

MARCH 2025



## From Experience - Cost Trends Edition

# What's Changing in Construction Costs?

### **Current Trends**

Welcome to Hixson's March 2025 issue of ***Cost Trends!***

After settling into the "new normal" five years post-COVID, we seem to be entering a new era of uncertainty for the foreseeable future.

Currently, one of the biggest unknowns is how ever-changing tariff regulations will impact the construction industry. Once final percentages are established, tariffs may have a downstream impact on construction volume, costs, schedules, resource availability and lead times, and will need to be watched closely. Tariffs may be split between higher prices to buyers or lower costs from foreign producers to be competitive. However, the Federal Reserve believes any price hikes from tariffs, in general, will be a one-off increase, and may be considered separately in their monitoring of inflation rates and their adjustments to the Federal Funds Rate.

In addition, many anticipate an adjustment in construction demand, as we move away from public government spending (via government project freezes and cancellations) toward a potential increase in private spending. Only time will tell if the efforts by the U.S. government to bring back businesses, investments, and to make and source goods domestically will be successful and offset the pain of tariffs over time. Since private construction spending is more than double public spending, the potential eventual increased

private construction spending, if it occurs, could push the limits of what our U.S. construction industry can deliver. This could, in turn, drive prices higher. On the other hand, if it does not occur, then we could see the opposite: recession and reduced demand for the U.S. construction industry.

The costs for labor and materials are also in flux. In the past year, labor cost increases have been more of a driving force in the rise of construction costs than material costs. Many of the more successful construction contractors are those who have addressed labor availability restrictions through training, labor utilization, retention, prefabrication, and innovative new construction technologies to stretch the available workforce capabilities and keep costs stable.

### **IN THIS ISSUE:**

The following cost trends are included in this issue:

1. U.S. Construction Costs
2. Leading Indicators of Construction Industry
3. Construction Spending
4. Construction Backlog Indicator
5. Construction Employment/Unemployment Rates
6. Construction Labor
7. Material Inflation:
  - 7.1 Asphalt Pavement
  - 7.2 Concrete
  - 7.3 Structural Steel
  - 7.4 Stainless Steel
  - 7.5 Copper
  - 7.6 Pipe

## WHAT'S THE BUZZ ON SUPPLY AND DEMAND

Supply chains have mostly recovered from the pandemic, with one exception: large electrical distribution and generation equipment has been struggling to keep up! The surging demand for this equipment stems from the push for EV infrastructure, a move away from natural gas and towards electrification, electrical grid improvements, data and logistical centers, and electrical power for the AI revolution.

Even so, material costs may be trending upward, having already jumped higher in the first part of this year. This is in contrast to the stability we saw in material prices in 2024, following relatively predictable patterns in the post-pandemic period. The pace, duration and extent of the changes occurring in material prices and associated demand may cause shifts in construction segments and overall volume in ways we have not experienced to date. While this recent jump may be an early reaction to the possibility of tariffs or other market forces at play, we are watching closely to see if the increases continue to trend higher.

Finally, construction spending increased again last year at a moderate rate overall; however, the increase was concentrated in several mega-projects and a few specific segments of the market such as data centers and government-funded segments (e.g., water supply, power, sewage and waste disposal, transportation, and education). Other segments, such as commercial office, declined in part due to shifts to work from home policies, although that trend may be bottoming out or reversing.

To address these concerns and mitigate risks, Owners may want to consider adopting one or more of the following strategies:

- **Request routine updates**, including earlier and more frequent cost estimates, from design and construction partners regarding the more rapidly changing construction marketplace conditions.
- **Consider carrying a higher contingency** to manage risk and provide a buffer to handle any surprises without impacting the overall financial stability of the project.
- **Adopt budgets with clear limits** and share those expectations with design and construction partners. In addition, Owners may wish to conduct more robust master planning and early design activities to develop working project budgets sooner. This will enable early procurement of long-lead items and engagement of contractors, locking in resources sooner and mitigating risks.
- **Allow greater flexibility in design options** to respond to changing supply, resource and market conditions. For example, to enhance lead times for electrical equipment, one strategy might involve using alternatives such as multiple smaller units to achieve the total required capacity or implementing temporary solutions until the permanent equipment is available. However, these choices might involve tradeoffs between schedule and cost priorities.

## IN THE NEWS - HIGHLIGHTS

**FED Rate and Inflation:** After the Federal Reserve reduced rates multiple times in 2024, they appear to be in a holding pattern waiting to see which way inflation and employment may turn.

