Spring 2025 (Published: March 2025)

U.S. Put-in-Place Construction Forecasts

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Michael Guckes has over 20-years of economics experience including 8-years in civil construction and 6-years in manufacturing. During these years he spent 5 as Chief Economist. In 2022 Michael joined ConstructConnect's economics team, shifting his focus to the nonresidential and civil construction markets. He received his BA in economics and political science from Kenyon College and his MBA from The Ohio State University.

Quarterly U.S. Put-in-Place Construction Forecast Report, Spring 2025

The U.S. construction sector is poised for steady expansion in 2025, with total spending projected to grow by 4.1% to $2.24 trillion and ultimately reach $2.65 trillion by 2029. The latest outlook marks a downshift in the sector's growth rate after reporting greater than 6% growth in each of the last two years. All three major summary categories —residential, nonresidential building and engineering— are expected to expand this year with engineering work leading the way at 7.3% growth. Following behind will be residential construction at 4.3% and finally nonresidential building at 1.9%. Such diverse performance highlights the volatile nature of the construction sector which varies greatly by category and region.

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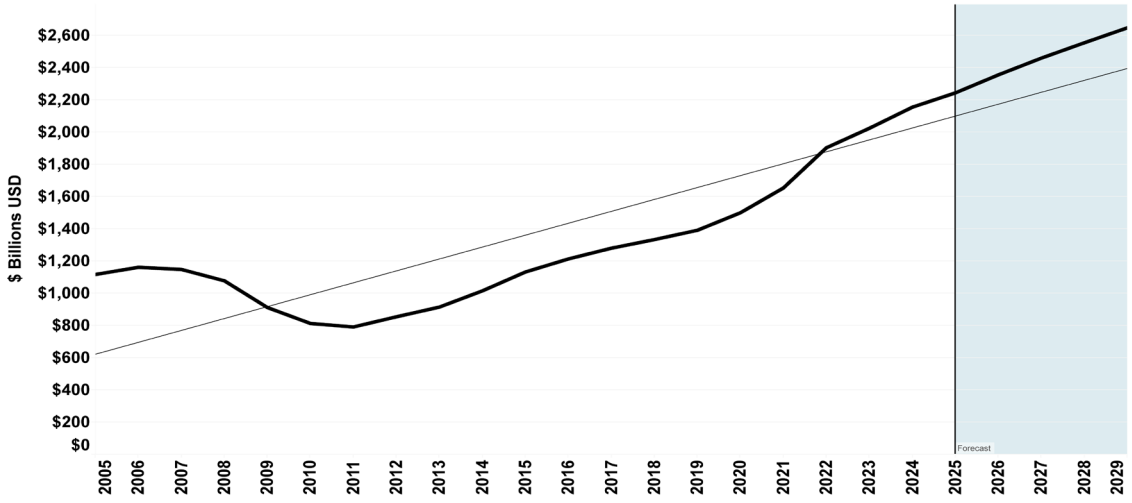
Graph 1: U.S. Grand Total Construction Spending Put-in-place (PIP) Investment



Graph includes a 'best fit' linear trend line.

Source of actuals: U.S. Census Bureau/Forecasts: Oxford Economics and ConstructConnect.
Chart: ConstructConnect.

'Starts' versus Put-in-place (PIP) Statistics

'Starts' compile the total estimated dollar value of all projects on which ground is broken in any given month. By way of contrast, put-in-place capital spending statistics are analogous to work-in-progress payments as the building of structures proceeds to completion.

Consider a $100 million mixed use complex for which ground is broken in June 2024. For the 'starts' series, the entire estimated value ($100 million) will be entered in June 2024. In PIP numbers, it will be captured as spending of approximately $25 million in 2024; $60 million in 2025; and the final $15 million in 2026.

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Nonresidential construction, the combination of heavy engineering (also called civil construction) and nonresidential building, is expected to grow by 4.0% in 2025, reaching $1.27 trillion. Total commercial construction presents a mixed outlook with offices expecting a modest expansion. It is important to recall that office spending includes data center construction which has been growing at an explosive rate in recent years. Anticipated retail and warehouse spending in 2025 at 3.2% will precede even faster growth of 7.1% in 2026. Institutional construction is expected to remain a steady although underwhelming driver of growth in 2025 and beyond, as solid spending growth on healthcare facilities and amusement and recreational infrastructure is offset by softness in educational, religious, and public safety construction.

