# COST INDEX
## NON-RESIDENTIAL MARKETS Q3 2026

Mortenson

## Non-residential Construction Costs Remain Steady as Labor and Material Pressures Persist

### Key Cost Drivers

**Previously negotiated union agreements** increased labor costs across several markets in the last quarter.

**Mega-project demand** continues to pressure electrical capacity, skilled labor, and metal-intensive scopes.

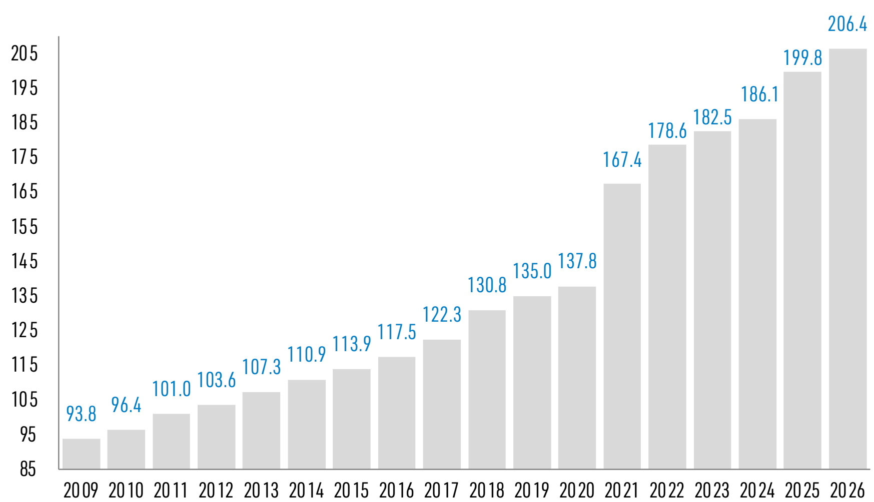
**Tariffs, elevated energy costs and geopolitical disruption** continue to create pricing and sourcing uncertainty across materials and transportation.

non-residential construction conditions remained broadly stable through the first half of 2026, though cost pressures varied significantly by market, trade and project type. **Mega-project investments remain the strongest source of upward pressure**, while softer demand across portions of the commercial and institutional market continues to create **competitive bidding opportunities** as trade partners actively pursue available work.

**Quarterly Cost Movement**

Nationally, non-residential construction costs tracked by the Mortenson Construction Cost Index increased +1.58% during the quarter and +5.60% over the past twelve months. Quarterly increases ranged from +0.60% in Milwaukee to +2.86% in Minneapolis, reflecting **differences in scheduled labor-rate adjustments, regional project activity, competition, and mega-project demand** across the eight markets tracked by Mortenson. During the quarter, trade partner work increased +1.6% and construction materials rose +1.4%. Over the past 12 months, materials increased +6.0% and trade partner work rose +5.2%.

### CONSTRUCTION COST INDEX TRENDS
**(January 2009 = 100)**

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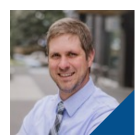
**For specific updates or questions regarding this report, please contact:**

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### NATIONAL SNAPSHOT
2026 Non-residential Construction Costs

| Market | Q2 % Change | YoY % Change |
|---|---|---|
| National | +1.58% | +5.60% |
| Chicago | +2.20% | +5.39% |
| Denver | +1.37% | +6.84% |
| Milwaukee | +0.60% | +6.22% |
| Minneapolis | +2.86% | +6.66% |
| Phoenix | +1.21% | +6.32% |
| Portland | +1.20% | +3.19% |
| Salt Lake City | +1.47% | +7.87% |
| Seattle | +1.71% | +3.48% |

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**Labor Costs Move Higher**

Mid-year cost movement reflected **annual collective bargaining adjustments** in Chicago, Minneapolis, Milwaukee and Seattle, contributing to the **stronger labor escalation often seen in the second quarter.**

Labor availability remains generally manageable, but localized constraints persist. **Electrical trades remain the most notable pressure point,** particularly in Chicago and Milwaukee, where limited electrician availability can increase reliance on overtime and elevate project costs.

**Regional Markets Remain Uneven**

Data center and advanced manufacturing construction continues to shape market conditions, particularly in Chicago and Milwaukee. These projects are **sustaining demand for electrical trades, steel, and other specialized scopes** even as parts of the broader construction market remain more competitive.

Trade partner competition remains strong across tracked markets, though conditions vary by region. Pacific Northwest markets continue to see aggressive bidding, with **some firms absorbing increases or reducing fees to secure work**. Similar competitive conditions exist in the Midwest and Southwest, although bidding dynamics vary by project size, volume and demand.

**Supply Chains Stay Resilient Amid Volatility**

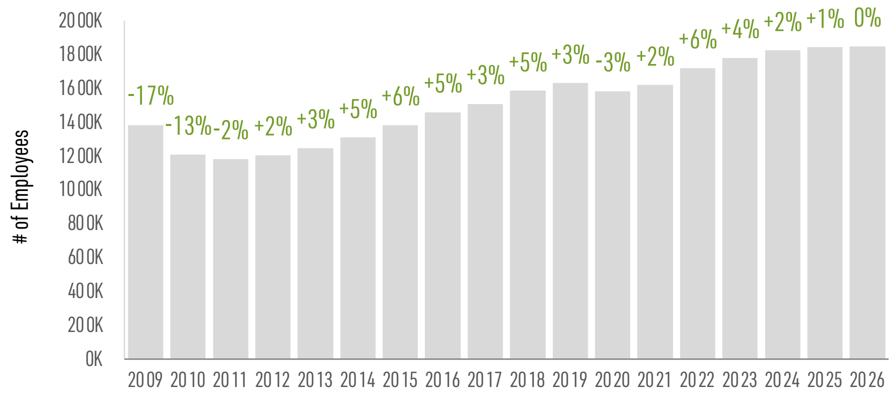
Global supply chains remain generally stable, while select equipment categories face procurement challenges. **Electrical infrastructure remains among the most constrained categories**, with power transformers, high-voltage circuit breakers and other power-distribution equipment facing extended lead times, **including lead times beyond two years for certain large power equipment.** Constraints remain concentrated in utility, grid-infrastructure and large data center projects rather than the broader construction market.