**US Tariffs and Trade Tensions:** Daily news is rapidly changing regarding potential U.S. tariffs and countermeasures that may be considered by other countries. It appears that the long-term goal is to protect and increase U.S. manufacturing and production industries, though it may take time for negotiations to be settled. Also, increased costs of tariffs may be partially offset by reductions in costs of foreign-supplied materials. Other factors yet to be determined are capability of domestic production to meet demand, pace of investment in increasing domestic production to meet demand, and how prices may vary over time while these changes take place.

**Reductions in Government Spending:** Government initiatives to reduce government spending may result in a reduction in spending for public sector projects. This could lead to a slowdown in construction. However, in time, private investment in construction to expand US industries to meet demand created by tariffs may offset the governmental decrease.

**Labor Market:** The construction industry's ongoing labor shortages, especially in finding skilled labor, are still a major challenge. This is contributing to the increase in labor costs.

### **1. U.S. Construction Costs are rising at historically moderate rates of inflation in most locations.**

For February 2025, the annual Construction Cost Index (CCI) as reported in Engineering News Record (ENR) increased +1.8%, Building Cost Index (BCI) increased +1.8% and Material Cost Index increased +0.7%. In January 2025, the All-Items Consumer Price Index increased +3.0% over the last 12 months. The RLB Construction Cost Index 4Q 2024 annual increase was +5%. Out of the ENR 20 cities indexes, those cities with the highest annual construction cost increases for February 2025 were Minneapolis at +17.5%, New Orleans at +7%, Atlanta at +6.4%, Chicago at +3%, and Birmingham at +2.7%. Other cities showed less of a change, with cities like Dallas and New York City showing a decrease of -5% and -1.7% respectively. Turner's Building Cost Index of non-residential building construction market in U.S. represents a 3.9% yearly increase from 2023 to 2024.

### **2. Leading Indicators of Construction Industry show Dodge Momentum Index increasing and design activity slowing per ABI.**

At 45.6, the Architecture Billings Index (ABI) for January 2025 was around five points below the average of 50 and stayed below 50 (a level which indicates a slowdown) since January 2024, except for October 2024, where the index was 50.2. The seasonally adjusted Dodge Momentum rose 5.6% per month in January 2025 to 225.7, which is a new all-time high. The Dodge Commercial Building Index increased by 4.2% and Institutional Building Index increased by 8.7% from December 2024 to January 2025. For the full year, the Dodge Momentum Index is up by +26% in January 2025 from January 2024. According to 2025 February ENR Construction Economics, Dodge Construction Network's Non-Residential construction starts rose 35.1%.

# DODGE MOMENTUM INDEX

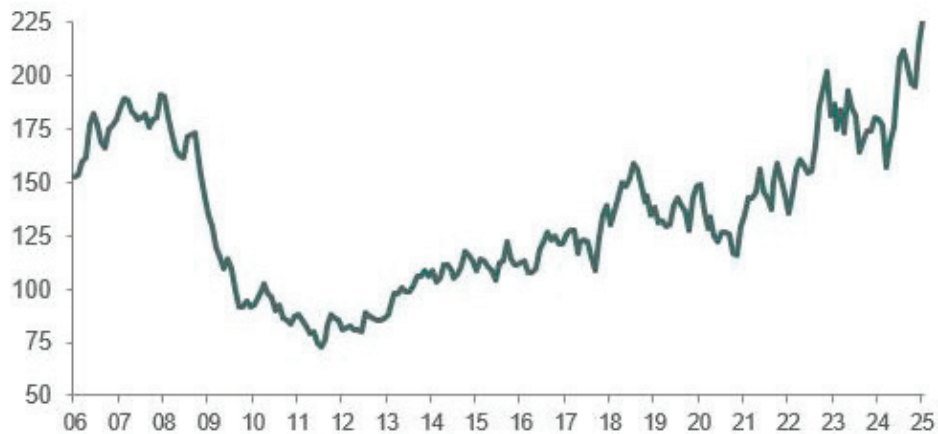
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	Jan-25	Dec-24	% Change
Dodge Momentum Index	225.7	213.6	5.6%
Commercial Building	275.2	264.0	4.2%
Institutional Building	164.4	151.3	8.7%

