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An IMA Company

Markets in Focus
Construction

THIRD QUARTER
2026

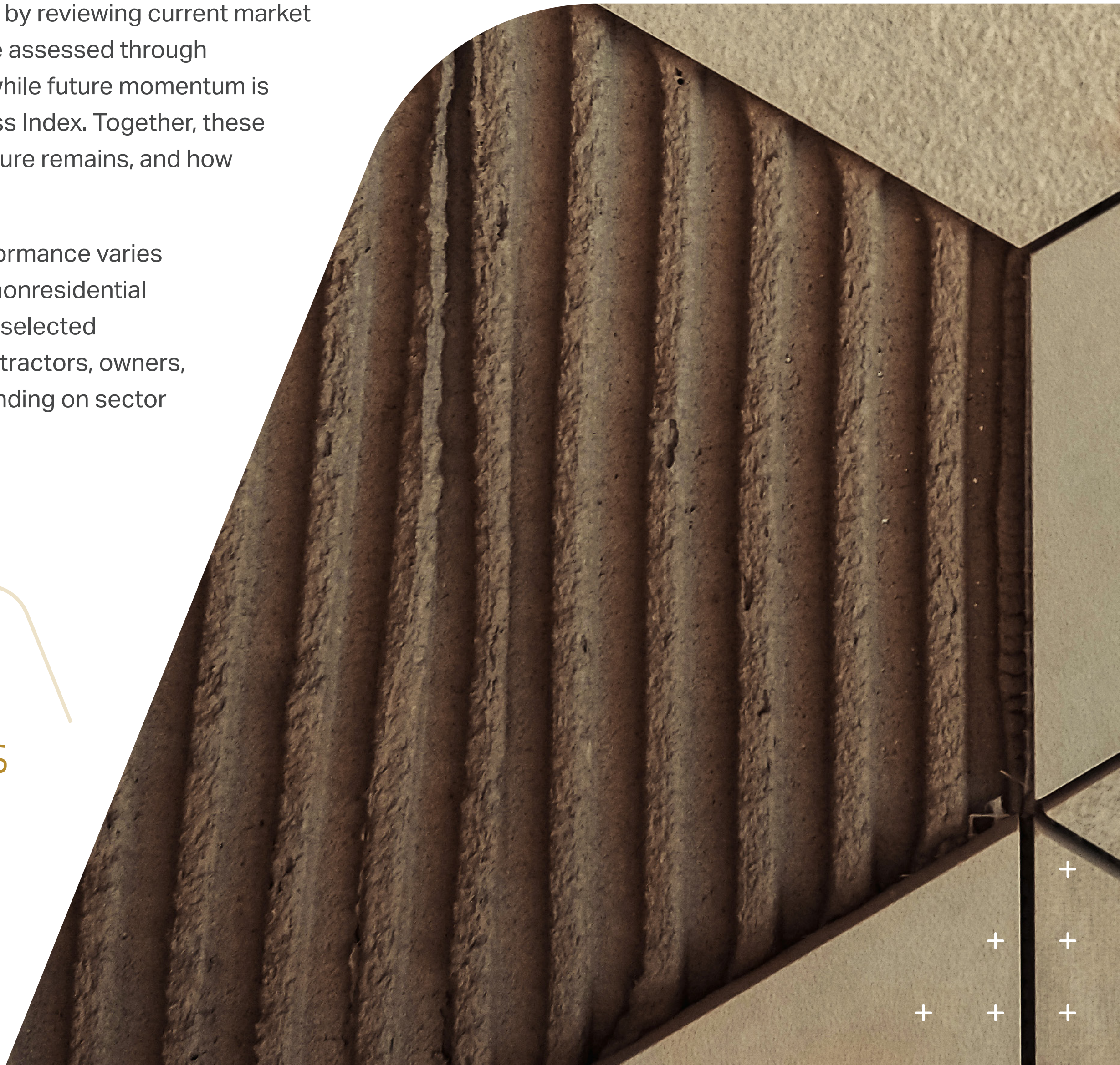
ECONOMIC OVERVIEW

Executive **Summary**

This report provides a concise view of the construction economy by reviewing current market conditions and forward-looking indicators. Current conditions are assessed through construction spending, employment trends, and material costs, while future momentum is evaluated through backlog and ConstructConnect's Project Stress Index. Together, these measures help show where activity is strengthening, where pressure remains, and how risk may shift across project types.

