A YEAR IN THE BALANCE: THE 2025 CONSTRUCTION HIRING AND BUSINESS OUTLOOK

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 firms to learn about ways to become more accomplished; and connecting them with the resources and individuals they need to be successful businesses and corporate citizens. Over 27,000 firms, including more than 6,500 of America's leading general contractors, nearly 9,000 specialty-contracting firms and almost 11,000 service providers and suppliers belong to the association through its nationwide network of chapters. Visit the AGC Web site at www.agc.org.

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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 private sector construction market in 2025. To some extent, Eds and Meds – education and health care facilities, will also drive construction demand in both the public and private sector. However, contractors have very low expectations for the lodging, retail and office segments in 2025.

Expectations are strong for all public-sector construction categories in 2025. That is likely because contractors expect construction to begin soon on the many projects where funding has been announced but regulatory reviews are still underway. Indeed, some of the contractor optimism for the public sector markets is likely driven by an expectation that the incoming Trump administration will be successful in its ambitions to streamline the permitting process.

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.

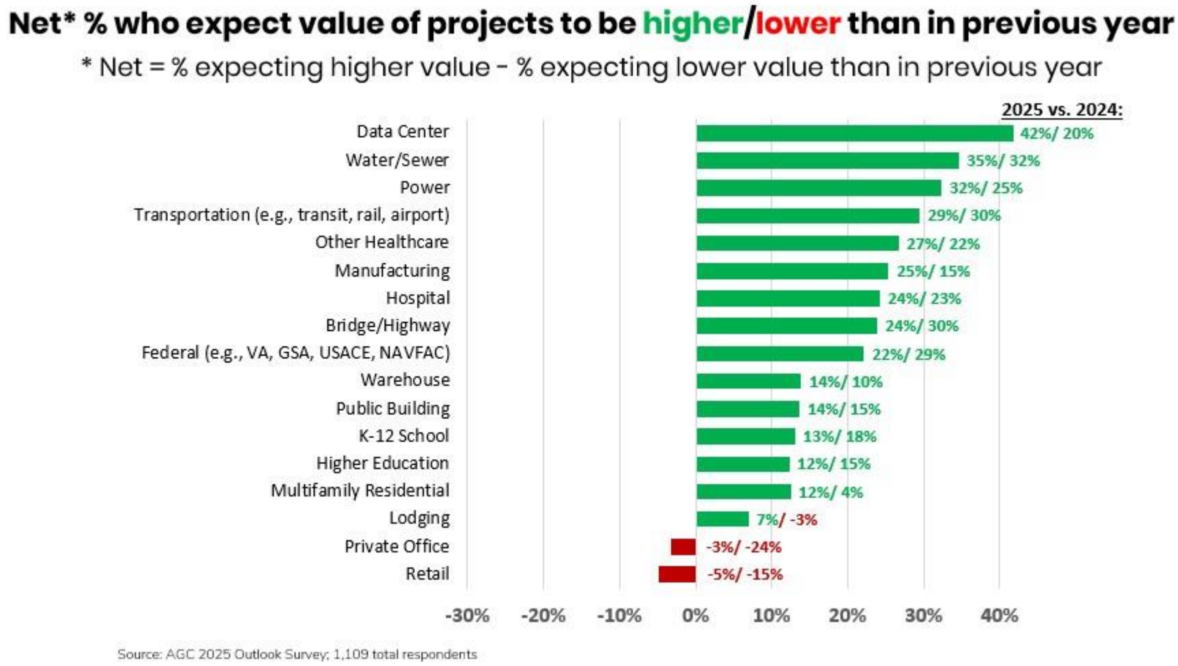
Perhaps to cope with these challenges, many firms report plans to boost investments in key technologies, like artificial intelligence, estimating software, drones and other tech tools to make their operations more efficient. But as firms becoming increasingly reliant on technology, many worry about finding 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 Affairs, U.S. Army Corps of Engineers, and the Naval Facilities and Engineering Command, is 22 percent. However, that net declined from 29 percent a year ago.

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-12^{th}-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 the reading for multifamily residential rose 8 points, from 4 percent to 12 percent.

Contractors have boosted their expectations even more for the three categories with negative 2024 outlooks. They now hold a slightly positive net reading, 7 percent, for lodging, which is 10 points higher than the -3 percent reading a year ago. The net reading for private office construction jumped 21 points, from -24 percent to -3 percent. And the outlook for retail projects improved by 10 points, from -15 percent to -5 percent.