Expected to crest $500 billion and 7% growth in 2025, engineering and civil work is anticipated to lead overall construction growth through 2027. Civil's 5-year CAGR at 6.3% outperforms the comparable long-run growth expectations of the other summary categories. Major infrastructure investments continue to drive this expansion, particularly in power and transportation. Power construction, growing by 13.1% in 2025 and 17.9% in 2026, highlights the significance of the "electrification" of the economy. Other leading civil categories this year will include Communication (9.2%), and Highway and street construction (5.1%).

Industrial and manufacturing construction, which had been a major growth engine in 2023 and 2024, is expected to decline by 2.7% in 2025. Should the new presidential administration curtail remaining funding provided in the Infrastructure Investment & Jobs Act (IIJA) and Inflation Reduction Act (IRA), manufacturing's near-term outlook could further erode. While spending remains elevated compared to pre-2023 levels, the long-term outlook suggests a difficult transitionary period ahead with consecutive years of modest contraction to come. As supply chain dynamics settle and government incentives evolve, businesses will need to carefully assess future industrial investments.

Bottom line: It remains essential for business leaders to closely monitor these fluctuations and industry nuances to direct their efforts on emerging opportunities and maximize profits.

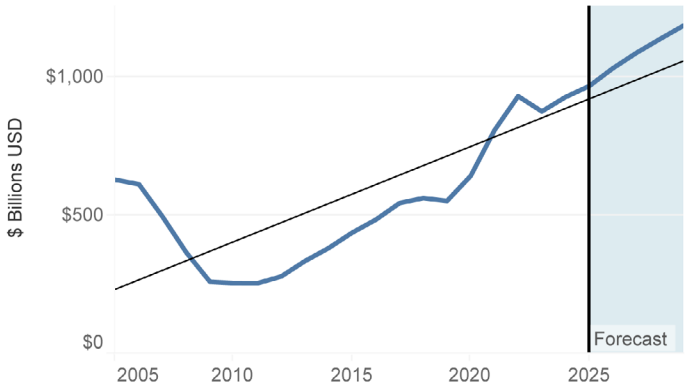
Table 1: U.S. Construction Spending (put-in-place investment)
(billions of "current" $s)

	Actuals		Forecasts				
Type of Construction:	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**
Grand Total	2,023.7	2,154.5	2243.1	2355.0	2458.8	2553.9	2646.6
(year vs previous year)	6.4%	6.5%	4.1%	5.0%	4.4%	3.9%	3.6%
Total Residential	877.6	929.6	969.3	1033.8	1089.9	1140.4	1189.2
	-5.9%	5.9%	4.3%	6.7%	5.4%	4.6%	4.3%
Total Non-residential	1,146.1	1,224.8	1273.8	1321.2	1369.0	1413.6	1457.5
	18.2%	6.9%	4.0%	3.7%	3.6%	3.3%	3.1%
Total Commercial/for Lease	265.4	251.0	262.5	277.6	287.5	296.5	307.1
	7.4%	-5.4%	4.6%	5.8%	3.6%	3.1%	3.6%
Lodging	24.7	23.4	24.2	26.7	29.9	32.8	35.1
	22.3%	-5.6%	3.5%	10.5%	11.8%	9.8%	7.0%
Office	99.0	101.1	107.8	111.1	110.2	109.8	112.0
	3.8%	2.2%	6.6%	3.1%	-0.8%	-0.4%	2.0%
Commercial (retail/warehouse)	141.7	126.5	130.5	139.8	147.5	153.9	160.0
	7.8%	-10.7%	3.2%	7.1%	5.5%	4.4%	4.0%
Total Institutional	240.1	262.1	270.8	272.0	278.2	286.6	296.3
	15.1%	9.2%	3.3%	0.4%	2.3%	3.0%	3.4%
Health Care	65.4	68.6	72.4	75.3	78.2	82.3	87.0
	12.6%	4.9%	5.5%	3.9%	3.9%	5.2%	5.8%
Educational	120.2	130.3	133.1	131.1	133.1	135.5	138.2
	15.6%	8.4%	2.1%	-1.5%	1.5%	1.8%	2.0%
Religious	3.8	4.2	4.2	4.2	4.2	4.2	4.3
	19.3%	9.3%	2.1%	-1.3%	0.5%	0.9%	1.3%
Public Safety	14.4	18.9	19.0	18.3	17.8	17.7	17.8
	22.9%	31.0%	0.5%	-3.7%	-2.2%	-0.8%	0.7%
Amusement and Recreation	36.2	40.2	42.1	43.2	44.9	46.9	48.9
	14.8%	11.0%	4.9%	2.4%	4.0%	4.5%	4.4%
Total Engineering/Civil	447.0	478.5	513.5	559.0	596.5	624.9	649.7
(year vs previous year)	14.8%	7.1%	7.3%	8.9%	6.7%	4.8%	4.0%
Transportation	65.2	68.2	71.6	77.2	81.8	84.9	87.7
	7.1%	4.5%	5.0%	7.9%	5.9%	3.8%	3.3%
Communication	28.0	28.6	31.2	32.8	34.1	35.8	37.9
	14.9%	2.1%	9.2%	4.9%	4.0%	5.1%	5.9%
Power	134.0	147.6	166.9	196.8	221.1	237.7	250.1
	10.2%	10.1%	13.1%	17.9%	12.4%	7.5%	5.2%
Highway and Street	138.1	143.7	151.1	160.6	167.1	172.5	177.8
	19.4%	4.1%	5.1%	6.3%	4.0%	3.2%	3.1%
Water Supply & Waste Disposal	69.9	78.8	81.0	79.6	80.2	81.6	83.6
	22.0%	12.7%	2.8%	-1.7%	0.7%	1.8%	2.4%
Conservation and Development	11.7	11.6	11.7	12.0	12.2	12.4	12.5
	24.8%	-1.1%	0.5%	2.7%	2.0%	1.5%	0.8%
Total Industrial/Manufacturing	193.6	233.2	227.0	212.6	206.7	205.5	204.3
	54.9%	20.5%	-2.7%	-6.3%	-2.8%	-0.6%	-0.6%