Overall construction spending remains relatively steady, but performance varies by segment. Residential spending has improved modestly, while nonresidential spending remains flat as infrastructure, data centers, utilities and selected institutional categories offset weaker manufacturing activity. Contractors, owners, and developers may experience the market very differently depending on sector focus, project mix and geography.

> Construction activity remains steady, but market pressure is shifting by segment, project type, and geography.



Construction Economy
Current State

Residential Construction Spending

Residential construction spending increased 1.7% year-over-year in April, signaling modest growth after several months of uneven activity. While spending remains below the recent high reached in December 2025, the broader trend continues to point upward. Over the last 12 months, gains have been measured rather than significant, supported in part by a limited share of work from private individuals and developers. According to AIA, 12% of reported work comes from private individuals and 14% from developers, which helps explain the modest movement in put-in-place spending.[1]

+ Single family construction has fluctuated when compared to the start of 2026, and trending upwards relative to and just above the 12-month average (April 2025 - April 2026).
+ Multifamily and public construction have been averaging around the same spending rate for the last 12 months.

Put-In-Place Spending Rate, In Millions

PUT-IN-PLACE	APRIL 2025	APRIL 2026	% CHANGE
TOTAL RESIDENTIAL	906,503	922,037	1.7%
NEW SINGLE FAMILY	428,543	416,160	-2.9%
NEW MULTIFAMILY	114,530	115,809	1.1%
PUBLIC	11,999	12,156	1.3%

Source: Data compiled from the US Census Bureau. Value of Construction Put in Place in the United States, Seasonally Adjusted Annual Rate. Data as of April 2026. Release date June 1, 2026.[2]

WHAT THIS MEANS FOR YOU

Single family houses sold are down significantly year-over-year and may continue to impact as builders try to reduce inventory.

The slight increase in spending while promising is in line with overall average.

Nonresidential Construction Spending

Nonresidential construction spending remained essentially flat through April 2026, increasing 0.1% month-over-month and 0.3% year-over-year. The muted headlines figure reflects uneven performance across subsectors, with infrastructure-related categories and selected commercial segments offsetting a sharper pullback in manufacturing.

Manufacturing construction, which previously led growth, continued to soften and was down 18.4% year-over-year, signaling a meaningful reset from the prior peak investment cycle. Office construction continues to see steady growth. At the same time, several categories continue to post year-over-year gains, with religious construction spending up 20.3% and conservation and development rising 17.5%, both standing out as smaller but faster-growing contributors.

WHAT THIS MEANS FOR YOU

The ecosystem surrounding data centers will need to be evaluated carefully to support long-term project success.

Flat nonresidential spending does not mean risk is standing still. Builders' risk, property, liability, and contractor programs should be reviewed to ensure they reflect the current project mix, particularly as exposures shift from manufacturing-heavy work toward infrastructure, data centers, utilities, and institutional projects.

Large projects and infrastructure-related work can introduce more complex contractual, supply chain, labor, and delay exposures.

The decline in manufacturing construction may ease pressure in some segments, but it could also create pipeline, revenue, or subcontractor stability concerns for contractors and suppliers tied to that sector.