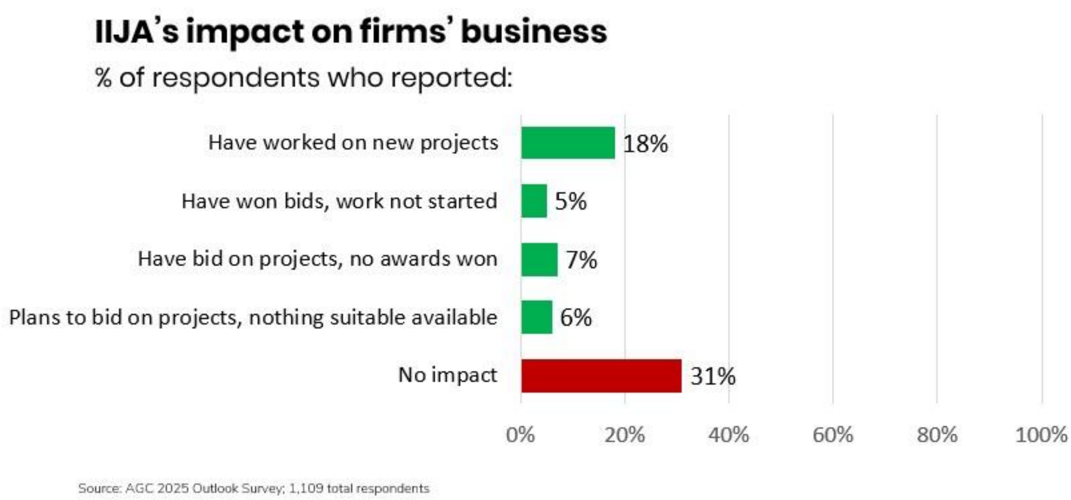
The average net reading across all 17 categories increased by more than 4 percentage points, Readings are higher than a year ago for nine segments, less optimistic for four project types, and little changed for four categories.

THE BIPARTISAN INFRASTRUCTURE LAW IS FINALLY STARTING TO MAKE A DIFFERENCE

Three years after enactment of the federal Bipartisan Infrastructure law, more contractors are starting to see the effects. This year 18 percent of respondents say they have worked on new projects funded by the law, double the 9 percent who said that was the case a year ago. In addition, 5 percent have won bids but have not started work and 7 percent say they have bid on projects but have not won any awards yet.

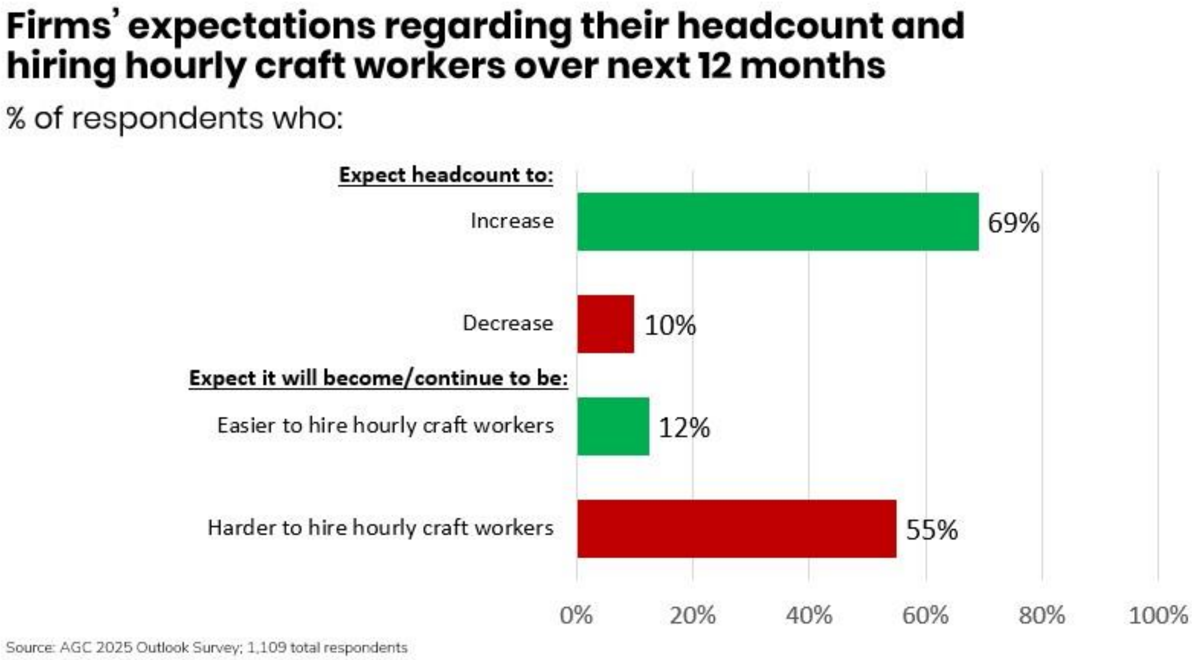
Large firms are most likely to have received work under the law, which is also known as the Infrastructure Investment and Jobs Act (IIJA). Among firms with revenues exceeding $500 million, 28 percent have worked on new projects funded by the law. That compares to 22 percent of firms with revenues between $50.1 million and $500 million and just 15 percent of firms with revenues of $50 million or less.