"Current" means not adjusted for inflation.

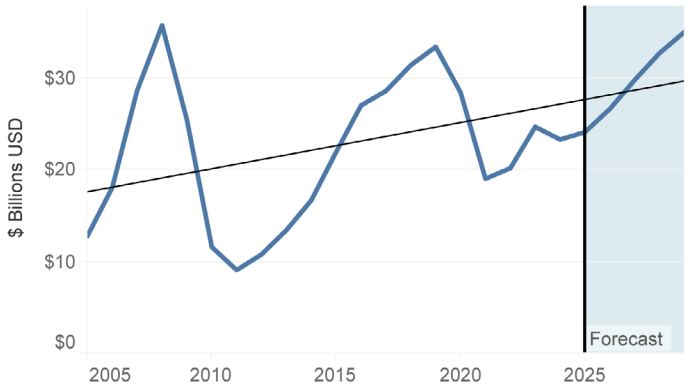
Source of actuals: U.S. Census Bureau/Forecasts: Oxford Economics and ConstructConnect/Table: ConstructConnect.

Graph 2: U.S. Construction Spending: Residential Put-in-place (PIP) Investment



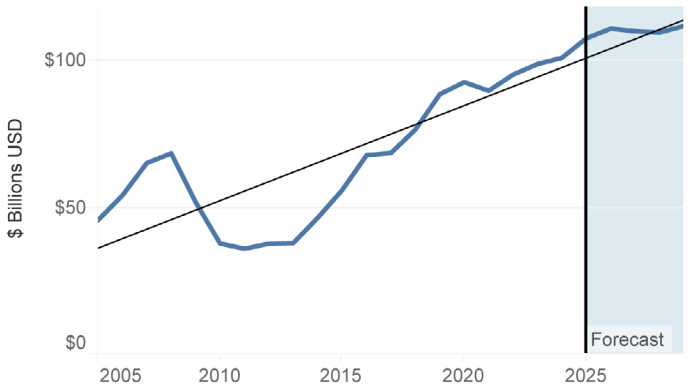
Source of actuals: ConstructConnect / Forecasts: Oxford Economics and ConstructConnect.
Chart: ConstructConnect

Graph 3: U.S. Construction Spending: Lodging Put-in-place (PIP) Investment



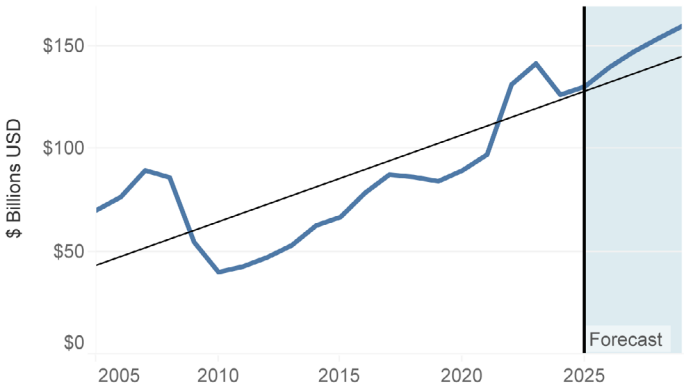
Source of actuals: ConstructConnect / Forecasts: Oxford Economics and ConstructConnect.
Chart: ConstructConnect