Source: Dodge Construction Network

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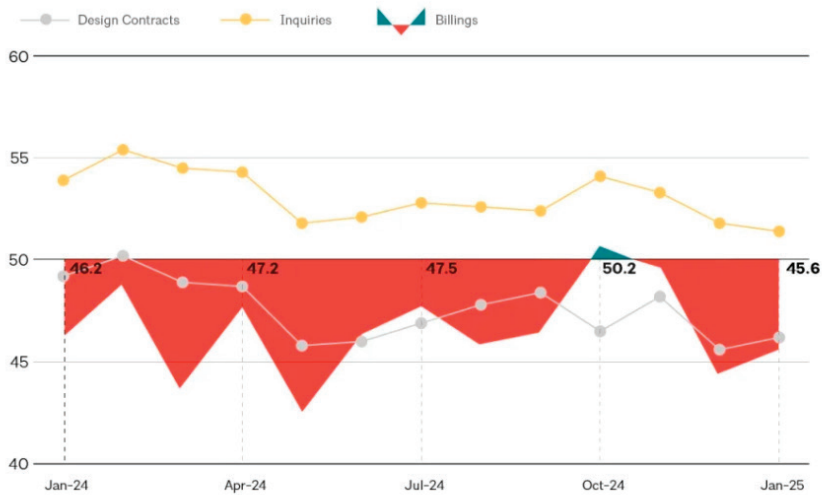
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## National

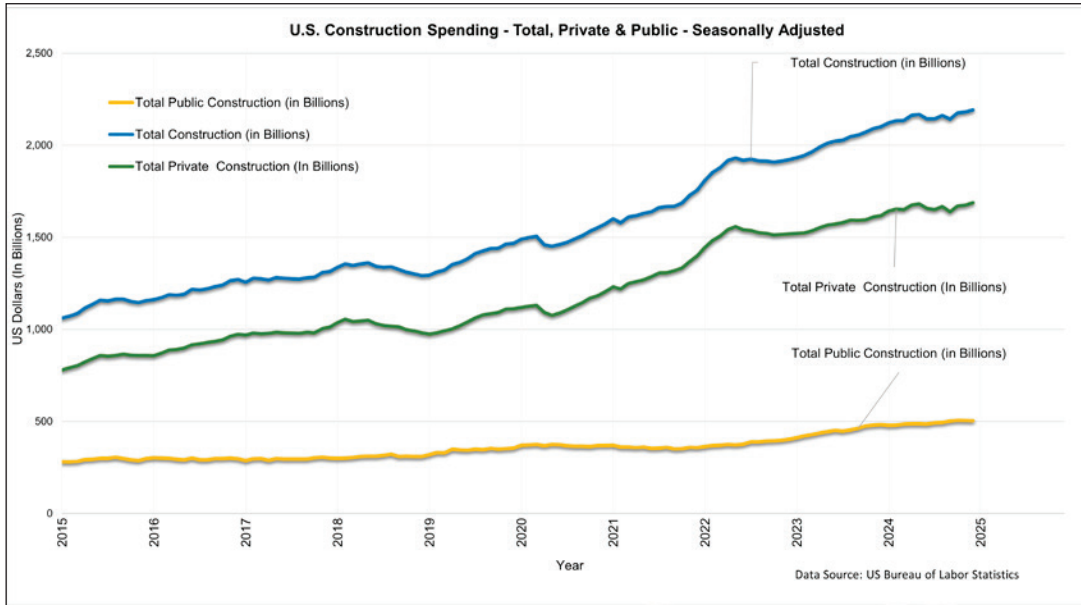
Architecture firm billings continue to decline in January

Graphs represent data from January 2024–January 2025.



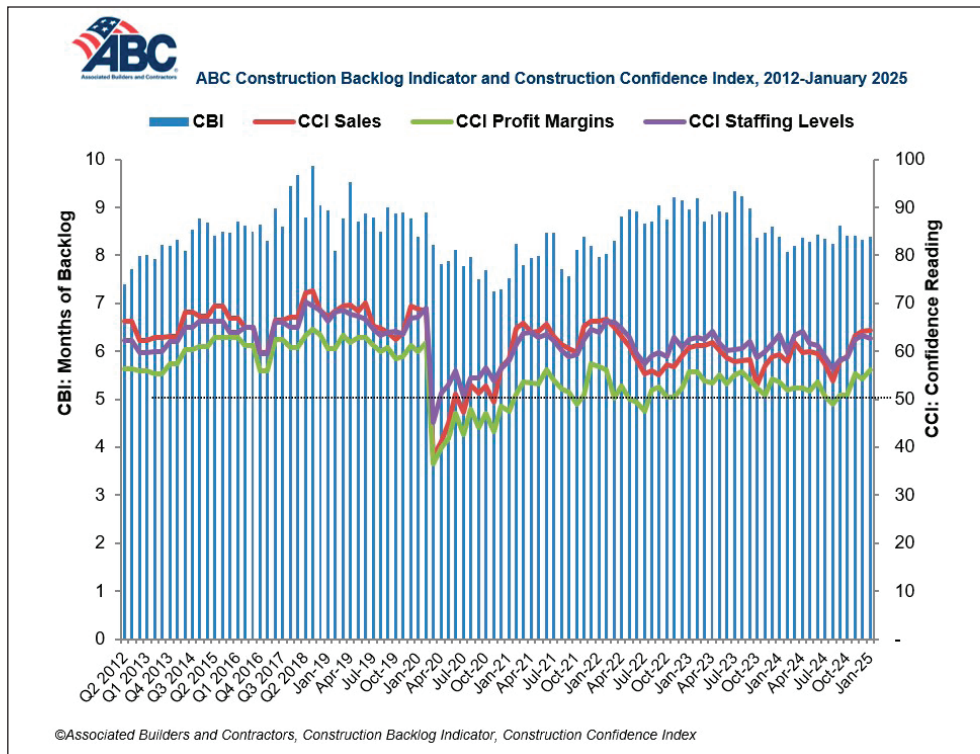
**3. Total and Private Construction Spending was 4% higher than a year ago.**