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Construction Spending

April 2025–April 2026

TYPE OF CONSTRUCTION	APRIL 2026	MARCH 2026	FEBRUARY 2026	JANUARY 2026	DECEMBER 2025	APRIL 2025	Percent change Apr 2026 from - MARCH 2026	APRIL 2025
TOTAL CONSTRUCTION	**2,172,397**	**2,164,474**	**2,160,663**	**2,178,092**	**2,219,926**	**2,153,440**	**0.4**	**0.9**
RESIDENTIAL	922,037	914,948	909,596	927,464	971,295	906,503	0.8	1.7
NONRESIDENTIAL	1,250,361	1,249,526	1,251,067	1,250,627	1,248,631	1,246,937	0.1	0.3
Lodging	24,727	24,579	24,727	24,888	24,763	23,283	0.6	6.2
Office	113,935	112,780	111,905	110,993	110,226	106,029	1	7.5
Commercial	122,280	122,949	124,087	122,897	122,774	121,369	-0.5	0.8
Healthcare	70,652	70,360	70,199	70,380	68,748	68,681	0.4	2.9
Educational	139,625	138,816	139,133	140,077	140,826	136,742	0.6	2.1
Religious	5,611	5,584	5,478	5,441	5,167	4,663	0.5	20.3
Public Safety	19,894	19,519	19,392	19,294	19,880	19,444	1.9	2.3
Amusement and Recreation	45,912	46,297	45,876	45,594	45,144	42,626	-0.8	7.7
Transportation	69,876	70,141	70,240	69,995	69,892	67,830	-0.4	3
Communication	29,873	29,785	29,790	29,564	29,521	29,089	0.3	2.7
Power	168,308	167,273	166,515	164,375	163,899	157,519	0.6	6.8
Highway and Street	150,914	150,281	150,116	148,820	145,205	145,071	0.4	4
Sewage and Waste Disposal	53,320	53,878	53,750	54,441	54,393	50,972	-1	4.6
Water Supply	35,713	35,908	35,689	35,592	36,189	34,065	-0.5	4.8
Conservation and Development	13,995	13,368	13,653	12,951	12,548	11,912	4.7	17.5
Manufacturing	185,725	188,009	190,517	195,326	199,458	227,643	-1.2	-18.4

Source: US Census Bureau. Value of Construction Put in Place in the United States, Seasonally Adjusted Annual Rate. Data as of April 2026. Release date June 1, 2026[3]

Employment

Construction employment gains are concentrated in nonresidential segments. Stakeholders in nonresidential segments are predicting that the growth in AI data centers will lead to significant investments in workforce development.[4] Any investments into workforce development for nonresidential will lead to potential gaps in residential construction employment growth which is already had a notable decline (-1.0%) and represent a continued downward trend similar to the previous month.

Construction Employment Growth

12-Month Percentage Change — May 2025 versus May 2026

↑ 0.8%
CONSTRUCTION

↑ 2.1%
NONRESIDENTIAL*

↑ 2.0%
NONRESIDENTIAL BUILDING

↑ 2.0%
NONRESIDENTIAL STC

↑ 2.2%
HEAVY CIVIL AND ENGINEERINGING

↓ -1.0%
RESIDENTIAL**

↓ -0.9%
RESIDENTIAL BUILDING

↓ -1.1%
RESIDENTIAL STC

**Includes Nonresidential Building, Nonresidential STC, and Heavy and Civil Engineering*

***Includes Residential Building and Residential*

Source: US Bureau of Labor Statistics via ABC.org. Data as of June 5, 2026[5]

WHAT THIS MEANS FOR YOU

Companies such as Google and Meta are investing in skilled-trades training, which may encourage more organizations to develop workforce programs that support the growing demand for construction labor.

As companies expand training programs or bring on less-experienced workers, safety protocols, supervision, and onboarding practices become increasingly important. Gaps in these areas can increase exposures across workers' compensation, general liability, and umbrella programs.

Demand for skilled labor will likely continue to rise, prompting broader industry engagement to help strengthen and expand the construction workforce.