All sizes of firms would have had a chance to bid on more IIJA projects if the Biden Administration had done more to make legally required reforms to the federal review and permitting process. In the absence of such reforms, construction has yet to begin on many of the funded projects. Adding to those delays are cumbersome Buy America rules the administration has put in place that make it confusing and difficult for officials to ensure all products being used on a project are in compliance. These delays are likely one reason why contractor expectations for several public sector market segments are down this year compared to the start of 2023.



HIRING EXPECTATIONS ARE HIGH BUT SO ARE THE OBSTACLES

Most firms anticipate adding workers in 2025 to accommodate the higher demand for projects. More than two-thirds (69 percent) of the respondents expect to add to their headcount, compared to only 10 percent who expect a decrease. While just under half (48 percent) of firms expect to increase their headcount by 10 percent or less, more than one-fifth (21 percent) anticipate larger increases: 17 percent of respondents say their headcount will grow by 11 to 25 percent, and 4 percent of respondents anticipate an increase in headcount of more than 25 percent.

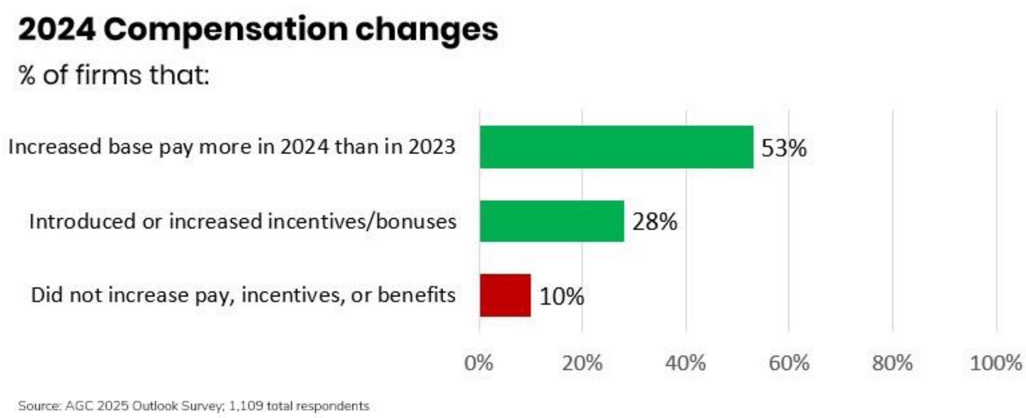


The share of firms that expect to add workers has stayed in a narrow range for the past four years. Similarly, there has been little change in the share of firms reporting difficulty in filling positions. More than three out of four firms report having a hard time filling either hourly craft positions (78 percent of respondents) or salaried openings (77 percent)—nearly identical to the percentages in the 2024 and 2023 surveys. In addition, the majority (55 percent) expects that hiring craft workers will continue to be hard (28 percent) or will become harder (26 percent). Only 12 percent say it will become easier or remain easy to hire, while 33 percent expect no change.

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 2023, compared to 54 percent in the Northeast, 51 percent of firms in the Midwest, and 50 percent in the West.

RISING COSTS AND REDUCED FUNDING ARE CAUSING POSTPONEMENTS

As in the past three surveys, roughly two-thirds of respondents say projects have been postponed or canceled. Forty-two percent of firms report projects were postponed in 2024 but rescheduled, while 34 percent of respondents report projects were postponed or canceled and not rescheduled. Sixteen percent have already experienced postponement or cancellation of a project that had been scheduled for either the first half of 2025 (11 percent of respondents) or later (5 percent).

