

An aerial, high-angle view of a busy city street intersection, likely in New York City, showing tall buildings, yellow taxis, and crosswalks. The image has a blue tint.

PERSPECTIVES ON THE MARKETS

FEBRUARY 7, 2025



PLANNING

Near term: 3-5 years

POSITIONING

Mid term: 7-10 years

PREPARING

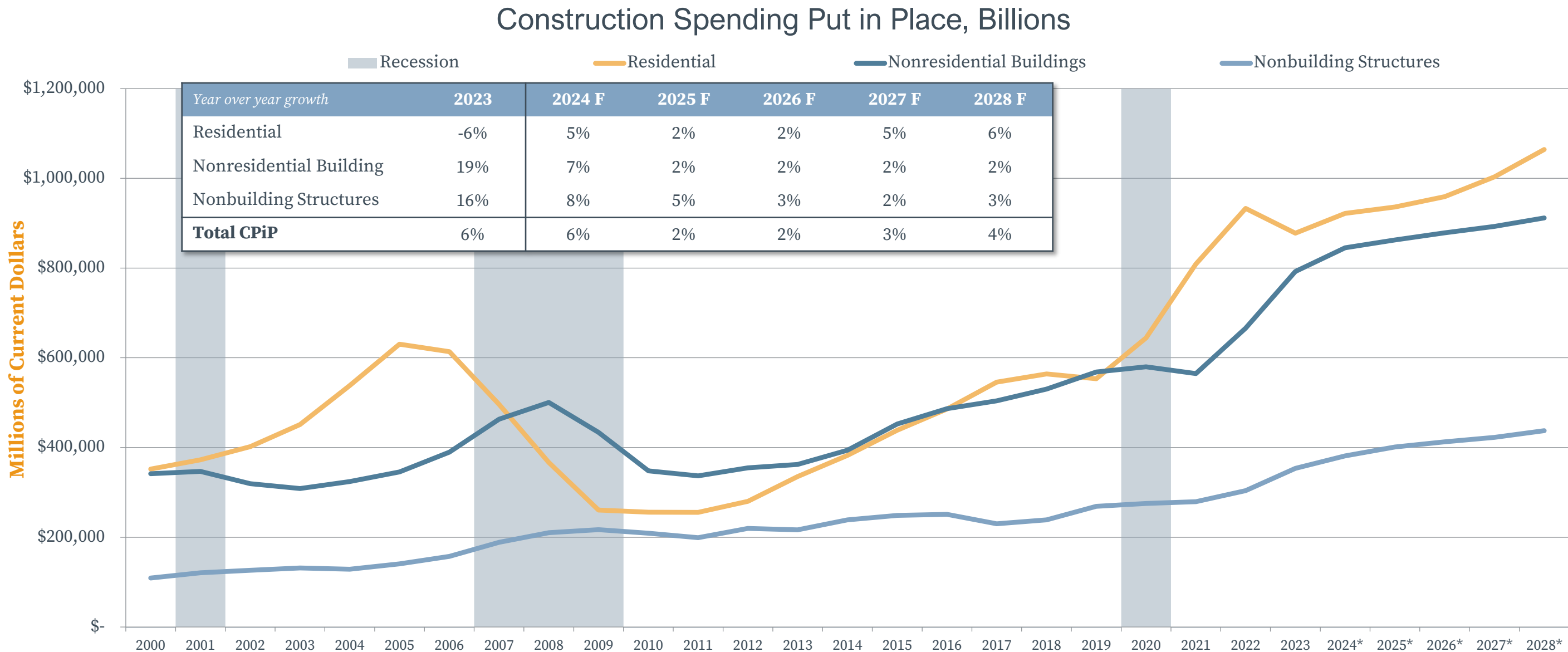
Long term: 10-15 years



PLANNING

NEAR TERM: 3-5 YEARS

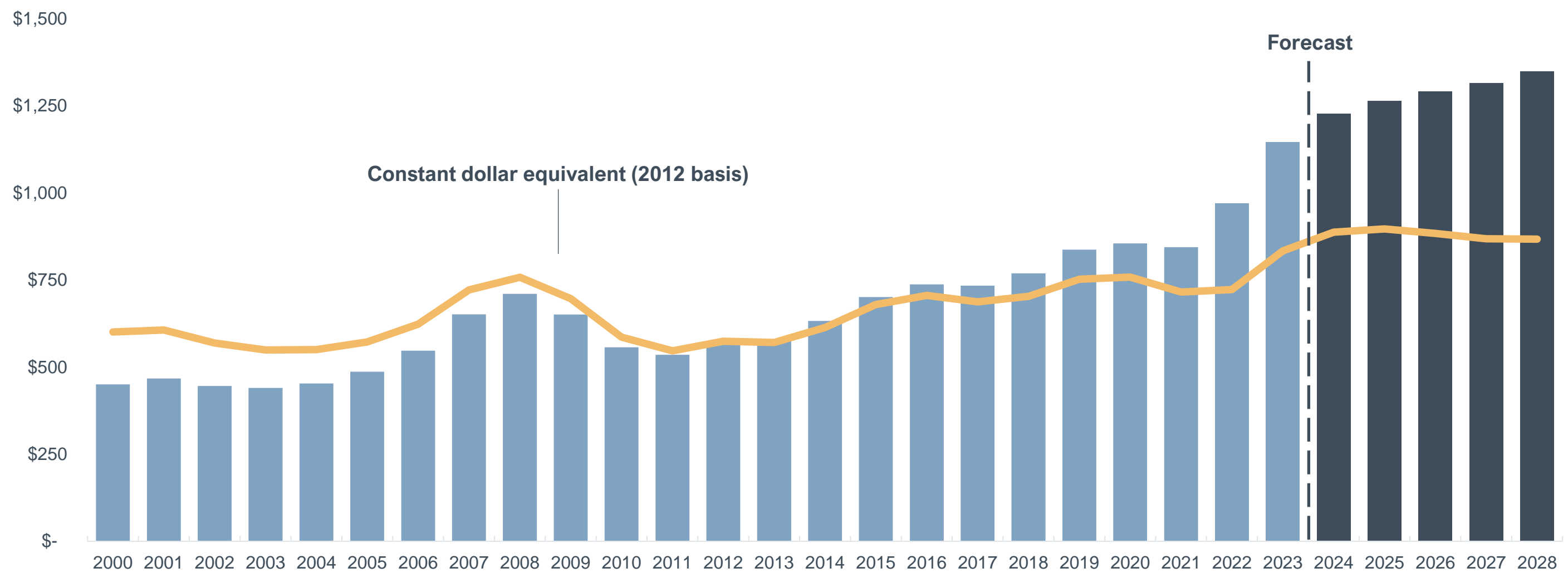
CONSTRUCTION SPENDING HOLDS AT HISTORICAL HIGHS



SOURCE: FMI Q1 2025 FORECAST

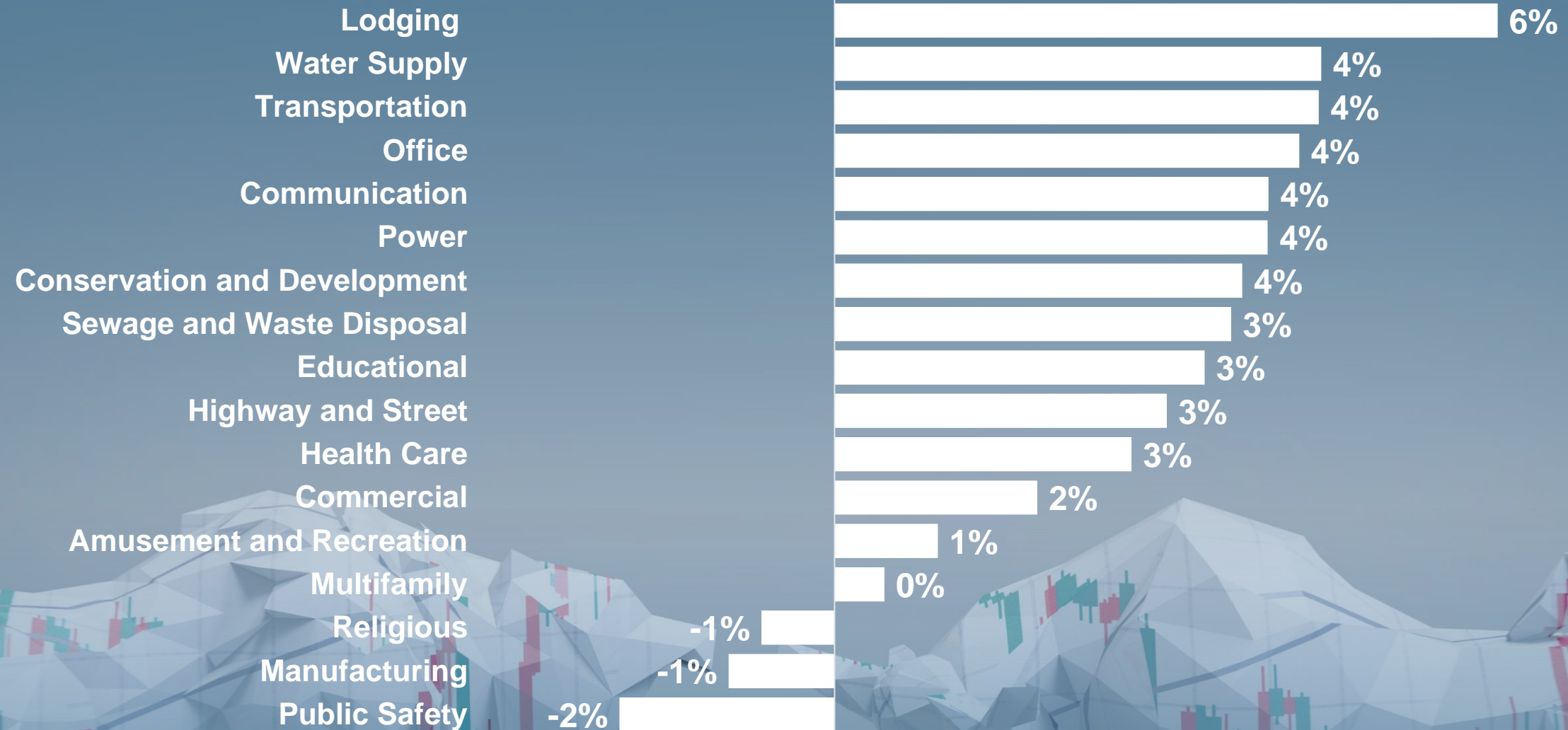
CONSTRUCTION SPENDING HOLDS AT HISTORICAL HIGHS

Nonresidential Buildings and Nonbuilding Structures Construction Spending Put in Place (U.S.) Billions



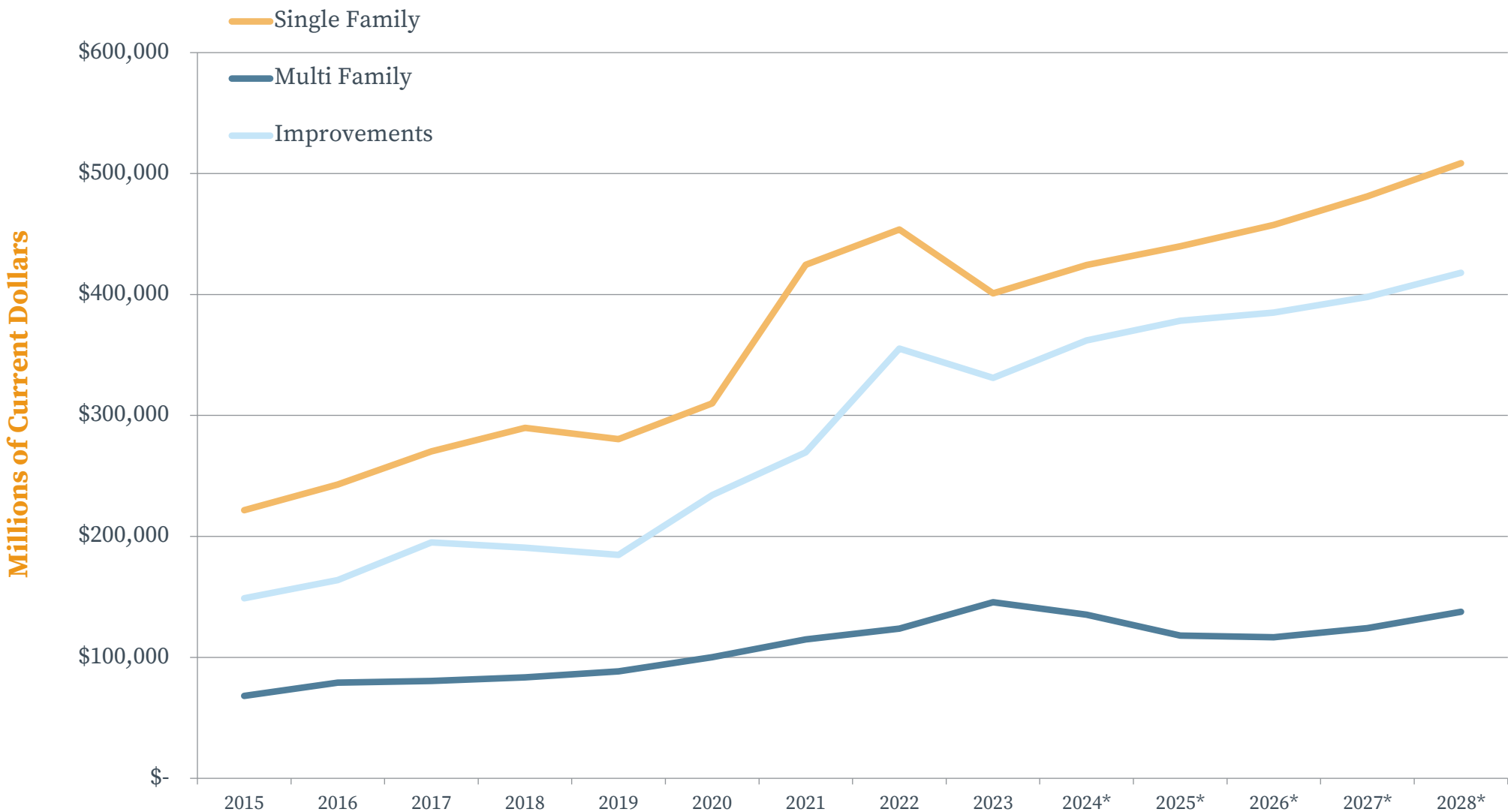