Graph 4: U.S. Construction Spending: Office Buildings Put-in-place (PIP) Investment



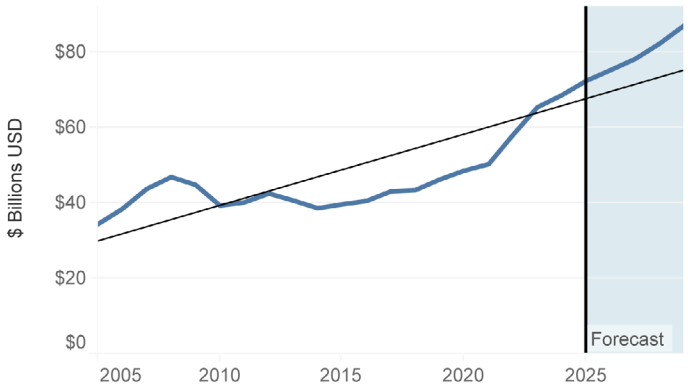
Source of actuals: ConstructConnect / Forecasts: Oxford Economics and ConstructConnect.
Chart: ConstructConnect

Graph 5: U.S. Construction Spending: Retail, Warehouse, Restaurant Put-in-place (PIP) Investment



Source of actuals: ConstructConnect / Forecasts: Oxford Economics and ConstructConnect.
Chart: ConstructConnect

Graph 6: U.S. Construction Spending: Health Care Put-in-place (PIP) Investment



Source of actuals: ConstructConnect / Forecasts: Oxford Economics and ConstructConnect.
Chart: ConstructConnect

Graph 7: U.S. Construction Spending: Educational Put-in-place (PIP) Investment

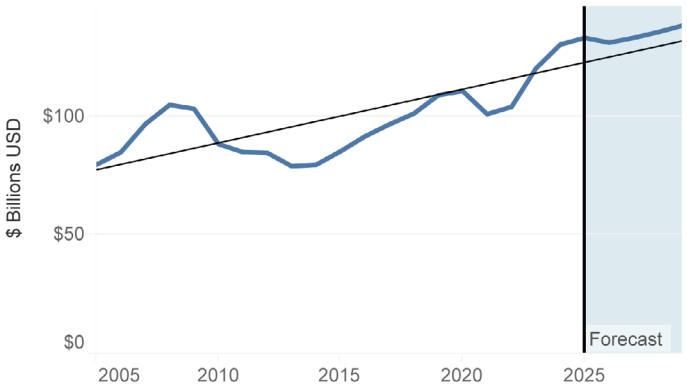


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Chart: ConstructConnect

Graphs include a 'best fit' linear trend line.

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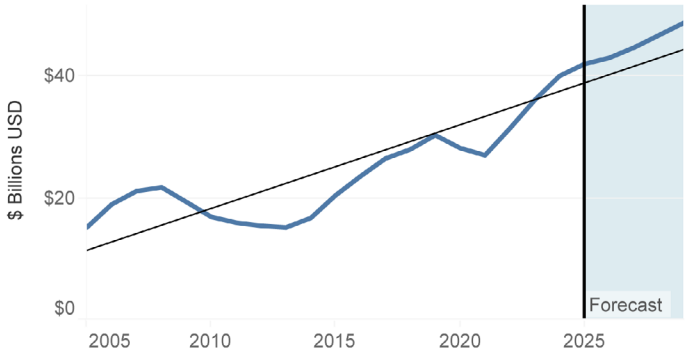
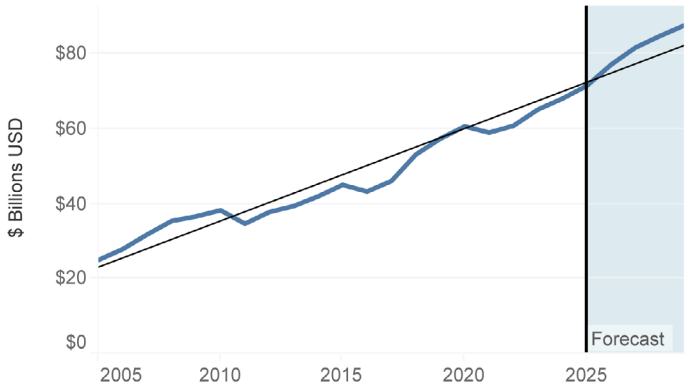
Graph 8: U.S. Construction Spending: Amusement and Recreation Put-in-place (PIP) Investment



