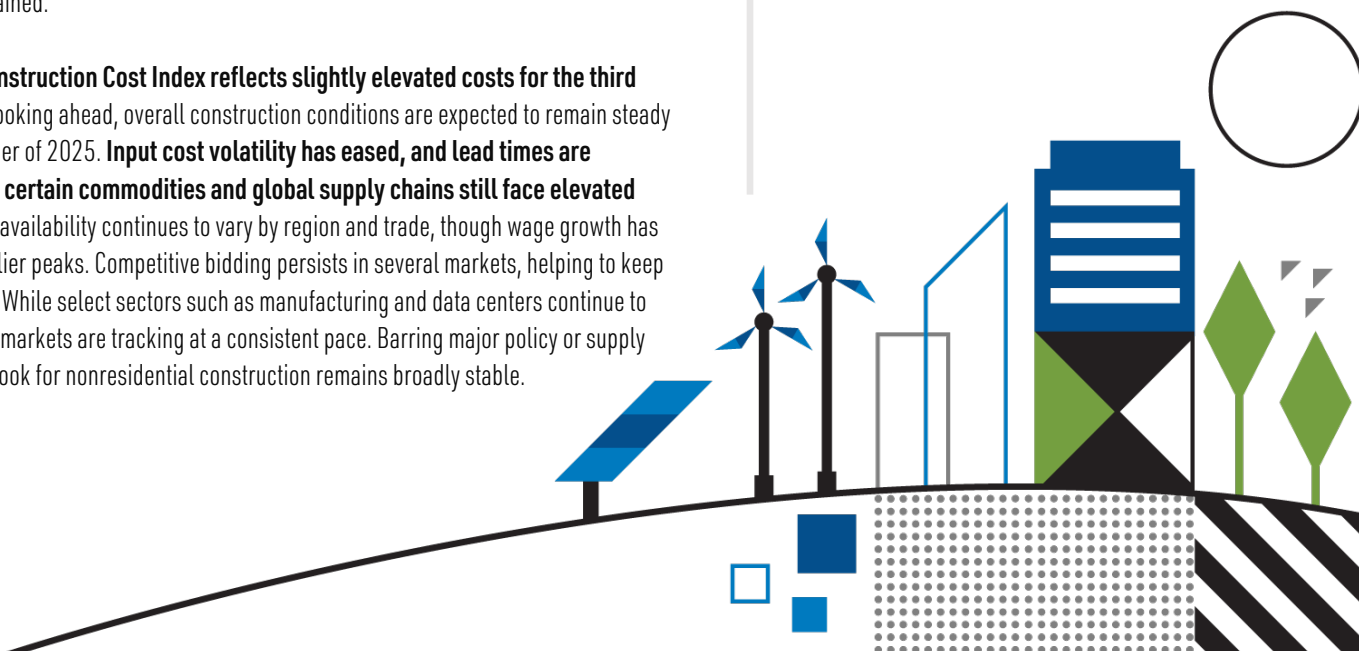
The Mortenson Construction Cost Index reflects slightly elevated costs for the third quarter of 2025. Looking ahead, overall construction conditions are expected to remain steady through the remainder of 2025. **Input cost volatility has eased, and lead times are improving, though certain commodities and global supply chains still face elevated uncertainty.** Labor availability continues to vary by region and trade, though wage growth has moderated from earlier peaks. Competitive bidding persists in several markets, helping to keep escalation in check. While select sectors such as manufacturing and data centers continue to drive demand, most markets are tracking at a consistent pace. Barring major policy or supply disruptions, the outlook for nonresidential construction remains broadly stable.

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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.



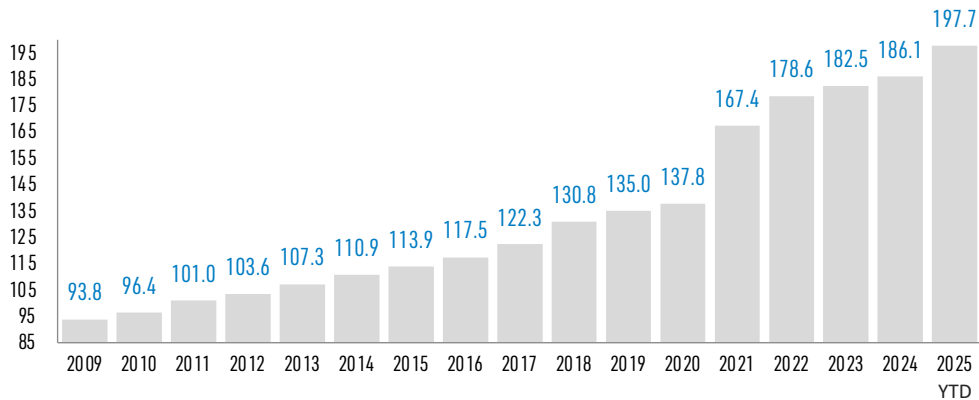
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NATIONAL CONSTRUCTION COST INDEX