SOURCE: FMI Q1 2025 FORECAST

BULLS & BEARS EXIST AT ALL TIMES



Segment Trends: Residential

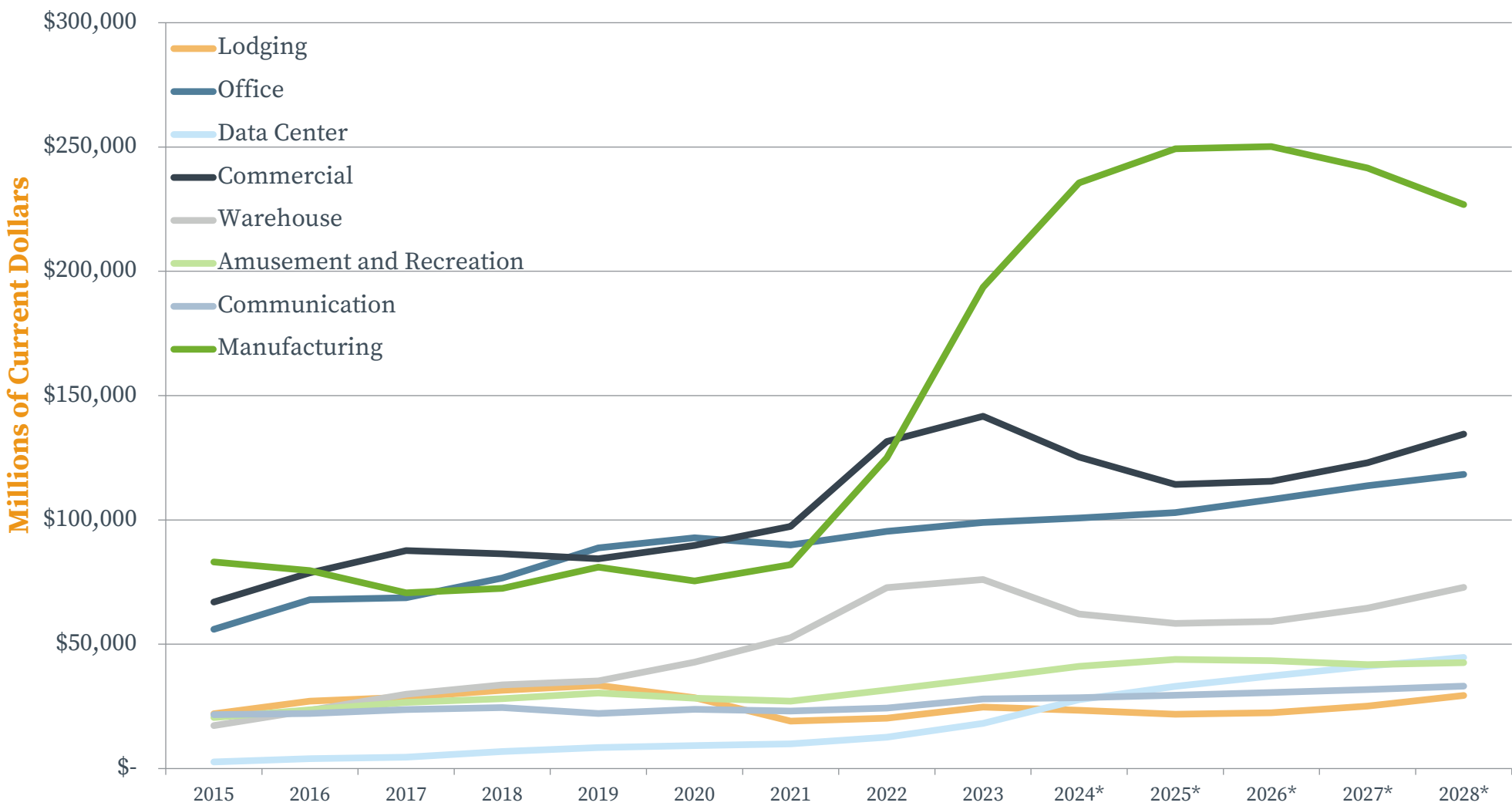
Residential Construction Spending Put in Place (US)



- Single family construction continues to be pressured by new policies such as tariffs on construction materials and stricter immigration rules are likely to sustain elevated construction and replacement costs for the foreseeable future. The segment is anticipated to reach over \$500 billion by 2028.
- High expenses — including borrowing, overhead and maintenance costs — combined with high inflation expectations and slow rent growth will continue to suppress new multifamily construction in 2025. The segment is anticipated to begin rebounding by 2027.