According to the U.S. Census Bureau, total construction spending in December 2024 was \$2,192 billion, which is 4% higher than a year ago. Total private construction spending in December 2024 was \$1,689 billion, which is 4% higher than a year ago. Dodge Data & Analytics report from February 2025 predicts fiscal policies, labor shortages and high construction costs remain a risk to the construction market, but potential monetary easing and scheduled sizable projects can support construction spending in the second half of 2025.



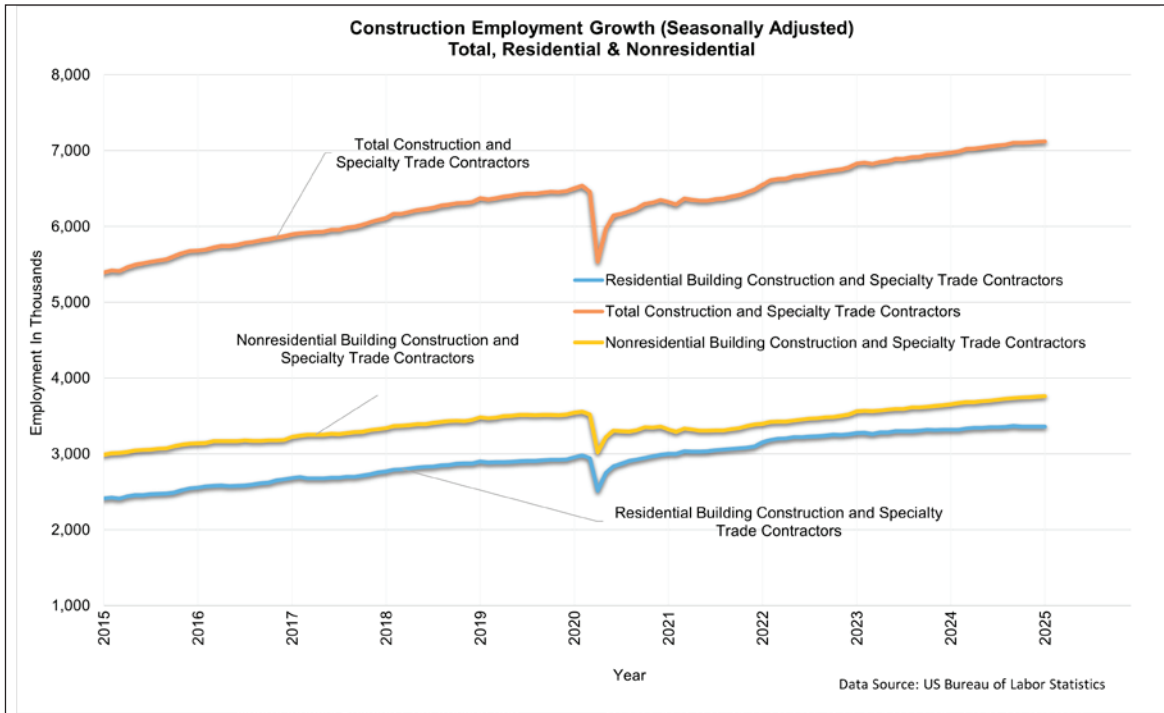
**4. Construction Backlog Indicator (CBI) is holding steady at 8.4 months, showing contractors remain busy.**

Average CBI for January 2025 is 8.4 months, which is little higher than December 2024 of 8.3 and no change when compared to January 2024 of 8.4.



**5. Construction Employment continues to gain jobs, while Construction Unemployment is at 6.5%.**

Total construction employment gained 4,000 jobs between December 2024 and January 2025, according to data from the Bureau of Labor Statistics (BLS). Total building construction employment and specialty trade contractors was 7,122,600 in January 2025, an increase of 148,700 jobs since January 2024. Construction unemployment rose to 6.5% in January 2025, after rising to almost 7% in January 2024 and falling to a low of 3.2% in August 2024. According to Gilbane, "labor demand will likely ease somewhat in 2025 as projects tied to the Inflation Reduction Act (IRA), Infrastructure Investment and Jobs Act (IIJA) and CHIPS Act approach completion.