Material Price

Material prices are significantly elevated. Inputs to construction remained elevated at 9.6% year-over-year. This has been following an upward trend since the start of 2026.

Crude petroleum prices surged in April of 2026 compared to the previous year because of the Iran conflict and remained elevated in May 2026. However, expectations for improved transit through the Strait of Hormuz will reduce some of the pressure on global trade.

9.6%

Construction material costs remain under pressure, with input prices up 9.6% year-over-year.

WHAT THIS MEANS FOR YOU

If material costs continue to rise, underreported project values or outdated replacement cost assumptions may create coverage gaps or coinsurance concerns.

It will be crucial to work with a broker to pressure-test values, deductibles, and limits against current market conditions and confirm whether policy terms account for inflation, supply chain disruption, and extended project timelines.

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Producer Price Index

May 2026

	1-MONTH % CHANGE	12-MONTH % CHANGE	CHANGE SINCE FEB 2020
INPUTS TO INDUSTRIES			
CONSTRUCTION	2.6%	9.6%	55.5%
MULTI-FAMILY CONSTRUCTION	1.5%	7.3%	52.8%
NONRESIDENTIAL CONSTRUCTION	2.4%	9.7%	56.4%
COMMERCIAL CONSTRUCTION	1.6%	8.0%	55.7%
HEALTHCARE CONSTRUCTION	1.5%	8.0%	55.2%
INDUSTRIAL CONSTRUCTION	2.0%	9.2%	52.7%
OTHER NONRESIDENTIAL CONSTRUCTION	2.7%	10.4%	57.1%
MAINTENANCE AND REPAIR CONSTRUCTION	3.0%	10.2%	54.0%
COMMODITIES			
ADHESIVES AND SEALANTS	-0.1%	2.5%	42.1%
BRICK AND STRUCTURAL CLAY TILE	0.0%	1.3%	34.3%
CONCRETE PRODUCTS	0.3%	3.0%	45.7%
CONSTRUCTION MACHINERY AND EQUIPMENT	0.2%	3.5%	37.2%
CONSTRUCTION SAND, GRAVEL, AND CRUSHED STONE	0.4%	5.7%	54.4%
COPPER WIRE AND CABLE	7.3%	24.2%	93.9%

	1-MONTH % CHANGE	12-MONTH % CHANGE	CHANGE SINCE FEB 2020
COMMODITIES			
CRUDE PETROLEUM	11.8%	78.2%	128.5%
FABRICATED STRUCTURAL METAL PRODUCTS	1.0%	8.1%	71.7%
GYPSUM PRODUCTS	0.0%	-0.7%	48.4%
HOT ROLLED STEEL BARS, PLATES, AND STRUCTURAL SHAPES	-3.1%	10.0%	51.3%
INSULATION MATERIALS	0.4%	0.0%	48.3%
IRON AND STEEL	1.4%	7.0%	70.8%
LUMBER AND WOOD PRODUCTS	0.1%	2.3%	29.6%
NATURAL GAS	-18.2%	27.1%	6.1%
PLUMBING FIXTURES AND FITTINGS	-0.2%	6.6%	32.4%
PREPARED ASPHALT, TAR ROOFING, AND SIDING PRODUCTS	18.2%	27.1%	6.1%
SOFTWOOD LUMBER	-0.5%	4.8%	23.8%
STEEL MILL PRODUCTS	2.1%	6.7%	86.0%
SWITCHGEAR, SWITCHBOARD, INDUSTRIAL CONTROLS EQUIPMENT	0.6%	10.8%	76.2%
UNPROCESSED ENERGY MATERIALS	6.9%	47.3%	116.4%

Source: Associated Builders and Contractors[6]

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Construction Economy
Future State

Backlog

Construction backlog is strong at 9.1 months signaling consistent work under contract. The month net change improvement between regions except the South. The South still stands at the strongest backlog year-over-year.