Segment Trends: Commercial

Nonresidential Construction Spending Put in Place (US)

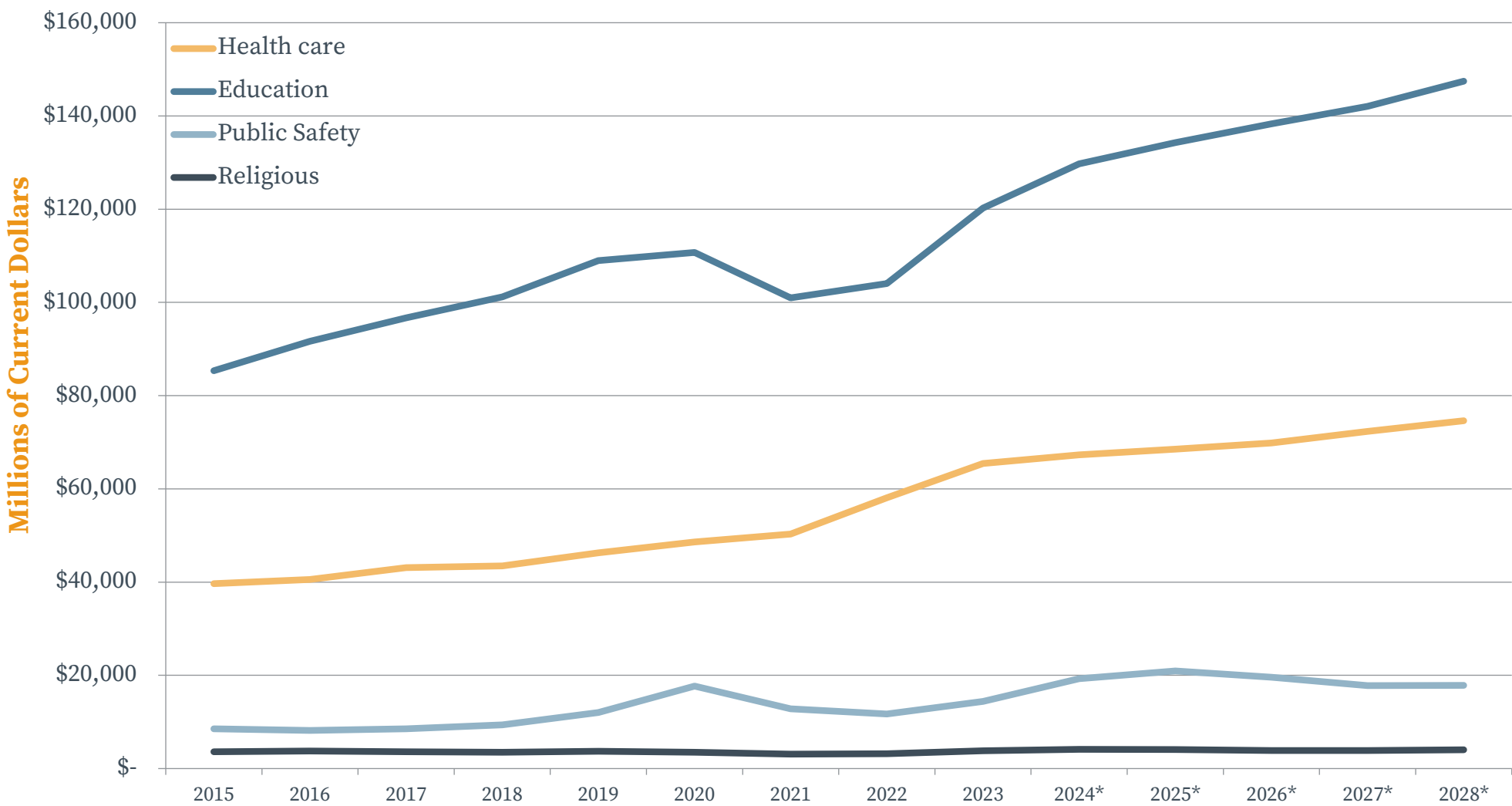


- Over the past decade, warehouse construction spending has grown significantly, achieving a CAGR of 27%. Looking forward, investors are taking a more selective approach to projects.
- New data center inventory grew by more than 20% in 2024, driven by surging demand for AI and cloud computing.
- Planned construction for 2025 is nearing \$250 billion, more than tripling 2020 investment levels. This growth is fueled by significant projects within semiconductor, electric vehicle and battery, plastic, fabricated metal, energy refining and biomanufacturing plants.

SOURCE: FMI Q1 2025 FORECAST

Segment Trends: Institutional

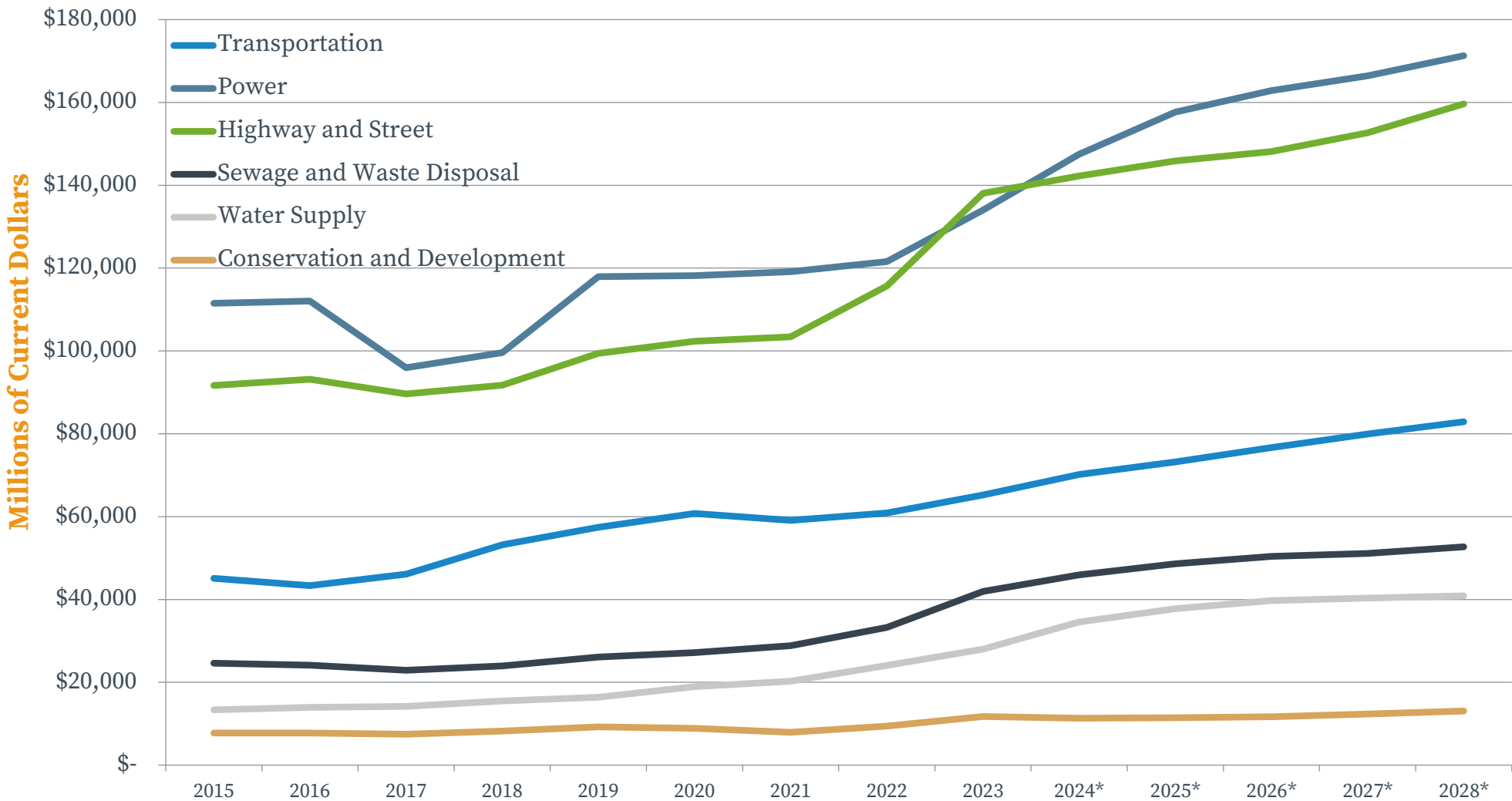
Nonresidential Construction Spending Put in Place (US)



- In 2024 health care construction spending was led by public investments in both hospitals and medical office facilities.
- Public educational construction is expected to continue to grow over the forecast period, strengthened by new or extended funding measures passed in November 2024.
- Strength in 2024 construction spending growth is being led by state and local correction/detention and police and fire facility investments. Over the forecast period, expanding capital programs within the Department of Homeland Security are anticipated under the Trump administration.