**6. Construction Labor costs continue to rise at up to 10%, with a few higher exceptions. Generally, skilled labor costs continue to rise faster than common labor, due to limited availability.**

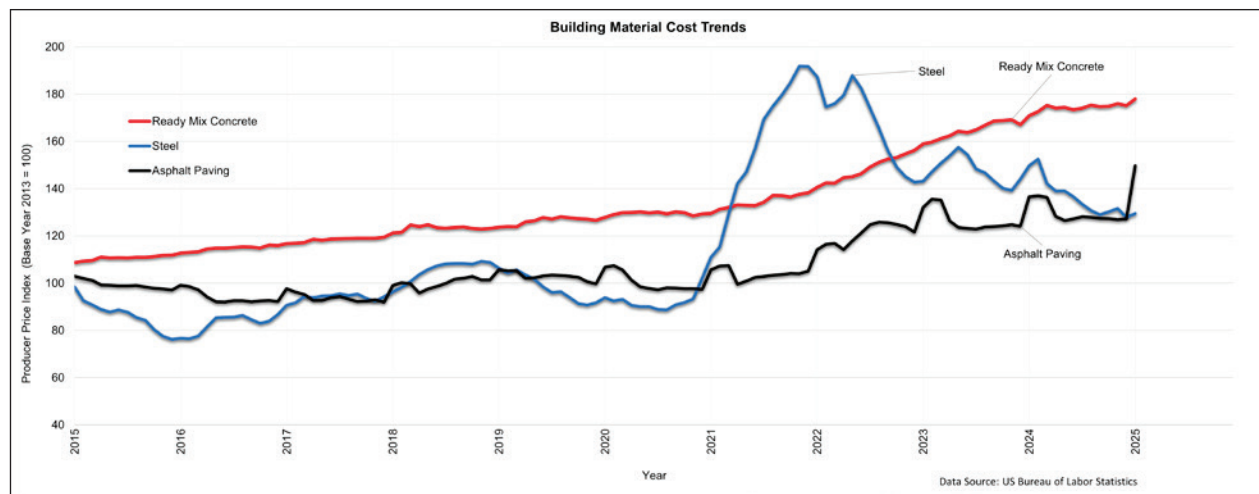
Per ENR's Cost Indexes by City for February 2025, annual skilled labor costs have risen +9.3% in Minneapolis, +8.7% in Denver, +6.9% in Cleveland, +3.5% in Denver and Pittsburgh, +4.1% in Los Angeles, and noticeably 0% change in Birmingham, Pittsburgh, St. Louis, San Francisco, and Seattle. Common labor costs rose +22.4% in Minneapolis, +5.9% in Cincinnati, +4.8% in Cleveland, and +4.6% in Philadelphia with the rest of the 20 cities tracked by ENR showing less of an increase.

**7. Construction Material prices continue to rise: Core materials gain modestly, while energy and steel products decline sharply.**

According to Gilbane's 2025 Q1 Construction Market Report, from December 2023 to December 2024, material prices for ready mix concrete grew +5.1%, concrete pipe +8.2%, lumber +4.8%, and paving mixtures and blocks +3.9%. At the same time, #2 diesel fuel was down -13.9%, steel pipe and tube were down by -6%, steel mill products down -11.5%, and fabricated structural steel down -9.3%.

**7.1 Asphalt Paving prices see an unusual monthly spike per BLS.**

According to the BLS, in January 2025 asphalt prices are up +17.7% from a month ago, and +9.6% from a year ago. Per ENR's January 2025 20-City Average, asphalt prices are down -0.5% from a year ago.

