The Associated General Contractors of America works to ensure the continued success of the commercial construction industry by advocating for federal, state and local measures that support the industry; providing opportunities for

SUMMARY

AGC of America and Sage conduct a survey at the end of each year of commercial construction firms to gather insights into what they expect the coming year to be like. This survey covers their expectations for the various market segments where they perform work, their personnel plans and workforce challenges, the impact materials costs are having on their operations and their technology plans for the coming year. This survey helps inform our efforts as an association by providing insights into what our members expect the coming year will be like.

The results for the 2025 Construction Hiring & Business Outlook show contractors are optimistic about certain private-sector segments and have high hopes for just about every type of publicly funded construction. Yet they have very low expectations for several key private sector market segments. They remain concerned about labor shortages and are worried materials prices will climb in 2025 amid threats of new tariffs and other factors. At the same time, many firms report plans to boost investments in artificial intelligence, various types of efficiency software, drones and other new technologies.

Based on the Outlook results the construction of data centers, manufacturing facilities, power plants and related infrastructure will drive much of the privt..28 Tc -0.004 Tw 0.27 0 T1

Most contractors expect to add to their headcount in 2025. Among the firms that plan to hire, nearly 80 percent say it is difficult to find qualified hourly craft workers to hire and 88 percent predict that it will remain difficult or get even harder to hire in 2025. In addition to existing labor shortages, contractors are worried that the incoming administration's approach to immigration may further diminish the supply of qualified workers to hire.

Even though many contractors report relief from supply chain problems, one of the industry's biggest areas of concern for 2025 is materials prices. That is likely a reflection of concerns the industry has about the potential impacts of the various tariffs the President-elect has promised to impose. If put into place, these tariffs have the potential to boost costs for the many construction components that are sourced, at least in part, via the global supply chain.

Perhaps to cope with these challenges, many firms report plans to boost investments in key technologies, like artificial intelligence, estimating software, drones and other tech tools to make their operations more efficient. But as firms becoming increasingly reliant on technology, many worry about finding ways to keep their data secure from hackers.

In short, 2025 will present many opportunities--and challenges—for contractors. But on net, it looks like it will be a good year for the commercial construction industry.

CONTRACTORS' OPTIMISM ABOUT DEMAND FOR PROJECTS HAS INCREASED BUT SHIFTED FROM A YEAR AGO

Contractors have a largely positive view about prospects for projects available to bid on in 2025. On the whole, they are more optimistic than they were a year ago but their expectations as to the most favorable project types have shifted.

The balance of views regarding different project categories can be summed up in the net reading—the percentage of respondents who expect the available dollar value of projects to expand compared to the percentage who expect it to shrink. As seen in the chart below, this year the net reading is positive for 15 of the 17 categories of construction included in the survey.

The highest net reading, 42 percent, is for data centers. This is also the category with the largest increase in optimism from a year ago, when the net reading was 20 percent.

Contractors are also very bullish about the prospects for water and sewer projects, with a net reading of 35 percent, and for power projects, with a net reading of 32 percent. The readings for both of these project types are more positive than in the 2024 outlook survey.

Three largely public categories, in addition to water and sewer work, have strong favorable outlooks in 2025. The net reading for transportation structures, such as airport and rail projects, is 29 percent. Expectations for bridge and highway work are net 24 percent positive, although this reading slipped from 30 percent in 2024. The reading for federal contracts, for agencies such as the General Services Administration, Department of Veterans Affaiscj-0.008 Tc 0.008 Tw 0.27 0 Td[(th)-12 (e)]TJ0 Tc 0 Twhhoperceascent2 Tw 0.3 net

One other public category—public buildings--drew a moderately positive net reading: 14 percent. That rating was similar to the 2024 net of 15 percent.

Among private-sector categories, in addition to data centers and power projects, contractors are bullish about non-hospital healthcare facilities, such as clinics, testing facilities and medical labs, with a net of 27 percent. That net is slightly higher than the 24 percent net reading for hospital construction. Survey respondents are largely positive as well about manufacturing plant construction, with a net reading of 25 percent, 10 percentage points higher than in 2024.