Segment Trends: Infrastructure

Nonbuilding Structures Construction Spending Put in Place (US)

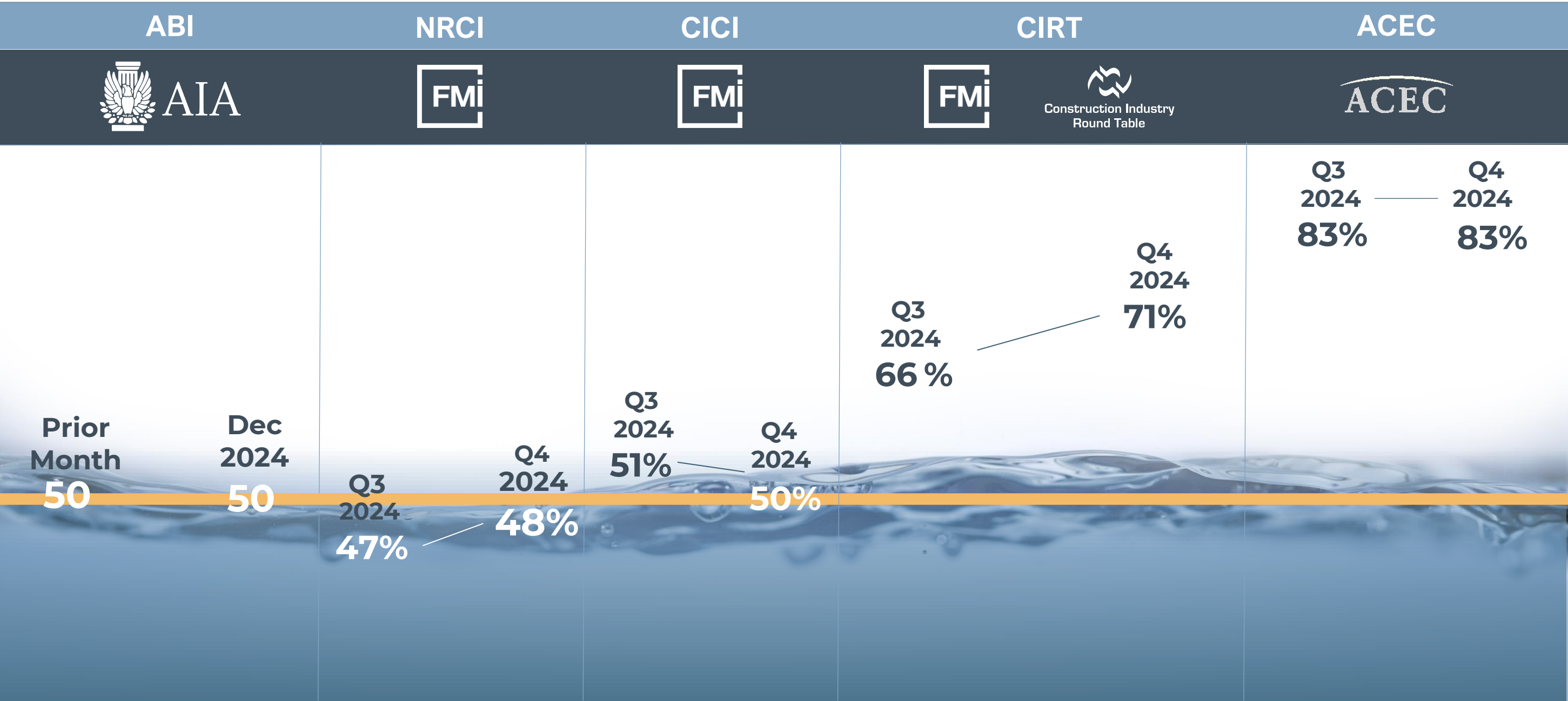


- Transportation is forecast to reach \$83 billion by 2028, driven by freight needs and record demand in air travel.
- After significant growth in 2022, spending growth in highway and street stabilized in 2024. The segment will reach \$160 billion by 2028.
- Rapid growth in energy demands from manufacturing, data centers, artificial intelligence, cloud computing and quantum computing will reshape investment strategies within power.
- Spending in 2024 in wastewater was driven by treatment plant expansion projects spurred by residential and manufacturing growth.

SOURCE: FMI Q1 2025 FORECAST

PERSPECTIVE ON MARKET STABILITY

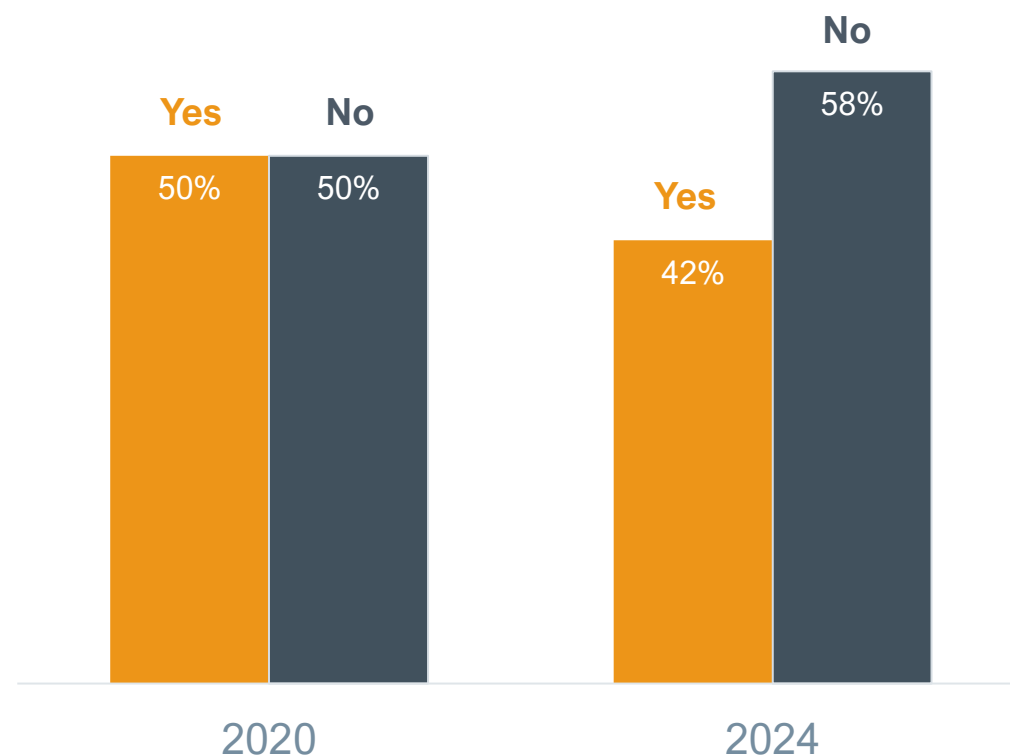
Architecture, Engineering and Construction Sentiment Indices



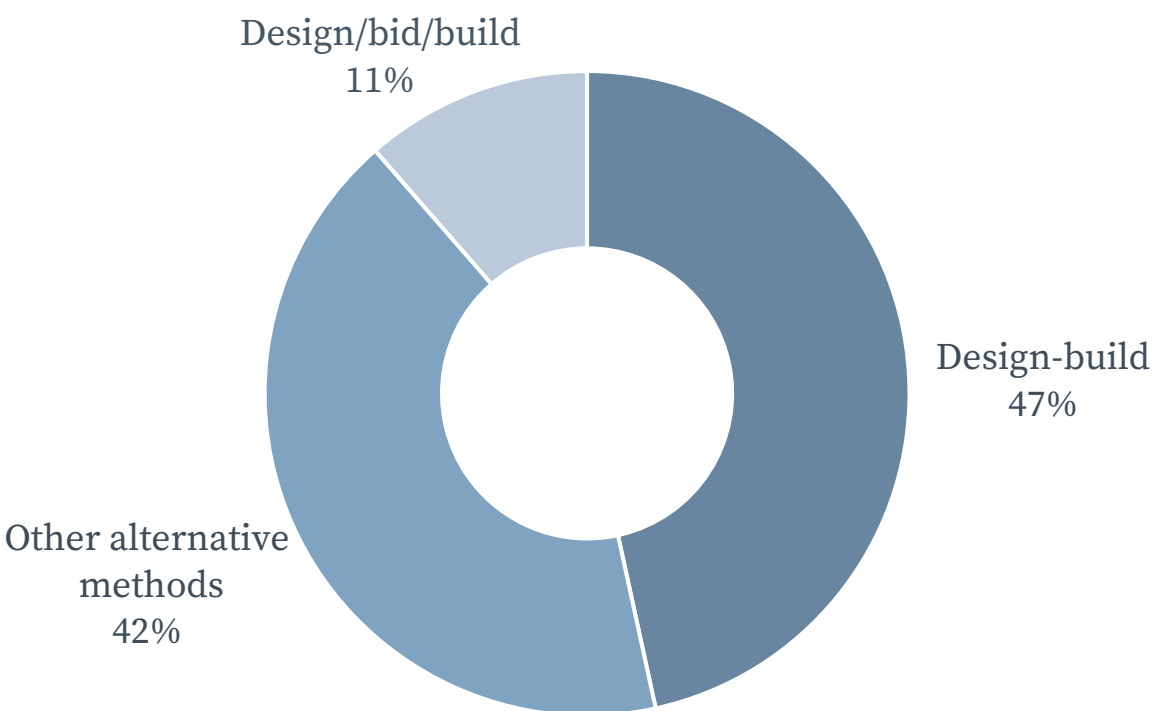
What are our Reoccurring Conversations?