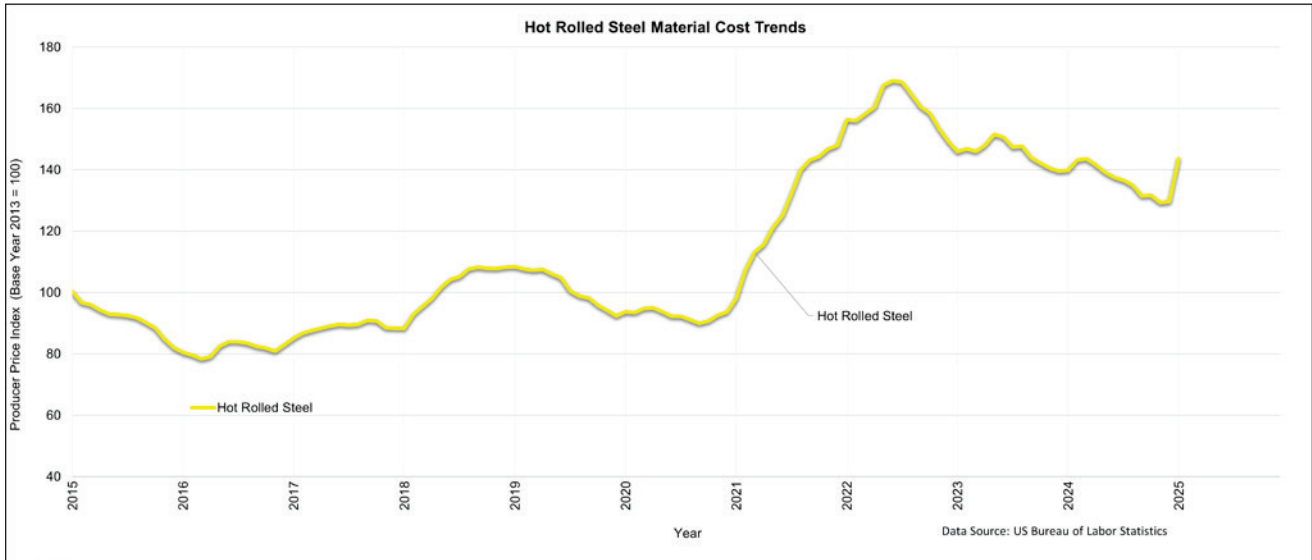


**7.2 Concrete prices continue to rise, and Reinforcing Steel prices are lower than last year, but rose last month.**

According to the January 2025 BLS, ready-mix concrete prices are up +4.1% from a year ago. Per the ENR February 2025 20-City Average, annual escalation for ready-mix concrete is up +9.5% for 3,000 psi and +16.1% for 5,000 psi. Portland cement increased +15.2% from last year. Per ENR, reinforcing steel material prices reduced -15.2% in January 2025 from last year, and increased +2.5% from a month ago.

**7.3 Structural Steel prices are lower than last year but beginning to rise from a downward trend.**

Per the BLS, hot rolled steel prices in January 2025 fell -17.6% from their peak in April 2022 and showed an unusual monthly spike of +10.8% from December 2024. Steel prices for January 2025 reduced by -13.6% from a year ago and increased by +1.2% from a month ago. For February 2025, ENR 20-City Average for wide-flange steel increased +6.1% above a year ago, and 6.6% from a month ago.

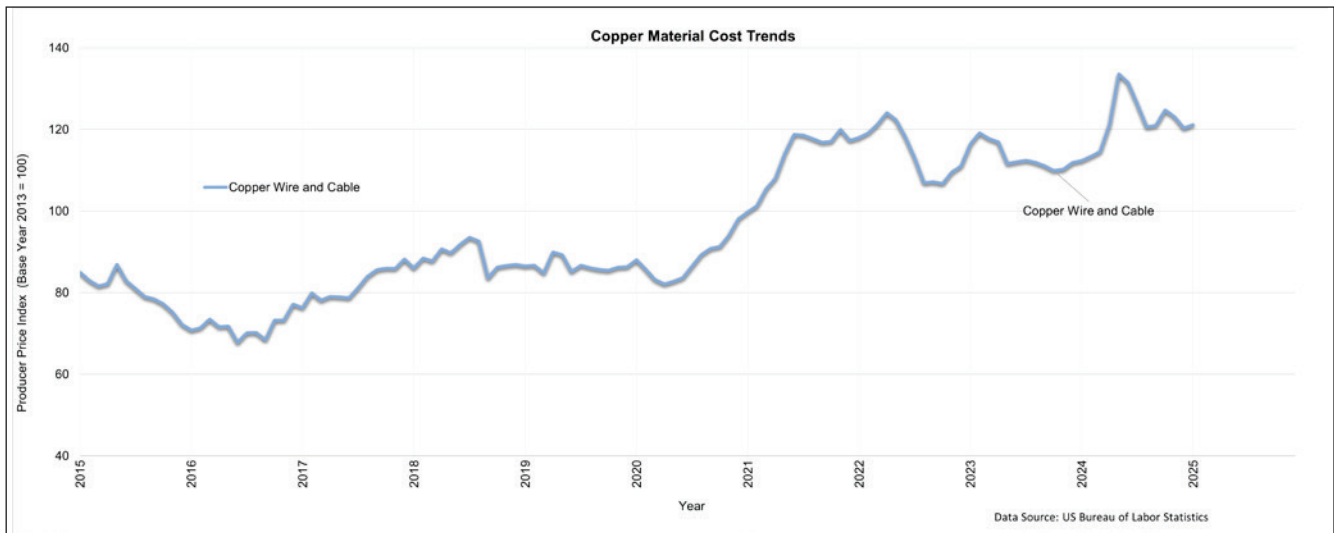


**7.4 Stainless Steel sheet prices rose faster than normal this month. Prices are 5% higher than a year ago.**

Per the February 2025 ENR 20-City Average, stainless steel sheet prices have increased +4.7% from a year ago, and +9.6% from a month ago.