**Tariff Impacts Continue to Evolve**

The expiration of the temporary Section 122 tariff on July 24, combined with new Section 301 actions and continuing Section 232 tariffs, is adding complexity to the sourcing environment. The **full impact of these changes was not yet reflected in second-quarter pricing** and may become clearer in coming periods, particularly as suppliers and contractors work through inventories, contracts and procurement commitments.

### NATIONAL CONSTRUCTION EMPLOYMENT

**(Average Monthly Employment in 2026 and YoY % Change)**

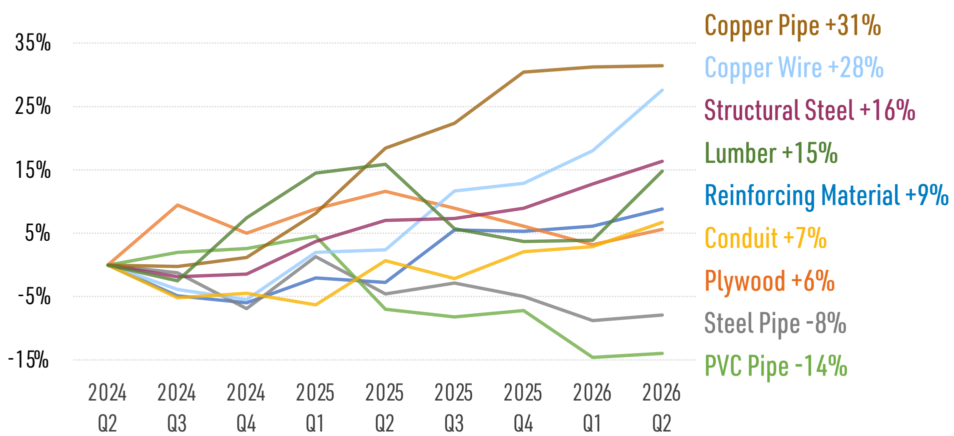



National construction employment averaged 1,847,700 workers in the first six months of 2026, remaining essentially flat compared to the same period in 2025. Unemployment remains at historically low levels.

*Source: Bureau of Labor Statistics, National Construction of Buildings*

### MATERIAL PRICING CHANGES

**(National Average - Cumulative Q2 2024 to Q2 2026)**




Global supply chains remain more adaptable than in prior years, but normalization is uneven. Transportation networks and supplier performance are generally stable, while tariffs, geopolitical tensions and elevated energy costs continue to create sourcing and pricing uncertainty.

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**Metals and Electrical Systems Lead Scope Increases**
Quarterly increases were concentrated in electrical and metal-intensive scopes.

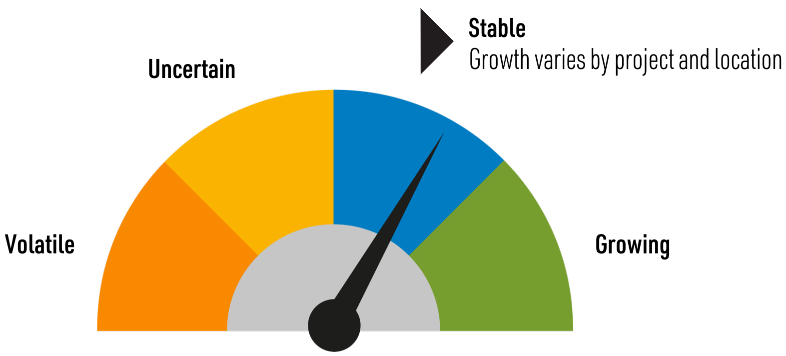
### Largest Scope Increases

- Electrical Systems: **+3.4%**
- Misc. Metal Fabrication: **+3.3%**
- Structural Steel & Metal Decking: **+3.2%**
- Reinforcing Material: **+2.9%**
- Cast-in-Place Concrete: **+2.0%**
- Fire Protection Systems: **+1.7%**

**Steel prices strengthened last quarter**, while copper and aluminum remained elevated due to electrical infrastructure demand, supply constraints and tariff costs.

**Transportation Costs Move Higher**
Trucking and ocean freight costs increased amid higher fuel, insurance and operating expenses and geopolitical disruption. **Capacity remains generally available, making transportation a secondary cost driver** compared with labor, metals and electrical equipment.

**Mid-2026 Non-residential Construction Outlook**




The Mortenson Construction Cost Index reflects conditions that **remain steady but increasingly market specific.** Data centers, grid infrastructure and advanced manufacturing continue to create localized pressure on labor, metals and electrical capacity, while conventional projects in markets without data center activity are seeing more aggressive scope bidding from trade partners.

**Construction starts and planning activity remain positive over the longer term**, though monthly results continue to fluctuate, and architectural billings remain below expansion levels. **Early market engagement, disciplined procurement, and project-specific planning** remain the most effective tools for managing cost and schedule risk while taking advantage of competitive conditions where they exist.

## 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

*Cost Index data reflects Q2 2026 market activity*