

COST INDEX

NON-RESIDENTIAL MARKETS Q1 2026



Nonresidential Construction Costs Continue to Moderate as Planning Activity Shows Renewed Momentum

Key Cost Drivers



Metal and energy-related costs remain elevated, driven by tariffs, geopolitical events, and demand for steel, copper, aluminum, and petroleum-based products.



Large-scale data center and manufacturing investment continues to tighten regional labor markets, procurement capacity, and availability of critical materials.



Electrical and power-distribution constraints, including long equipment lead times, continue to impact project schedules, procurement strategies, and cost certainty.

Nonresidential construction conditions remained generally stable through the first quarter of 2026, though **cost escalation and procurement conditions continued to vary significantly by market and project type**. While broader supply chains have improved relative to prior years, elevated metal pricing and continued demand tied to power, electrification, and data center expansion are **sustaining pressure on select material categories and equipment availability**.

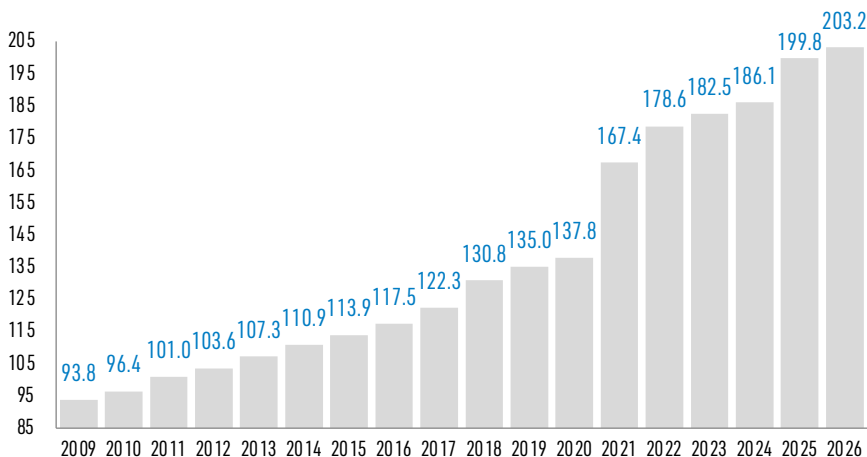
Market activity remains uneven across regions, with strong demand in large-scale infrastructure, manufacturing, and data center construction, and softer conditions in portions of the commercial and institutional pipeline. **Planning activity remains elevated across key sectors**, though momentum continues to vary by asset class.

Quarterly Cost Movement

Construction input costs moved unevenly this quarter: trade partner work rose +1.8% and tracked materials were up +1.7%. **Over the past year, materials (+7.0%) and trade partner work (+6.6%) all increased**. While escalation persists, cost movement continues to vary by market, trade, and project type.

CONSTRUCTION COST INDEX TRENDS

(January 2009 = 100)



ADVANCED MANUFACTURING

Since 1989, we've helped manufacturers bring advanced facilities online faster and with less risk. Our proven develop–design–build and EPC solutions have supported more than 100 projects in semiconductor, solar, battery, life sciences, aerospace, and food & beverage. We're ready to help you navigate the complexities of this rapidly evolving industry – and turn your vision into reality.

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



Gabriel Fox, LEED AP
Chief Estimator
262.327.0284
gabriel.fox@mortenson.com



Andy Stapleton
Vice President, Project Development
847.472.8103
andy.stapleton@mortenson.com

NATIONAL SNAPSHOT

2026 Nonresidential Construction Costs

Market	Q1 % Change	YoY % Change
National	+1.69%	+6.77%
Chicago	+1.53%	+5.67%
Denver	+2.44%	+10.37%
Milwaukee	+2.19%	+10.32%
Minneapolis	+1.10%	+6.24%
Phoenix	+1.97%	+7.05%
Portland	+0.86%	+2.55%
Salt Lake City	+3.38%	+9.75%
Seattle	+0.56%	+4.15%

COST INDEX

NON-RESIDENTIAL MARKETS Q1 2026



Regional Market Activity

Construction activity across regions remained uneven in Q1, with **large-scale data center and advanced manufacturing projects driving labor demand, pricing, and procurement conditions** in select markets.

At the same time, several regions reported increasingly competitive bidding environments as trade partners pursued a more limited pool of conventional commercial and institutional work. While overall labor availability and supply chain conditions have largely stabilized, **localized constraints persist in specialized trades and steel and electrical scopes.**

Transportation & Supply Chain Conditions

Entering Q2, **transportation and supply chain networks remain adaptable and more resilient** than in prior years, allowing markets to better absorb disruptions and pricing volatility. **Trucking costs continue to trend upward** due to operating cost inflation and localized capacity constraints, while **ocean freight is adjusting to longer transit routes and elevated fuel costs** amid ongoing geopolitical disruptions.

More broadly, **tariffs and energy-related cost pressures continue to impact key materials**—particularly steel, copper, aluminum, and electrical infrastructure. Lead times have improved across most materials, though long-lead electrical and power distribution components remain constrained in several markets.

Quarterly material cost increases were driven largely by metal-related scopes, tied to steel markets and tariff exposure. Key increases include metal stair fabrication (+4.5%), steel framing and stair erection (+4.1%), structural steel and metal decking (+3.8%), fire protection systems (+2.8%), and plumbing (+2.7%).