Two reasons were most frequently cited for project postponements and cancellations. Forty-three percent of firms say a project was postponed or canceled due to rising costs (for construction, insurance, etc.), while 41 percent cite reduced funding availability. In addition, 26 percent point to uncertainty about election impacts. Reduced demand for completed projects is cited as a reason by 10 percent of respondents and delays in likely completion dates by 7 percent.

SUPPLY-CHAIN PROBLEMS HAVE FINALLY MODERATED

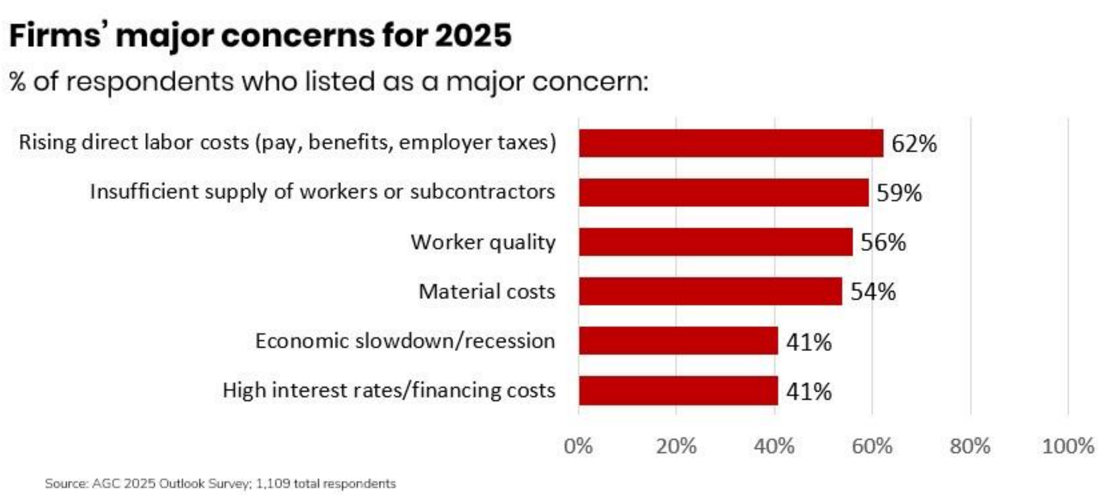
Nearly half (45 percent) of respondents report no supply-chain issues in 2024. This is a huge improvement from the previous two surveys. Only 23 percent of respondents in 2024 and just 9 percent in 2023 said they had had no such problems. To cope with—or avoid—problems, 41 percent of respondents have accelerated purchases after winning contracts, while 32 percent have turned to alternative suppliers, and 25 percent have specified alternative materials or products. Ten percent have stockpiled items before winning contracts.

Despite the overall improvement in the supply chain, more than 100 respondents took the trouble to list specific items or categories with problems. As in the past, the most frequently mentioned issues are with electrical gear such as panels, transformers, and the switchgear used to control, protect and isolate electrical equipment. Several 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 performance and 24 percent cite safety hazards created by third parties such as motorist crashes into work zones. Twenty-four percent also point to unclear or unworkable government regulations and 22 percent list unreasonable inspection or enforcement of government rules as a challenge regarding the safety and health of their workers.

CONTRACTORS PLAN TO INVEST IN ARTIFICIAL INTELLIGENCE AND A VARIETY OF SOFTWARE

Construction firms are increasingly turning to artificial intelligence. This year 44 percent of respondents say their firms will increase investments in AI. That compares to 30 percent of firms in the previous survey that expected to initiate or increase AI investments.

Respondents also expect increased investment by their firms in multiple types of software. Forty percent anticipate higher outlays for document management software. More than a third expect to invest more for accounting software (36 percent of firms), estimating software (35 percent), or project management software (35 percent).

A little more than a quarter of respondents expect their firms to increase investments in software for fleet tracking/management, human resources (HR), building information modeling (BIM), or client relationship management (CRM). A similar share (26 percent) expects to increase their investment in drones.

In contrast, only 15 percent of firms expect to invest more in autonomous equipment or vehicles and only 7 percent each expect more investment in robotics or 3-D printing. The shares expecting increased investments in robotics and 3-D printing declined from 15 percent and 12 percent, respectively, in the previous survey.