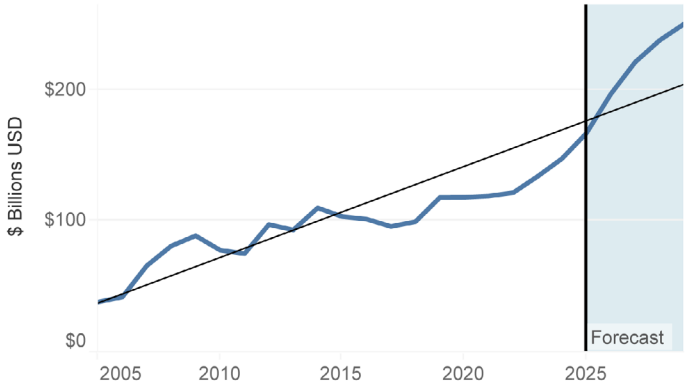
Source of actuals: ConstructConnect / Forecasts: Oxford Economics and ConstructConnect.
Chart: ConstructConnect

Graph 9: U.S. Construction Spending: Transportation Put-in-place (PIP) Investment



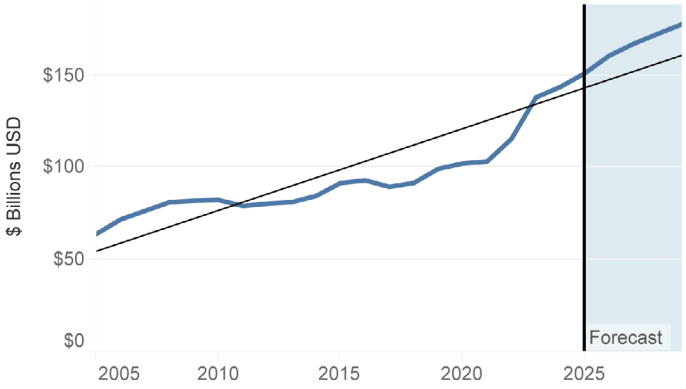
Source of actuals: ConstructConnect / Forecasts: Oxford Economics and ConstructConnect.
Chart: ConstructConnect

Graph 10: U.S. Construction Spending: Power Put-in-place (PIP) Investment



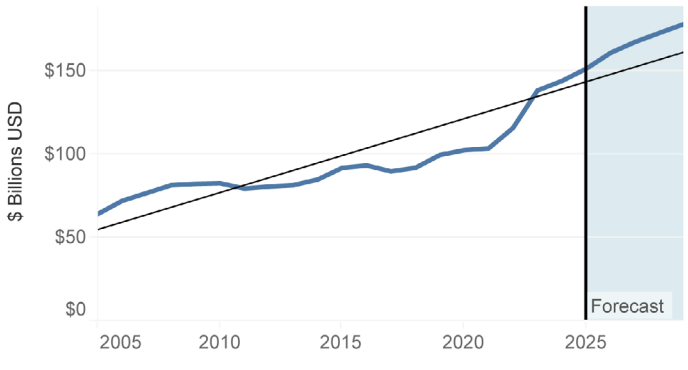
Source of actuals: ConstructConnect / Forecasts: Oxford Economics and ConstructConnect.
Chart: ConstructConnect

Graph 11: U.S. Construction Spending: Highways and Streets Put-in-place (PIP) Investment



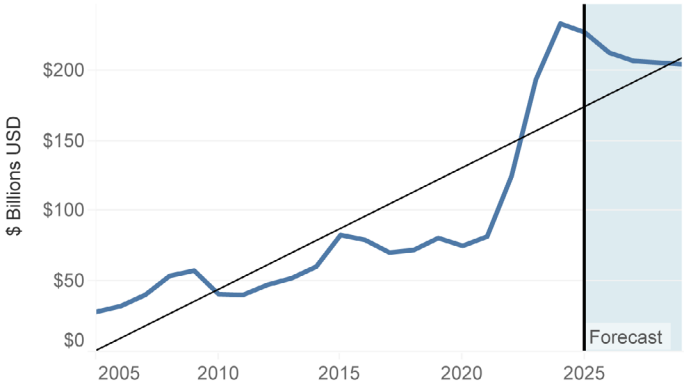
Source of actuals: ConstructConnect / Forecasts: Oxford Economics and ConstructConnect.
Chart: ConstructConnect