**7.5 Copper wire and cable prices are 7.9% up from a year ago.**

Copper wire and cable prices rose in 2024 and are increasing at a gradual pace, after a slight downward trend. The BLS January 2024 shows copper wire and cable prices increased by 7.9% compared to a year ago.

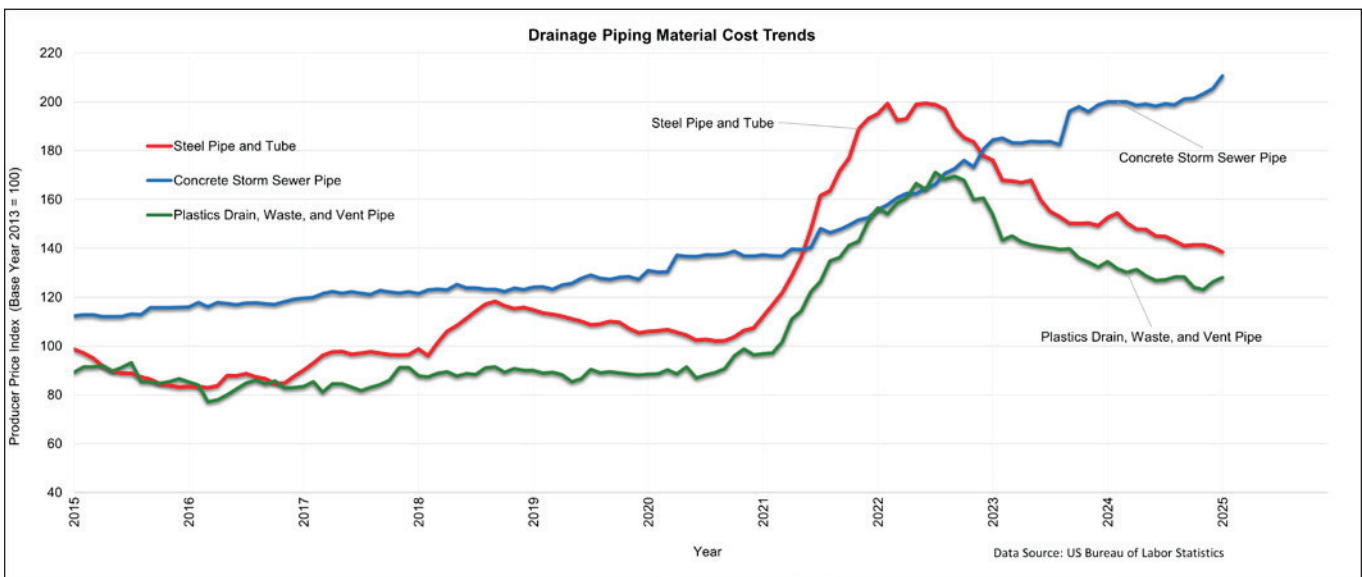
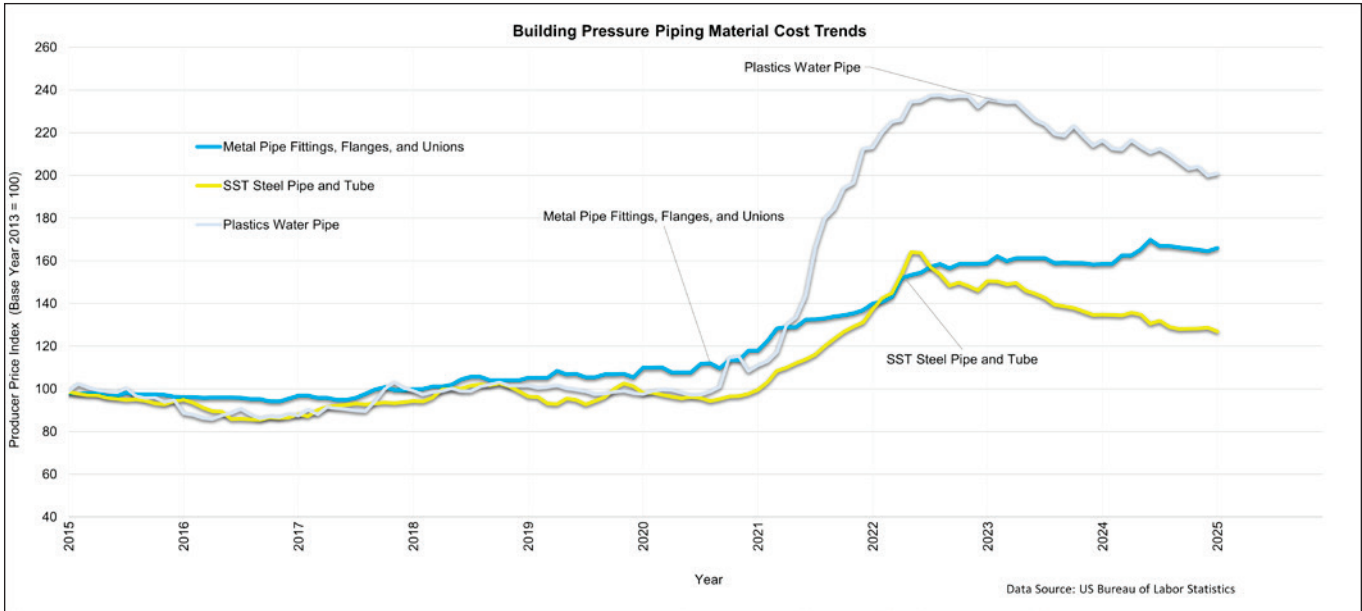