Backlog for companies greater than $100 million are seeing a decrease by -1.5 compared to April 2026. Year-over-year, companies with $30–$50 million in revenue are down and have been trending downward since June 2024. Overall commercial backlog has hovered average 8.6 since January 2024.

A recent Federal Energy Regulatory Commission (FERC) order may also influence future backlog. On June 18, FERC directed the nation's six regional grid operators to justify or revise the tariff rules that govern how data centers, factories and other large power users connect to the electric grid. As these projects move through additional review and study requirements, timelines could lengthen and affect when work ultimately moves forward.[7]

9.1 months

CURRENT CONSTRUCTION BACKLOG REMAINS STRONG, SIGNALING STEADY CONTRACTED WORK.

WHAT THIS MEANS FOR YOU

A strong backlog in the South may create added demand for labor, materials, and subcontractors, making it important to evaluate staffing plans, contract controls, and project-specific coverage before work begins.

Review backlog trends alongside surety capacity, bonding needs, cash flow, and contract terms to ensure insurance and risk management programs can support committed and upcoming work.

Construction Backlog Indicator

	MAY 2026	APRIL 2026	MAY 2025	1-MONTH NET CHANGE	12-MONTH NET CHANGE
TOTAL	9.1	8.8	8.4	0.3	0.7
	INDUSTRY				
COMMERCIAL AND INSTITUTIONAL	8.8	8.9	8.8	-0.1	0.0
HEAVY INDUSTRIAL	10.0	9.1	7.2	0.9	2.8
INFRASTRUCTURE	10.1	9.9	6.8	0.2	3.3
	REGION				
MIDDLE STATES	8.2	7.2	7.5	1.0	0.7
NORTHEAST	9.0	8.5	8.7	0.5	0.3
SOUTH	10.3	10.7	9.4	-0.4	0.9
WEST	7.6	7.5	7.5	0.1	0.1
	COMPANY SIZE				
<$30 MILLION	7.9	7.3	7.6	0.6	0.3
$30–$50 MILLION	9.1	8.8	9.9	0.3	-0.8
$50–$100 MILLION	10.4	9.1	9.4	1.3	1.0
>$100 MILLION	12.7	14.2	10.9	-1.5	1.8