Ownership Transfer and Management Succession

“Do you have a formal ownership transfer plan?”

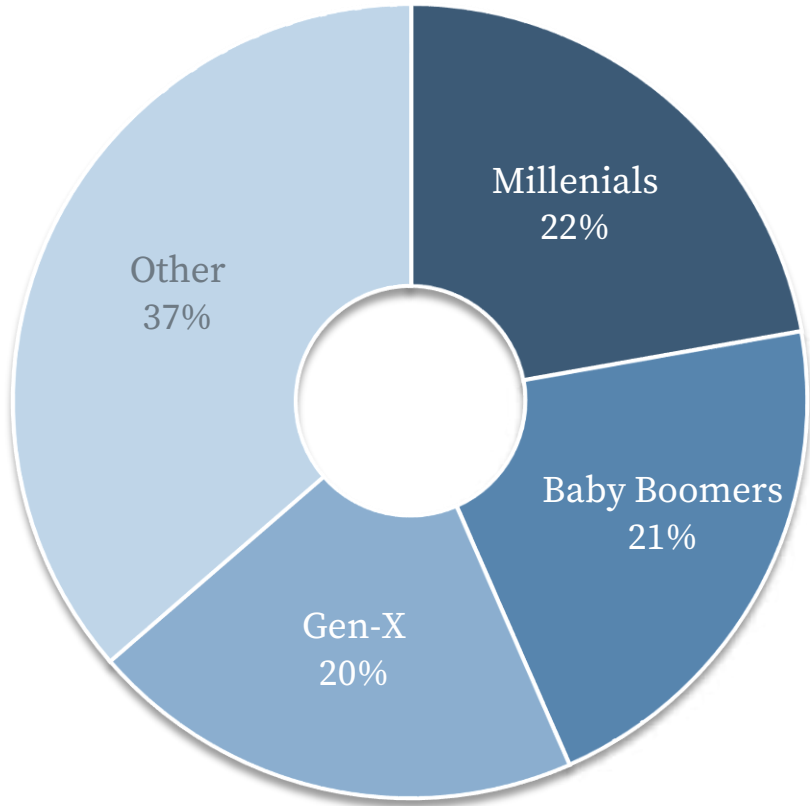


Design-Build Trends

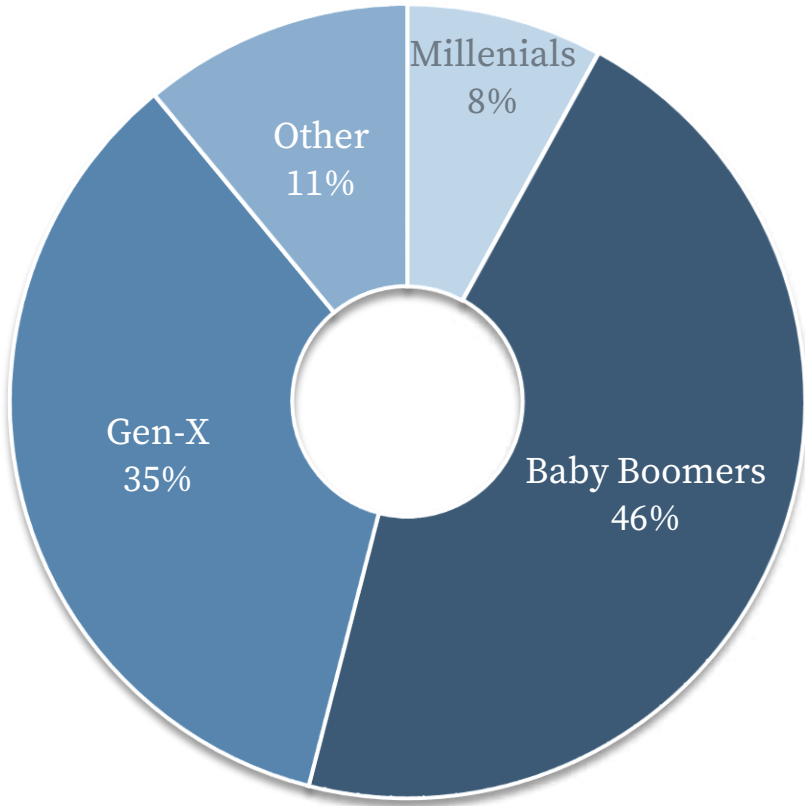


Ownership Transfer and Management Succession: What Does the Great Wealth Transfer Mean for our Industry?

Percentage of overall U.S. population



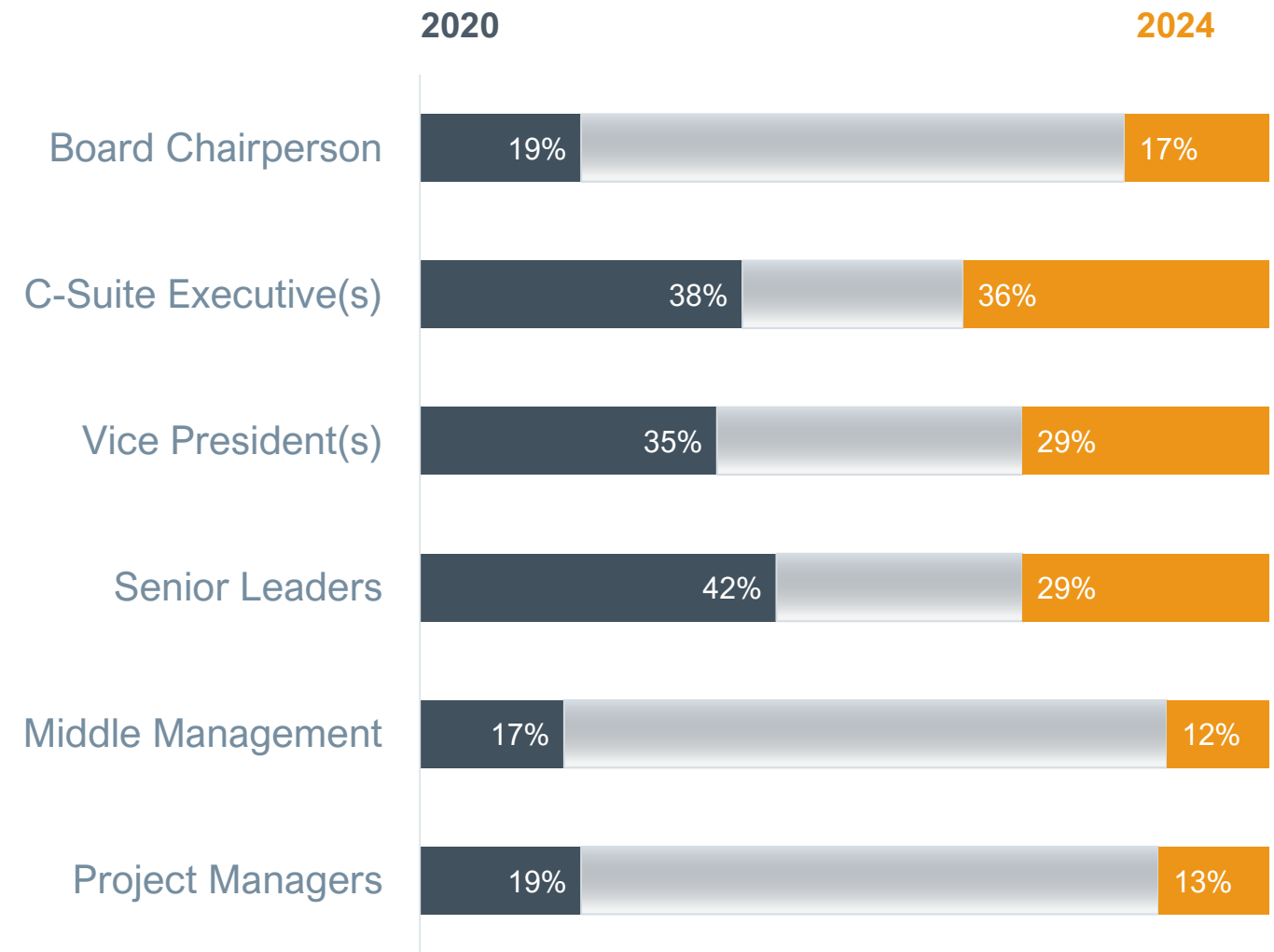
Percentage of Private Business Ownership