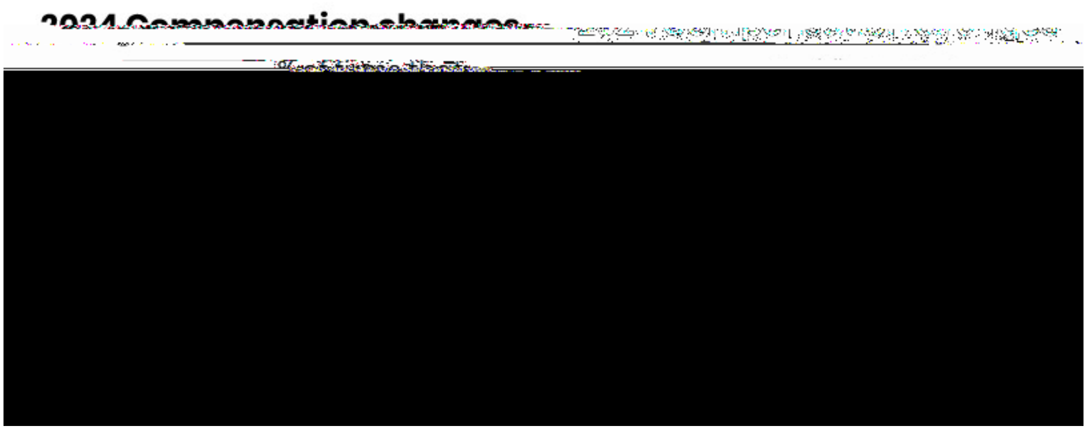
On balance, contractors are optimistic, as well, about the education sector. The net reading is 13 percent for kindergarten-to-12th-grade schools and 12 percent for higher education construction. However, these readings are 5 and 3 percentage points less positive, respectively, than a year ago.

Five other segments have readings that range from moderately positive to negative, yet all reflect more optimism than in 2024. For instance, the reading for warehouse construction increased by 4 percentage points, from 10 percent to 14 percent, while to moreased yea9 -1.72 T8Td[(F)-1 (iv)]TJ0 Tc 0 Tw 1.33 0 Td(e)c 0 Tw 30 Td( )Tj0.004 Tc have worked on

Contractors expect only slightly less difficulty finding salaried employees. More than two-fifths (41 percent) of the respondents believe finding salaried employees will continue to be hard (21 percent) or will become harder (20 percent).

Union and open-shop firms have similar expectations about expanding their headcount and the difficulty in doing so. For both types of firms, about two-thirds of respondents expect their companies will add to their headcount in 2025. Both types of firms report difficulty filling positions: of the firms with openings for hourly craft workers, 81 percent of open-shop firms and 74 percent of union firms report difficulty filling hourly craft positions. Similarly, 76 percent of open-shop firms with unfilled salaried positions say the positions are hard to fill, as do 78 percent of union firms.

A majority of firms took steps in 2024 to attract and retain workers. Fifty-three percent increased base pay rates by more than they had in 2023. Additionally, 28 percent of firms provided incentives or bonuses and 28 percent increased their portion of benefit contributions and/or improved employee benefits. Only 10 percent of firms provided no increases in pay, incentives, or benefits in 2024.



In every region of the country, a majority of firms expect to add employees but report difficulty doing so. There is some variation in the size of pay increases they awarded in 2024, however, with firms in the South somewhat more likely than in other regions to have offered steeper pay increases to attract and retain workers. Sixty-one percent of firms based in the South increased base pay rates in 2024 by more than they had in

contractors also mentioned various types of pipe. There were scattered mentions of more than a dozen other materials and products, suggesting that supply chains are not problem-free.

WORKFORCE ISSUES DOMINATE FIRMS' TOP CONCERNS

Respondents were invited to identify their biggest concerns for 2025, with no limit on how many to select or write in. Out of 19 listed choices, the top three are all workforce-related. Sixty-two percent pick rising direct labor costs (pay, benefits, employer taxes), while 59 percent list insufficient supply of workers or subcontractors, and 56 percent name worker quality. The only other concern cited by a majority (54 percent) of respondents is materials costs. In addition, nine respondents wrote in tariffs as a major concern.

Two of the three most listed concerns in the 2024 survey faded markedly as concerns in 2025. Forty-one percent of respondents this time listed either high interest rates/financing costs or economic slowdown/recession as top concerns—far fewer than the more than 60 percent for both of those concerns a year ago.

Besides worrying about worker costs, supply, and quality, 75 percent of firms view inexperienced skilled labor or workforce shortage as a challenge regarding the safety and health of their workers. Among seven listed challenges regarding worker safety and health, the next-most frequently cited (by 38 percent of respondents) is mental health challenges for workers. In addition, 26 percent cite poor subcontractor safety and health

percent each are planning to changes to HR or preconstruction software or mobile applications.

Firms list numerous ways in which they plan to use mobile software technology. More than two-thirds of respondents (69 percent) say it would be used for daily field reports. More than half of respondents pick access to customer and job information from the field (56 percent), employee time tracking and approval (54 percent), and sharing of drawings, photos, and documents (53 percent). Other widely [illegible]

requirements. While we support efforts to re-establish a domestic supply chain for construction materials, the Biden administration approach makes it virtually impossible to move forward with projects when no domestic component is available.

We are eager to also work with the new administration to implement many of the measures to streamline permitting that Congress authorized but President Biden largely ignored. The good news is the incoming president has the authority he needs to rapidly accelerate federal reviews without diminishing the criteria used to get totto4d t e (y)]TJ0 T