COST INDEX
SEATTLE Q4 2025

Mortenson

Seattle Nonresidential Construction Costs Hold Steady in a Competitive Bidding Environment

Key Cost Drivers

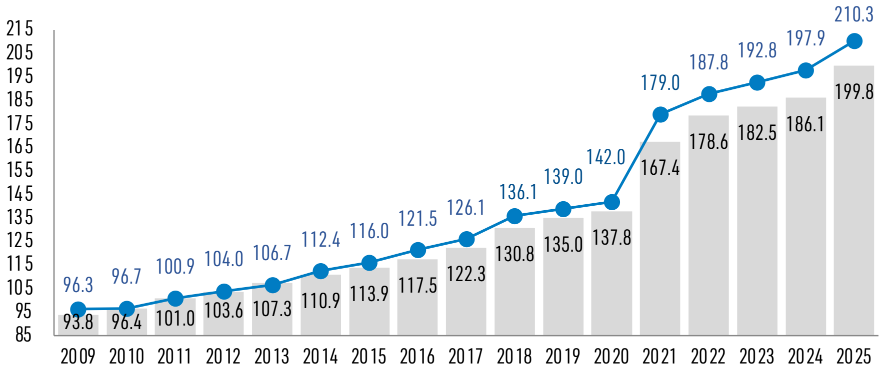
- **Metal costs remain elevated relative to other materials,** with steel, copper, and aluminum pricing driven by strong demand and constrained supply.
- **Tariffs remain embedded in pricing,** acting as a structural cost factor rather than a temporary disruption.
- **Electrical and power-distribution lead times persist,** shaping project costs and timelines, especially in data center and advanced manufacturing sectors.

Nonresidential construction conditions remained steady through the fourth quarter, with overall cost escalation continuing to moderate in the Seattle and Portland markets as well as at the national level. **While quarter-over-quarter increases softened, year-over-year cost growth remains elevated**, reflecting persistent input pressures in select materials and labor categories. **National market sentiment continues to be shaped by uneven regional activity,** as strong demand tied to data centers and advanced manufacturing contrasts with slower conditions in other sectors, contributing to varied pricing behavior.

From a supply chain perspective, **conditions entering 2026 reflect improving resilience rather than full normalization.** While transportation costs have stabilized and lead times have improved in many areas, metals pricing, tariffs, and long-lead electrical equipment continue to shape cost inputs.

Broader industry indicators point to a more measured construction outlook heading into 2026. **Planning activity remains elevated compared to last year, particularly in data centers, infrastructure, and select institutional sectors**, though month-to-month momentum has moderated. At the same time, architectural billings continue to reflect softness across much of the design pipeline, suggesting that while large-scale projects remain active, overall project volume growth may remain constrained in the near term.

CONSTRUCTION COST INDEX TRENDS
(January 2009 = 100)



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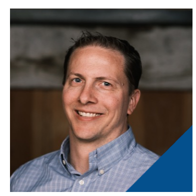

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NATIONAL SNAPSHOT
Nonresidential Construction Costs

Market	Q4 % Change	YoY % Change
Seattle	**+0.30%**	**+6.26%**
National	**+1.05%**	**+7.35%**
Chicago	+0.78%	+6.74%
Denver	+1.52%	+10.15%
Milwaukee	+1.96%	+10.74%
Minneapolis	+1.16%	+7.74%
Phoenix	+1.58%	+7.15%
Portland	+0.32%	+3.90%
Salt Lake City	+1.16%	+7.22%

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Quarterly Cost Movement

Material and labor costs in Seattle remained largely stable this quarter, with minimal upward pressure. Competitive bidding conditions and steady labor availability continued to limit cost escalation, despite isolated pricing pressure in select materials.

At the national level, material and labor cost movements were mixed. Trade partner work increased modestly by +0.6%, while tracked construction materials rose +1.9%. **Year-over-year, labor costs increased +5.6% on average, materials rose +9.1%, and trade partner work increased +6.2%,** reflecting ongoing pressure in select categories.

Transportation & Supply Chain Conditions

Transportation conditions continue to support stable construction costs heading into 2026, with **low trucking prices, declining warehousing costs, and ocean freight rates expected to trend lower** despite occasional short-term fluctuations.

In the Seattle market, fourth-quarter cost changes were limited to a small number of scopes. **Steel framing and stair erection, along with floor and wall tile, were the only areas showing notable increases.** In contrast to national trends, **reinforcing steel material costs declined sharply**. All remaining scopes saw little to no meaningful change, resulting in minimal overall cost escalation.