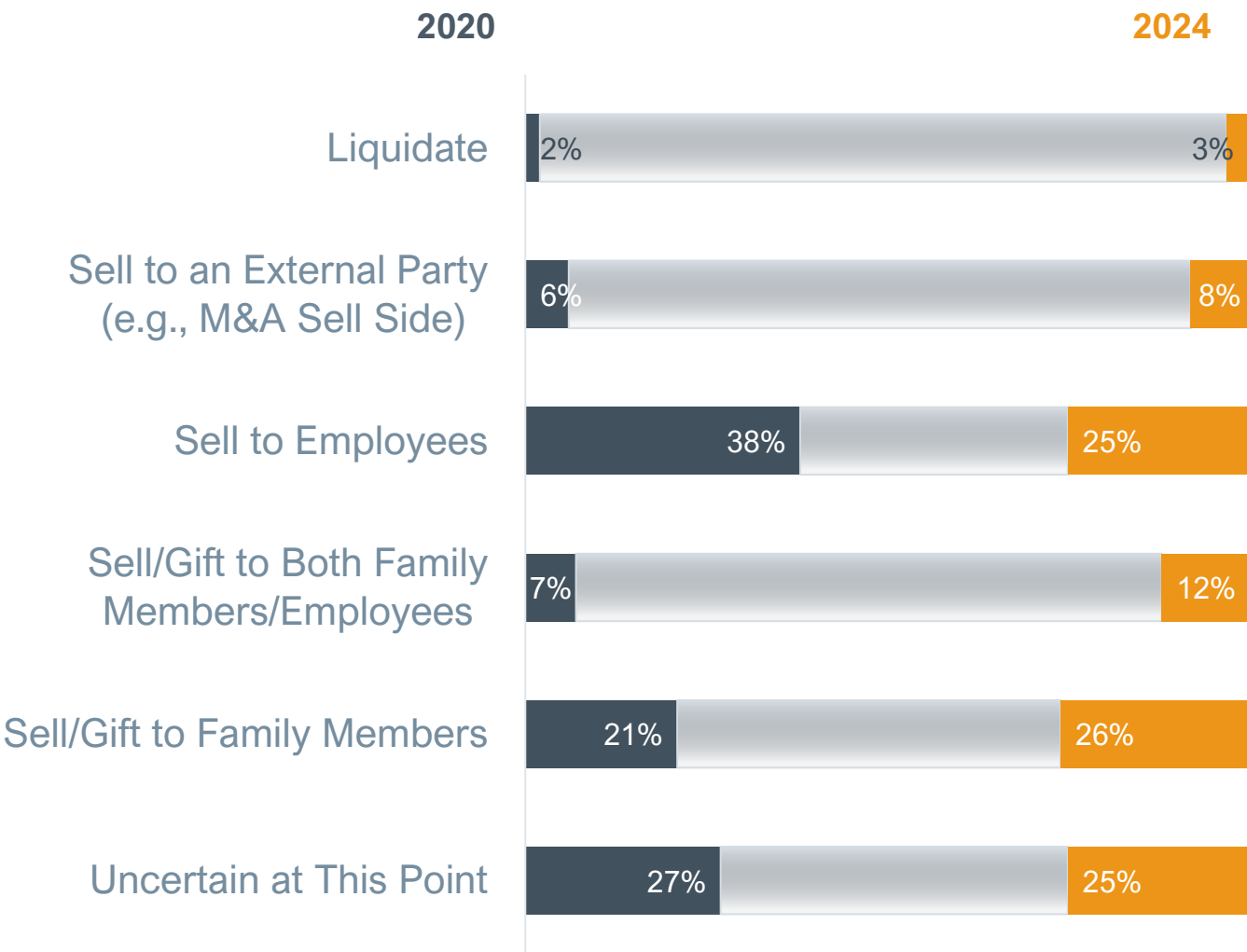
Of the \$17 trillion in U.S. private business ownership, 50% of these are expected to be transitioned to the next generation in the next decade.

Ownership Transfer and Management Succession: What Does the Great Wealth Transfer Mean for our Industry?

“My organization has formal succession plans for...”

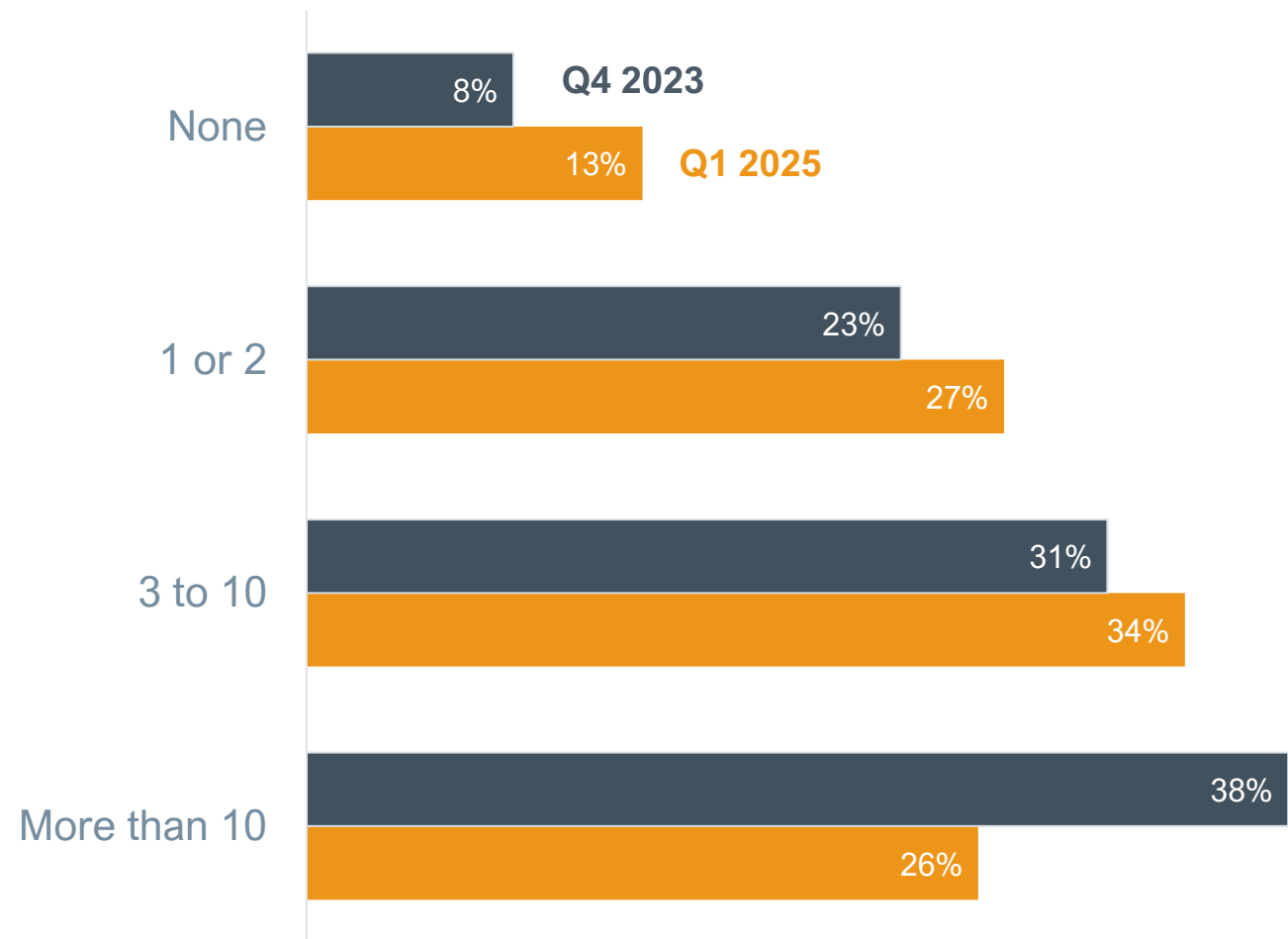


“My ownership plan is as follows...”