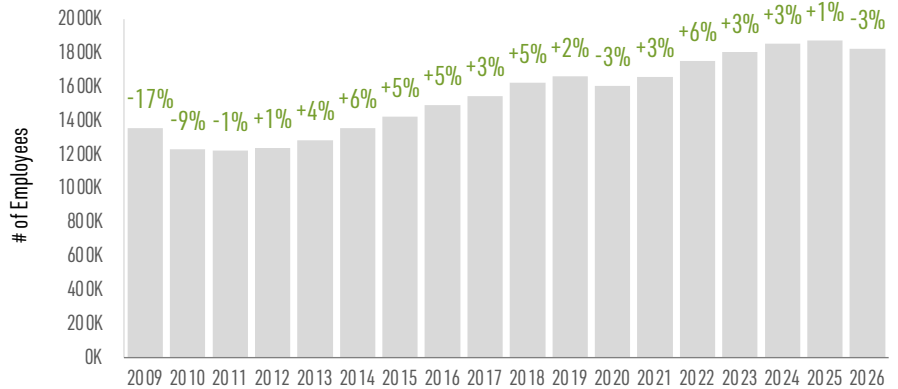
Momentum Builds Across Planning and Starts

Broader indicators show renewed momentum entering Q2 2026, with **construction starts up 13% in March**, driven by continued strength in nonresidential activity (Dodge Construction Network).

"A few strong categories overcame slight weakness in all the others in March," explained Dodge Construction Network Chief Economist Eric Gaus. "The commercial segment shows the most strength with **12-month growth for all sub-categories except warehousing.**"

NATIONAL CONSTRUCTION EMPLOYMENT

(Average Monthly Employment in 2026 and YoY % Change)

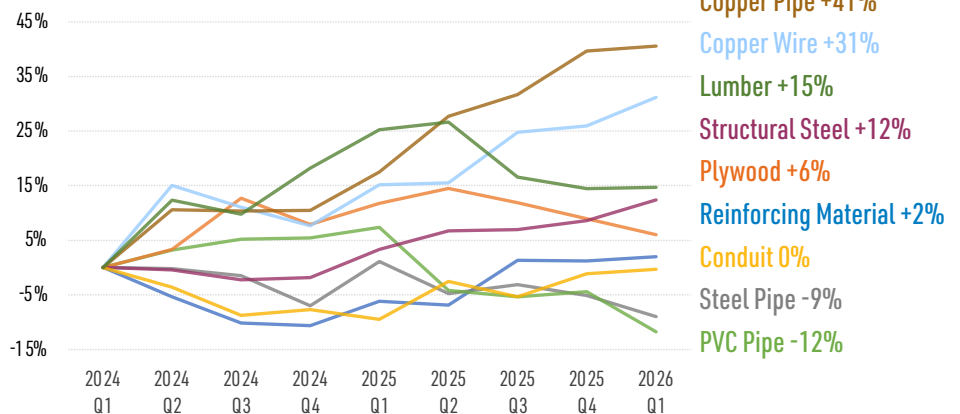


National construction employment averaged 1,825,000 workers in the first quarter of 2026—a 3% decrease compared to the same period in 2025. Despite regional labor pressures, workforce conditions are stabilizing overall.

Source: Bureau of Labor Statistics, National Construction of Buildings

MATERIAL PRICING CHANGES

(National Average - Cumulative Q1 2024 to Q1 2026)



In 2026, global supply chains are becoming more resilient and adaptable, helping markets better absorb disruptions. Despite improving lead times, key construction cost pressures include elevated metal prices, tariffs, energy-related pressures, and long-lead electrical and power distribution equipment.

COST INDEX

NON-RESIDENTIAL MARKETS Q1 2026



Construction Activity Strengthens

Construction starts are rising, with strong **planning activity** across key sectors, indicating continued project advancement.

↑ 13% Construction Starts
Dodge Construction Network, March 2026

Data Centers



Healthcare



Energy



Infrastructure



→ Design Activity Signals Growth Later in 2026

The AIA/Deltek Architectural Billings Index **neared positive territory for the first time in nearly three years**, signaling a potentially stronger project pipeline later in 2026.

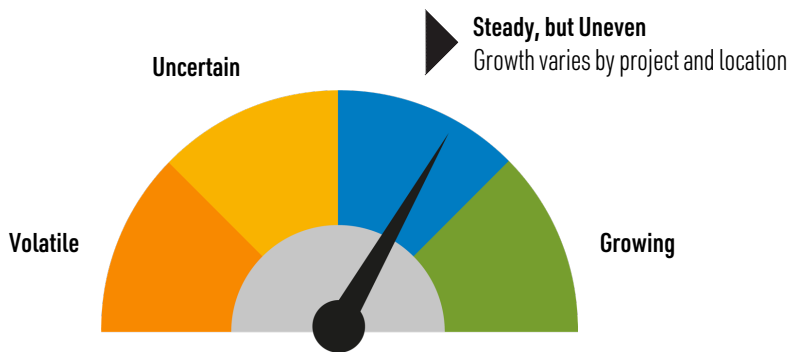
VIEW THE FULL CONSTRUCTION COST INDEX



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: www.mortenson.com/cost-index

Nonresidential Construction Outlook: Where the Market Stands in 2026



The Mortenson Construction Cost Index reflects a construction market that remains **active, competitive, and increasingly shaped by project-specific conditions** as the industry moves through the second quarter of 2026. While select material categories—particularly metals, electrical infrastructure, and energy-related inputs—continue to face elevated pricing pressure, **broadier supply chain performance and labor availability have largely stabilized** compared to prior years. At the same time, competitive bidding conditions persist across many regions, even as localized pressure intensifies in markets driven by large-scale data center and infrastructure investment.

Forward-looking indicators continue to trend positively, with **planning activity, construction starts, and architectural billings** showing early signs of renewed momentum. Taken together, these conditions point to a construction environment where **outcomes are increasingly determined by how and where projects advance**. Early planning, disciplined procurement strategy, and market-specific coordination remain critical to managing risk and positioning for opportunity.