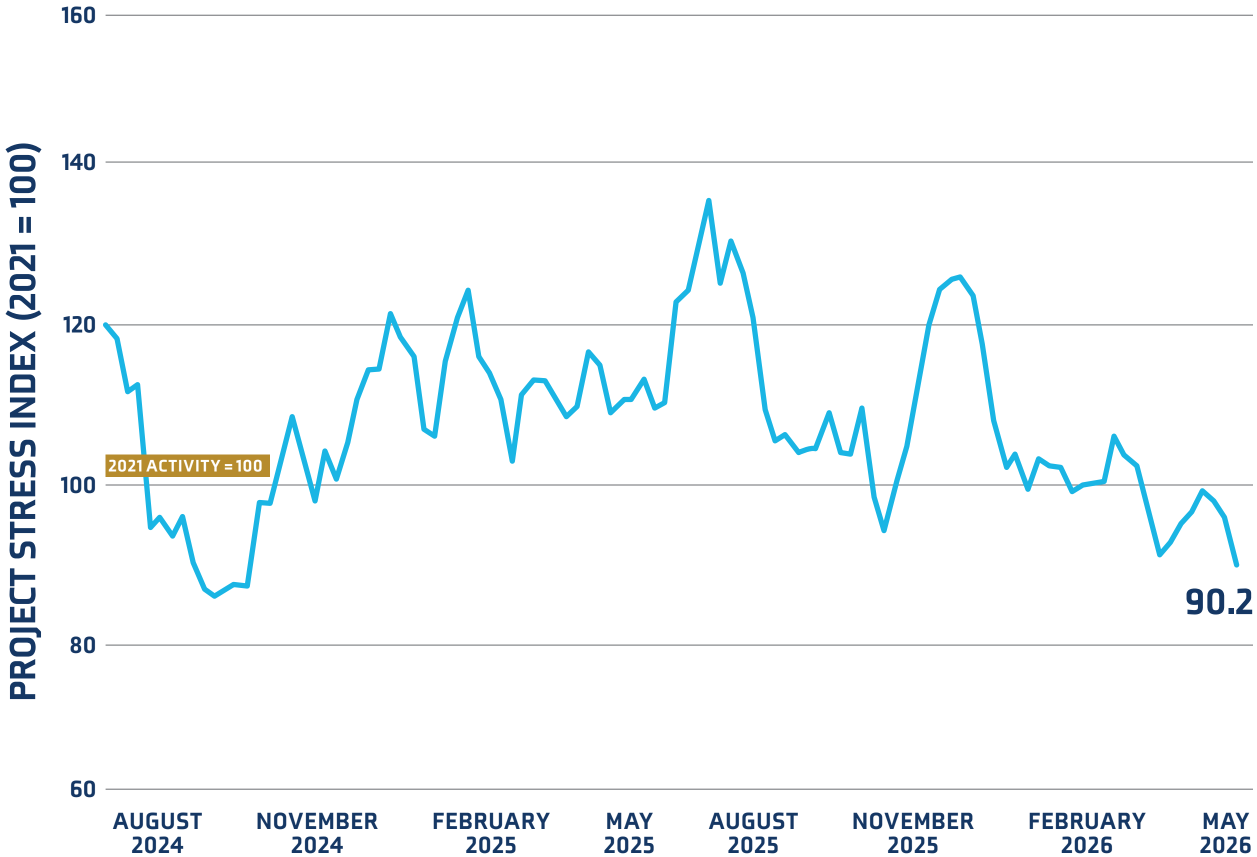
Source: Data from Associated Builders and Contractors Construction Backlog Indicator. Data from June 2025 to June 2026[8]

ConstructConnect's Project Stress Index

Project stress levels have decreased, reflecting stabilization on construction planning and execution. Project abandonments have declined significantly with delay bid dates and on hold projects declining modestly. This solidifies that contractor projects are less stressed than the previous month.

Project Stress Index Composite

A seasonally adjusted, equal weight measure of delayed, on hold, and abandoned projects



Source: ConstructConnect. Project Stress Index.[9]

WHAT THIS MEANS FOR YOU

If the industry isn't stressed carriers will still be interested in backing projects.

Construction Economy **Summary**

The construction economy continues to show resilience, but growth remains uneven across sectors. Residential spending has improved modestly, while nonresidential activity remains relatively flat as strength in infrastructure, data centers, utilities, and selected institutional categories offsets softer manufacturing construction. At the same time, elevated material costs, shifting labor needs, and changing project mix continue to place pressure on contractors, owners, and developers.

Looking ahead, strong backlog suggests continued demand, particularly in markets supported by large-scale infrastructure and data center investment. However, longer timelines, power availability concerns, workforce constraints, and cost volatility may influence when projects move forward and how risk is allocated. Even as project stress indicators show signs of stabilization, the market still requires disciplined planning, clear contract controls and regular review of insurance, surety and risk management programs.

For construction stakeholders, the key takeaway is not that the market is slowing or accelerating uniformly, but that risk is becoming more specific to project type, geography, labor availability, and cost structure. Organizations that monitor these shifts closely, pressure-test coverage and values, and align workforce, contract, and project controls with current market conditions will be better positioned to manage uncertainty and capture opportunity in the months ahead.

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Markets in Focus
Contributors

AMANDA KLEIN
SVP, Regional Construction Practice Leader

BRIAN STOCKTON
SVP, Regional Construction Practice Leader

ANGELA THOMPSON
Marketing Strategist, Market Intelligence & Insights

BRIAN SPINNER
Marketing Specialist, Market Intelligence & Insights