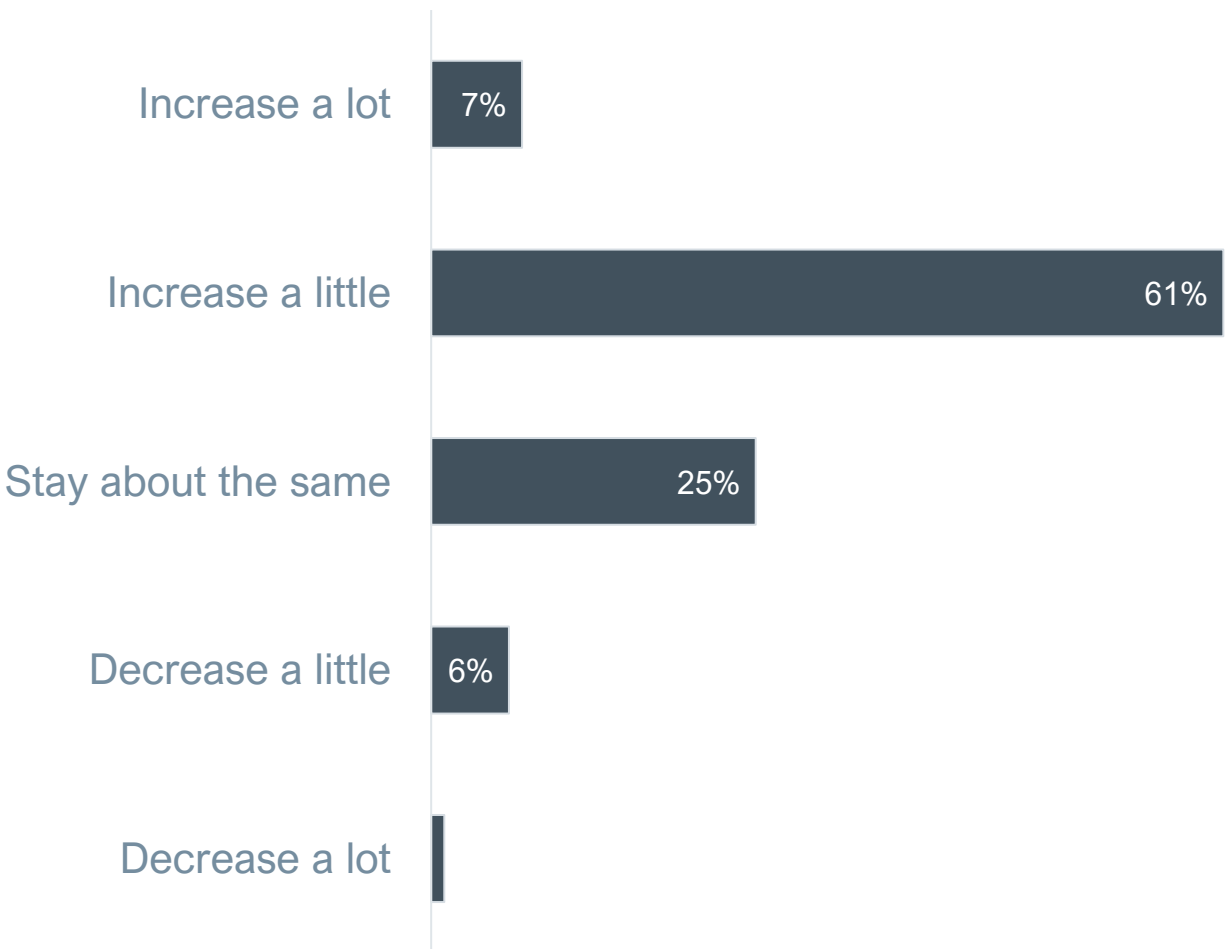


Ownership Transfer and Management Succession: Succession Requires Hiring

Open Positions



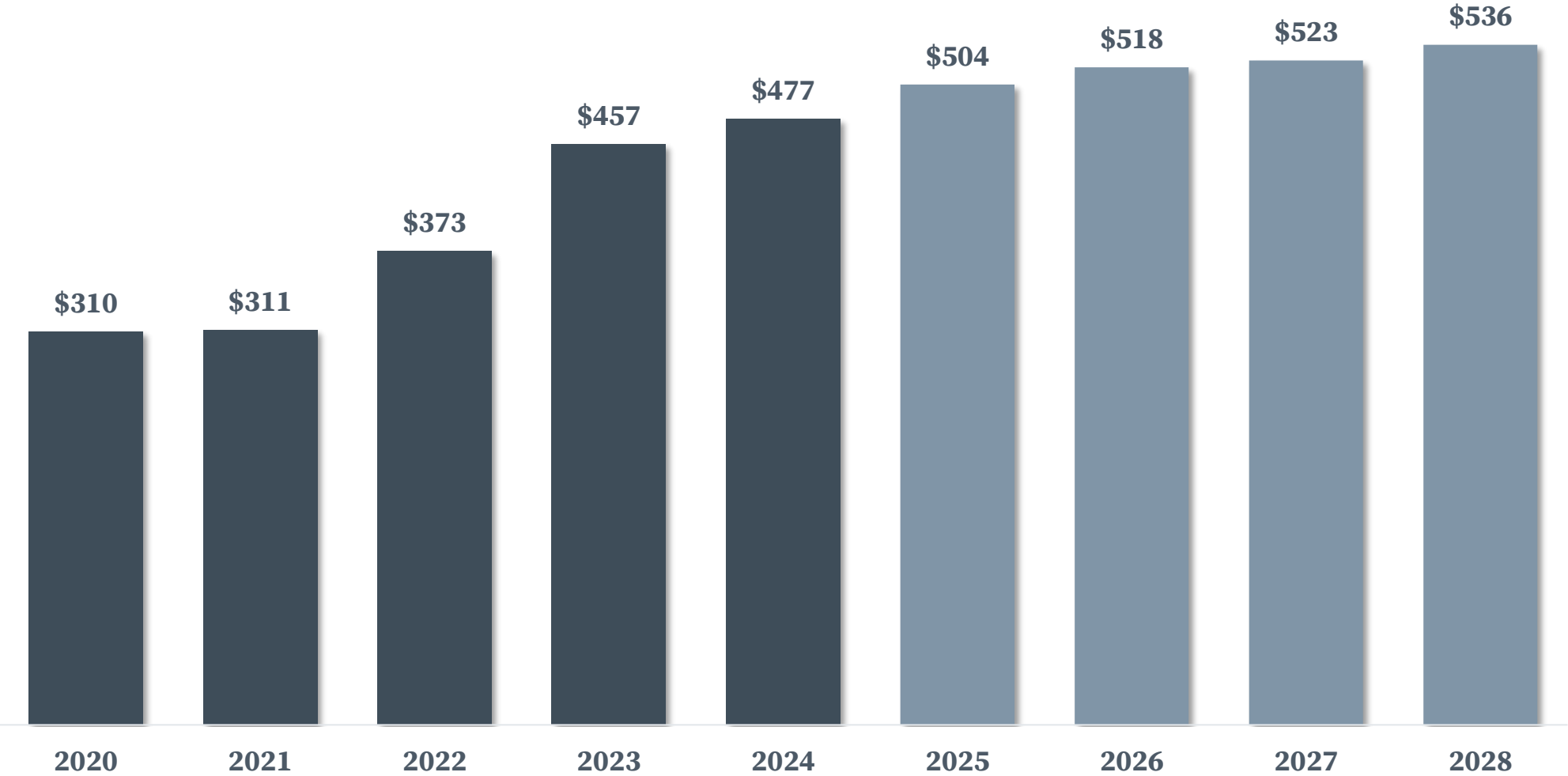
2025 Hiring Plans



Design-Build Trends: Continued Growth of Alternative Delivery Methods

Estimated Design-Build Construction Spending
Billions of Dollars

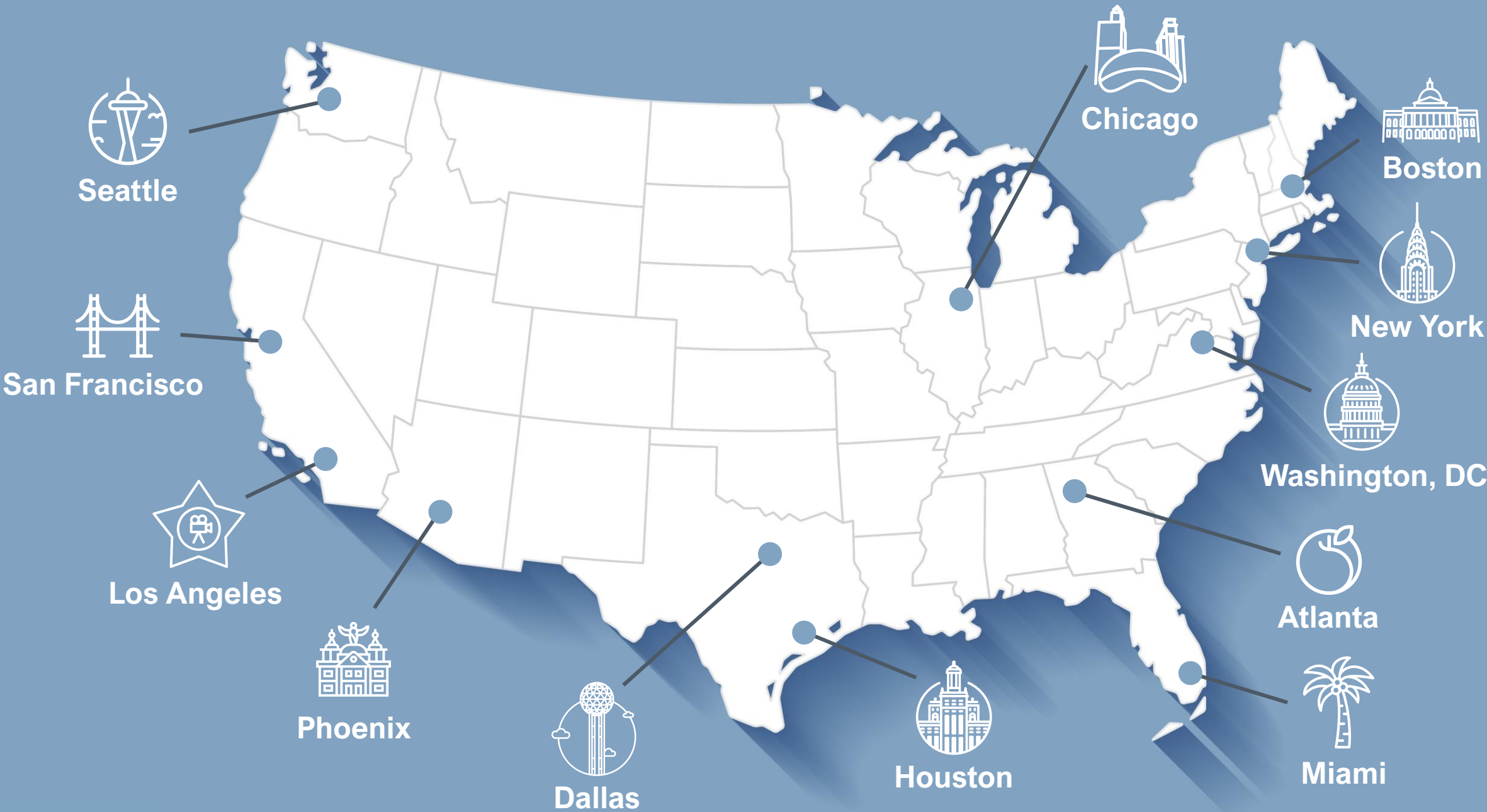
Owners have traditionally employed design-bid-build as the project delivery method of choice. As owner needs and project demands have changed, owners have increasingly opted to employ alternative delivery methods based on specific project factors.