**7.6 Pipe prices, per ENR, have observed a substantial increase since 2023 and continue going up in 2025.**

Per annual changes shown in the ENR 20-City Average for February 2025:

- Corrugated steel pipe is up +12.7% for 12", +42% for 36", and +65.5% for 60"
- Ductile iron pipe is down -1.7% for 6", -1.8% for 8", and up +1.6% for 12"
- Reinforced concrete pipe is up +4% for 12", +10% for 24", +6.9% for 36" and +16% for 48"
- PVC sewer pipe is up +3.1% for 4" and up +15.4% for 8"
- PVC water pipe is down -18.8% for 6", -9% for 8", and up +8.4% for 12"
- Copper water tubing is up +11.6% for 1/2" and +16.3% for 1 1/2"
- According to BLS PPI index, plastic water pipe is down -7.2%, plastic drainpipe is down -18.3%, steel pipe and tube are down -5.8%, concrete pipe is up +8%, when compared to a year ago.



## **About This Newsletter**

The From Experience Cost Trends edition is a publication created by the Hixson Cost Estimating department. Having a professional in-house estimating department is distinctive in design/engineering firms and enables Hixson to fulfill our commitments to design/engineer a project to an agreed-upon cost, by knowing our clients, their projects, and the areas where those projects are built. Because Hixson consistently works on projects throughout North America, we have up-to-date information on prices and conditions that affect our work. Sources used to compile this edition of Cost Trends include:

- *American Institute of Architects*
- *Associated Builders & Contractors, Inc.*
- *Associated General Contractors of America*
- *Compass International Reports*
- *Commodity Online*
- *Construction Connect*
- *Contractor, Endeavor Business Media*
- *Danis*
- *Deloitte Consulting*
- *Dodge Data & Analytics*
- *Engineering News Record*
- *FMI Corporation*
- *Gilbane Building Company*
- *IHS Global Insight*
- *Kitco*
- *Miles McClellan Construction*
- *Portland Cement Association*
- *Rider Levett Bucknall Consultants*
- *R.S. Means, Quarterly Cost Round-up*
- *Turner Building Cost Index*
- *U.S. Bureau of Labor Statistics (BLS)*

## **CONTINUING EDUCATION**

Hixson associates regularly participate in continuing professional education events across the country. Recent events attended by Hixson's Cost Estimating Group, professional organization participation, and honors received include:

- *2025 Hixson Project Essentials: Cost Estimating Presentation to Hixson Associates*
- *2025 Construction Cost Trends by Gordian*
- *2025 Construction Economy Outlook by ConstructConnect*
- *2024 American Society of Professional Estimators (ASPE) Summit National Convention*
- *2024 Construction Costs Open Forum by Gordian*
- *2022 ASPE National President's Award to Michael E. Downing, CPE-Lifetime, LEED AP BD+C*
- *2022 ASPE Certified Professional Estimator Certification earned by Sai Mattaparthi, CPE*
- *2018 ASPE Chapter 38 Estimator of the Year Award*
- *Construction site visits to Hixson's projects*
- *Monthly Meeting Presentations from ASPE, Association for Advancement of Cost Engineers (AACE), American Concrete Institute (ACI), and Construction Specifications Institute (CSI)*
- *Past ASPE National Certification Committee Member*
- *ASPE Chapter Certification Committee Chairman*
- *AACE Section Treasurer/Past President & Secretary*

## **CONTACT US**

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Additional information about data sources used in Cost Trends can be found [here](#).