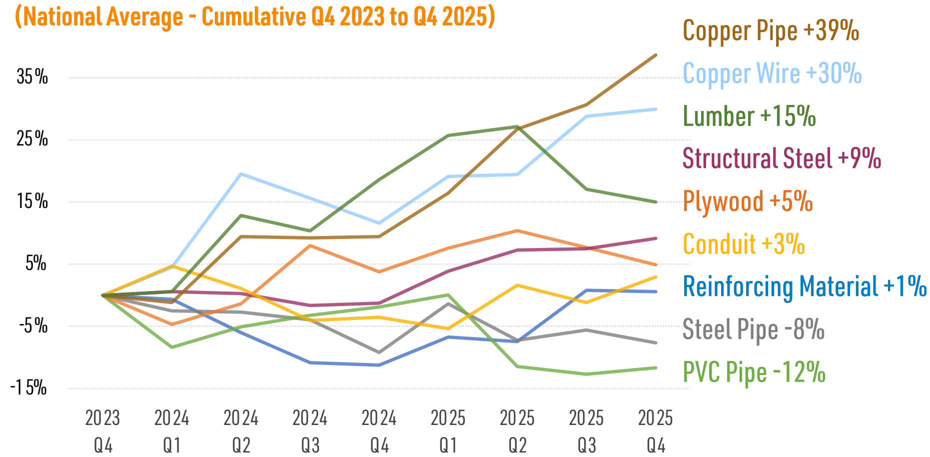
Regional Market Activity

Regional construction activity in the Seattle market remained active but subdued during the quarter, with competitive bidding conditions reflecting a slowdown in several key sectors. Reduced activity in commercial office, higher education, and healthcare increased trade partner availability and competition, helping limit labor and material pressure. Across all regions, labor availability and general supply chain conditions have moderated but continue to selectively impact projects.

Labor Market Outlook

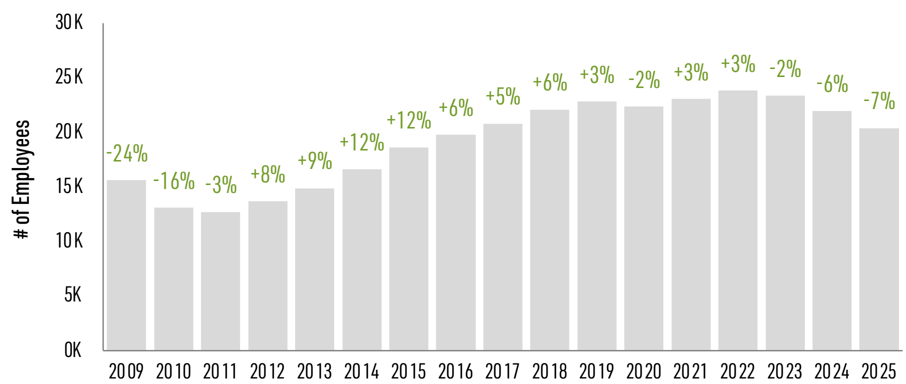
Labor market indicators suggest improving national workforce balance. **Associated Builders and Contractors (ABC) estimate the industry will need about 349,000 net new workers in 2026, down from more than 500,000 in recent years,** due to more modest construction growth.

MATERIAL PRICING CHANGES
(National Average - Cumulative Q4 2023 to Q4 2025)



Entering 2026, global supply chains are experiencing some resilience and stabilization as transportation costs and lead times decrease, but headwinds remain, including elevated metal prices, tariffs, and long-lead electrical equipment, which continue to shape construction costs.

SEATTLE CONSTRUCTION EMPLOYMENT
(Average Monthly Employment in 2024 and YoY % Change)



Building construction employment in the Seattle metro averaged 20,400 workers per month in 2025–a 7% decline compared to the same period in 2024. Workforce conditions are stabilizing, as declining employment levels reflect softer demand rather than labor constraints, though pressure remains in select trades.

Source: Bureau of Labor Statistics, Seattle-Bellevue-Kent, WA – Construction of Buildings

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Labor Market Outlook *Continued*

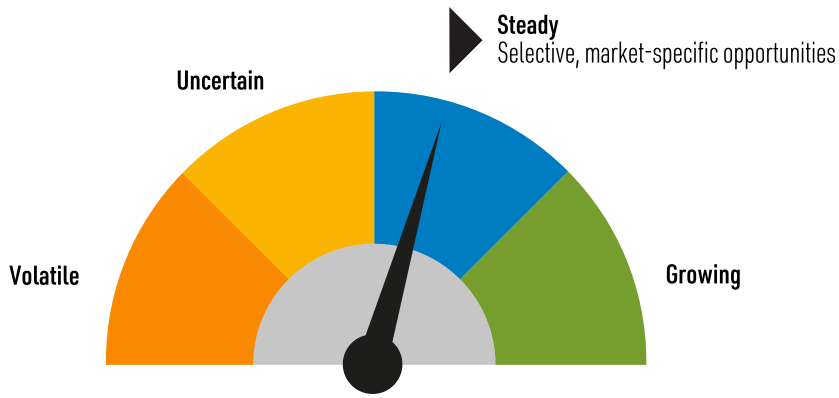
Most new worker demand will stem from retirements. "The industry needs to attract fewer workers than in recent years," said ABC Chief Economist Anirban Basu. "It is also important to note that **nonresidential specialty trade contractors have added 95,000 jobs since August 2024**, and the industry will need even more workers than the model predicts should current spending projections prove overly conservative."

Planning Momentum Accelerates

Late-Q4 planning activity strengthened across key nonresidential sectors:

↑7% **Dodge Momentum Index** *December 2025*

Summary: Nonresidential Construction Outlook Entering 2026



The Mortenson Construction Cost Index shows continued **moderation in cost escalation in Q4 2025.** While some material categories still show elevated year-over-year increases, quarterly escalation has softened and several input pressures have become more predictable.

Supply chains have become more resilient in some sectors, reflecting diversification and risk mitigation efforts, though vulnerabilities remain. Transportation conditions are supportive, labor availability has moderated, and competitive bidding persists in many regions. At the same time, large-scale data center and manufacturing projects continue to drive localized demand pressures.

Taken together, these conditions point to a construction environment where **thoughtful planning and flexibility are essential to achieving successful outcomes.**

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.