POSITIONING

MID-TERM: 7-10 YEARS

ONE-IN-THREE CONSTRUCTION DOLLARS ARE SPENT IN JUST 12 MARKETS



HALF OF ALL CONSTRUCTION CONCENTRATES IN DISTINCT REGIONS



ANTICIPATING NEXT GENERATION EVOLUTION



The Promise of AI

Productivity is one of the most influential industry challenges

FLAT

Engineering Productivity Index (2015-2023)

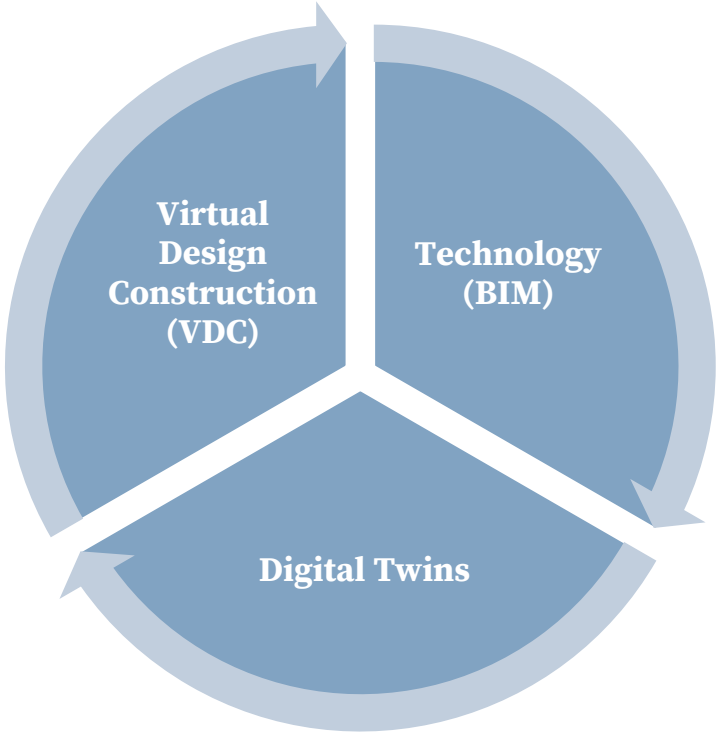
+12 ↑

All Private Business Productivity Index (2015-2023)

The Promise of AI

- 74% Managers report using AI in projects
- +70% Allocate 25% of budget to AI
- +\$100K Savings from adopting new technology (35% of responses)

Use Case for AI



PROJECTING MID-TERM SHIFTS

OLD Economy

- Lodging
- Shopping Centers/Malls
- Office
- Automotive
- Sports/Recreation
- Amusement Parks
- Movie Theaters
- Banks

NEW Economy

- Life Sciences
- Urban Mass Transit
- Data Centers
- Logistics
- Intelligent Transportation Systems
- Semiconductor Fabrication
- Food and Beverage Manufacturing
- Renewable Energy



A futuristic cityscape with tall, modern buildings on the left. The foreground is dominated by a series of glowing, curved lines in shades of blue and orange, suggesting high-speed motion or data flow. The overall color palette is cool, with deep blues and teals, accented by the warm orange of the light trails.

PREPARING

LONG-TERM: 7-10 YEARS



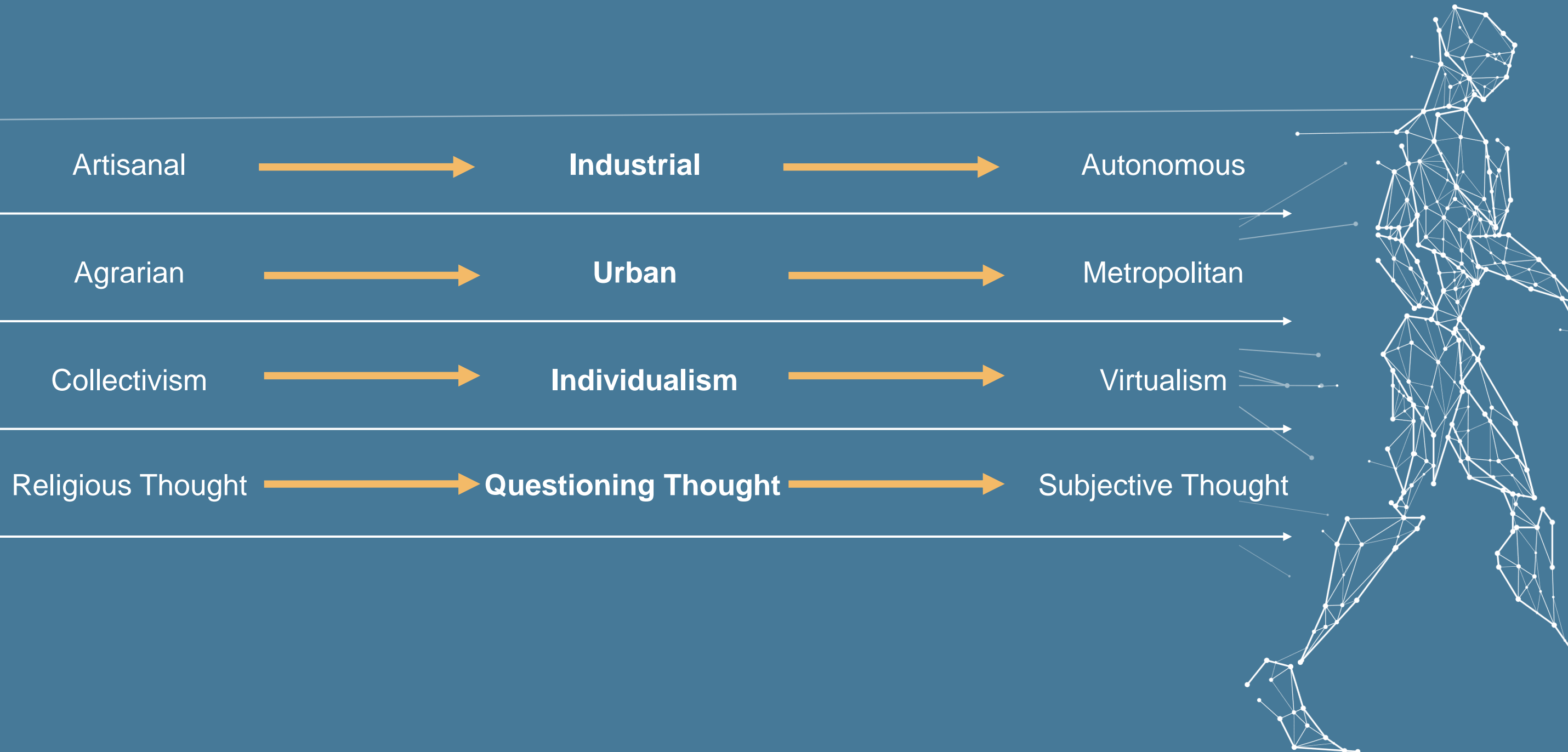
**Things that have never happened
before... happen all the time.**

Scott Sagan

Co-director of the Center for International Security and Cooperation

Stanford University

UNDERSTANDING MEGATRENDS SHAPING OUR WORLD



WHAT COULD BE...

▶ AUTONOMOUS

Design, BIM, estimating, scheduling, and building product/ construction material procurement could combine into a single autonomous workflow.

▶ METRO-POLITIZATION

Buildings and infrastructure are valued in part by their disposability and adaptability.

▶ VIRTUALISM

Professional services are purchased like products with little or no human interaction.

▶ SUBJECTIVE THOUGHT

Agile business models may require hiring teams for single jobs.

TRANSFORMING TRENDS INTO TRIUMPHS

Conduct a Strategy Audit

Assess your current position relative to market trends and ensure it is still aligned with broader goals.

Generate Options

Employ second and third-order thinking to determine how to respond effectively.

Embark on Your Strategic Journey

Turn insights into advantages.

Let's share ideas!



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