Graph 12: U.S. Construction Spending: Water Supply, plus Sewage & Waste Disposal Put-in-place (PIP) Investment



Source of actuals: ConstructConnect / Forecasts: Oxford Economics and ConstructConnect.
Chart: ConstructConnect

Graph 13: U.S. Construction Spending: Manufacturing Put-in-place (PIP) Investment



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ANALYZING CONSTRUCTION COSTS AND INFLATION: 2015–2029

In the years immediately following COVID, the construction industry experienced a sharp rise in both material and labor costs. As a result, project costs escalated rapidly, while the actual volume of physical construction grew at a much slower pace. This disconnect between spending increases and the actual work performed was particularly pronounced in 2021 and 2022. However, this phenomenon is always present to some extent, highlighting the need for a tool to track price changes relative to work performed—commonly referred to as a "deflator."

The deflator table below, developed in collaboration with our partners at Oxford Economics, enables the industry to compare spending levels over time while adjusting for price distortions.

From 2015 to 2024, total construction spending increased by over $1 trillion, rising from $1.132 trillion to $2.155 trillion—a 90% increase. However, the volume of physical construction did not rise by an equivalent amount. To determine how much of this increased spending translated into actual construction activity, it is essential to measure how much construction prices changed over the same period.

According to the Census Bureau, the cost of a unit of construction work increased by 62.4% between 2015 and 2024. Comparing the 90% rise in spending with this 62.4% cost increase indicates that the majority of additional spending went toward covering higher labor and material costs rather than expanding construction output. Adjusted for today's dollar value, the amount of work accomplished in 2015 would require $1.838 trillion today.

After two years of double-digit construction inflation in 2022 and 2023, the inflation rate in 2024 moderated to 2.3%, marking a return to more typical levels. Looking ahead to 2029, construction inflation is expected to range between 2.0% and 2.5% annually, while nominal spending growth is projected at 4.2% per year. This would result in an 11.3% real increase in construction spending over the period, after adjusting for inflation.

However, the potential enactment of new tariffs in 2025 and beyond poses a significant upside risk to this forecast. Similar tariffs imposed in 2018 and 2019 temporarily pushed construction inflation to 5%. If tariffs in 2025 lead to a similar spike in costs, they could significantly erode real construction spending growth—potentially offsetting much of the anticipated gains.

U.S. 'Constant' Dollar or 'Real' Put-in-Place Construction Spending

Year	Construction Output Price Index (2015 = 100)	Change in Price Index Y/Y	Current' $ PIP Construction Spending ($ billions)	% Change Y/Y	Constant $ PIP Construction Spending ($ billions)	Real' Y/Y % Change in Constant $ PIP Construction Spending
2015	100.0		$ 1,132.1		$ 1,132.1	
2016	103.2	3.2%	$ 1,213.2	7.2%	$ 1,175.6	3.8%
2017	106.9	3.6%	$ 1,279.9	5.5%	$ 1,197.6	1.9%
2018	110.0	2.9%	$ 1,333.2	4.2%	$ 1,212.0	1.2%
2019	115.4	4.9%	$ 1,391.1	4.3%	$ 1,205.1	-0.6%
2020	118.7	2.8%	$ 1,499.6	7.8%	$ 1,263.8	4.9%
2021	121.9	2.7%	$ 1,653.4	10.3%	$ 1,356.6	7.3%
2022	142.1	16.6%	$ 1,902.7	15.1%	$ 1,339.1	-1.3%
2023	158.8	11.8%	$ 2,023.7	6.4%	$ 1,274.0	-4.9%
2024	162.4	2.3%	$ 2,154.5	6.5%	$ 1,326.4	4.1%
2025	165.5	1.9%	$ 2,243.1	4.1%	$ 1,355.3	2.2%
2026	168.8	2.0%	$ 2,355.0	5.0%	$ 1,395.2	2.9%
2027	172.6	2.2%	$ 2,458.8	4.4%	$ 1,425.0	2.1%
2028	176.7	2.4%	$ 2,553.9	3.9%	$ 1,445.5	1.4%
2029	181.1	2.5%	$ 2,646.6	3.6%	$ 1,461.2	1.1%

Source of Price Index: Oxford Economics

Table: ConstructConnect

Contributors: Oxford Economics — Abby Samp, Lead Economist; Peter Colson and Sebastien Tillett, Economists; / ConstructConnect — Michael Guckes, Chief Economist; Edward Bayley, Editorial Design Team Lead