(January 2009 = 100)

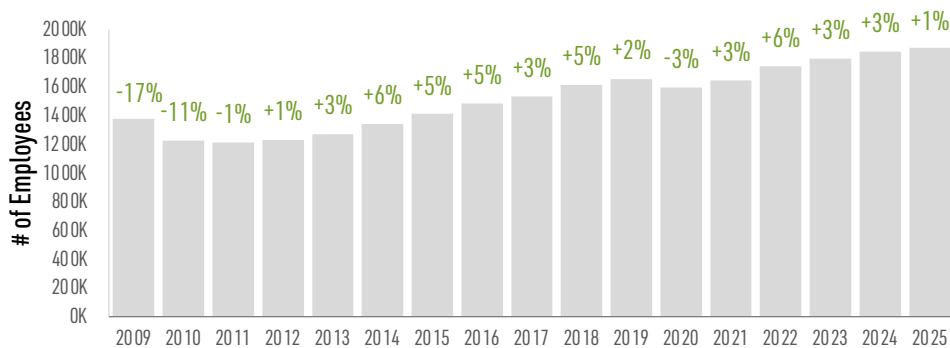


Nationally, the Mortenson Cost Index went up 1.2% in the third quarter of 2025 and is up 6.6% compared to a year ago.

Despite modest cost increases, nonresidential building construction starts rose nearly 12% in September.

NATIONAL CONSTRUCTION EMPLOYMENT

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

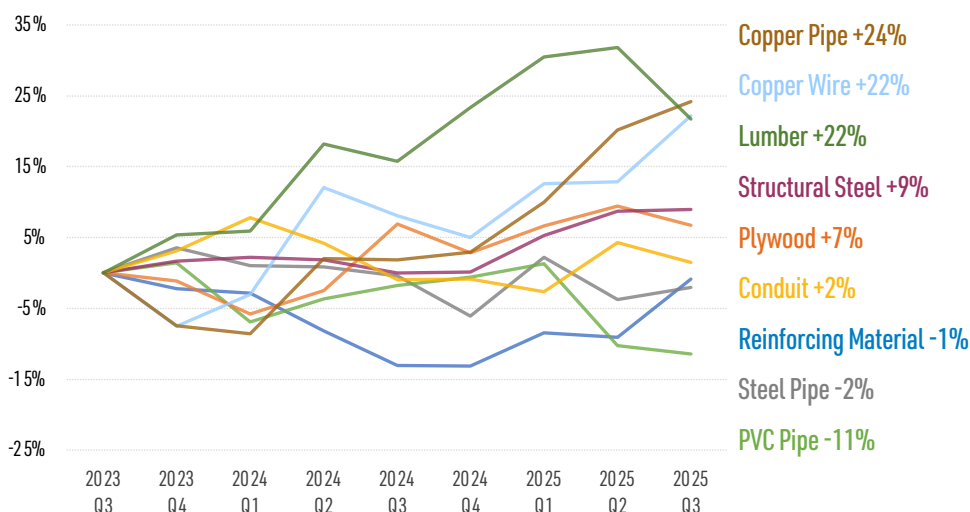


National employment for construction of buildings averaged 1,870,900 workers in the first nine months of 2025 – a 1% increase compared to the same period in 2024. Labor availability remains stable, though the federal shutdown left September data unavailable, limiting late-Q3 visibility.

Source: Bureau of Labor Statistics
National | Nonresidential Construction of Buildings

MATERIAL PRICING CHANGES

(National Average - Cumulative Q3 2023 to Q3 2025)



Construction material costs remain elevated amid a gradually stabilizing but volatile global supply chain, affected by economic uncertainty, tariffs, and fluctuating demand. Steel and copper continue to experience notable, upward price swings.