MOST FIRMS PLAN TO STICK WITH CURRENT SOFTWARE SOLUTIONS BUT USE MOBILE SOFTWARE WIDELY

A majority (59 percent) of firms are not planning to change any of their software solutions this year. However, 20 percent plan to change project management/operations software. Fifteen percent expect changes in accounting software solutions and about 10 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 cited uses include access to job cost and project reports from the field (50 percent) and punch lists (46 percent). Similar shares of respondents listed these uses in the previous survey.

Firms use cloud-hosted information technology (IT) in various ways. The most prevalent use is in project management, cited by 61 percent of firms. Nearly half list accounting (48 percent) and field operations (47 percent), while time tracking is noted by 41 percent. However, only 15 percent list tool management, while 20 percent say they do not use the cloud. These percentages are little changed from the three previous surveys

Among the biggest IT challenges noted by firms, three stand out. Forty-one percent of contractors mention keeping company data secure from hackers, while 39 percent say it’s difficult to find the time to implement and train on new technology and 36 percent cite employee resistance to technology. In addition, 32 percent list communication between field and office as one of their biggest IT challenges, while 28 percent cite integration between software used inside the firm and 25 percent list keeping software current. But only 22 percent mention connectivity to remote job sites as a top IT challenge, a sharp drop from the 35 percent who listed this as a major challenge a year earlier.

CONCLUSION

Ultimately, 2025 offers quite a few bright spots for the construction industry even as the outlook for some private sector market segments remains quite dire. But firms expect that regulatory relief will help drive demand, particularly for all manner of public sector projects. As a result, firms will continue to hire when they can, and plan to boost their investments in new technologies, particularly artificial intelligence.

But more than anything else, construction firms are worried about the supply of labor and the potential for materials prices to rise in 2025. This is, in part, because labor is already in short supply and materials prices have been volatile since 2020. But it also reflects the worries many contractors have about the potential impacts of the incoming administration's immigration and trade policies.

That is why the Associated General Contractors of the America is asking the President-elect and the incoming Congress to address construction workforce shortages with short-term and long-term measures. In the short-term, we are urging the new administration to work with Congress to establish new, temporary work visa programs that are dedicated to the construction industry. This will allow firms to a way to provide lawful workers so they can keep pace with important economic development projects, like improving infrastructure and building new manufacturing and semiconductor facilities.

We are also asking for significant long-term measures to rebuild the domestic pipeline for preparing and training new construction professionals. President Trump and Congress must find a way to pass the Stronger Workforce for America Act, which significantly boosts funding for post-secondary construction training programs. They must also boost funding for the Carl D. Perkins Career and Technical Education Act that funds high-school construction training programs, among other career and technical education subjects.

President Trump should also take immediate steps to remove limits on who can work on federal construction projects. In particular, he should revoke President Biden's executive order imposing project labor agreements for any federal construction project worth $35 million or more. This measure essentially excludes roughly two-thirds of the construction workforce from participating in federal projects, severely undermining the nation's capacity to build.

We also hope the president will be sparing in his imposition of new tariffs and find ways to exclude products needed to build domestic manufacturing, energy and infrastructure capacity. At the same time, President Trump should remove many of the bureaucratic obstacles his predecessor put in place with its new Buy America 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 to a go or no-go with a project. If President Trump moves quickly to streamline the permitting process, many delayed projects should see a rapid start to construction.

The bottom line is 2025 should be a good year for the commercial construction industry. Especially if the Trump administration is willing to work with us to find a way to address workforce shortages, avoid materials price inflation, remove limits on who can work on federal projects and streamline the permitting process. AGC of America is taking every possible step to encourage the new administration and Congress to do just that.

With a lot of work and focus, the construction industry will remain a strong contributor to economic growth in 2025 as it adds even more people into high-paying construction career opportunities and delivers economic development projects in communities across the country.

ABOUT THE SURVEY

AGC surveyed its members for the 2025 Construction Hiring and Business Outlook beginning just after Election Day in November through December 13, 2024. A total of 1,109 firms from 48 states and the District of Columbia completed the survey. (Varying numbers responded to each question.)

Participating firms represent a broad cross-section of revenue and employment sizes. Of firms that listed their revenue size, 55 percent report performing $50 million or less worth of work in 2024. Thirty-five percent performed between $50.1 million and $500 million worth of work and 10 percent performed over $500 million worth of work. Eighteen percent of firms have fewer than 20 employees, while 40 percent have between 20 and 99 employees. Firms with 100 to 499 employees account for 28 percent of respondents and firms with 500 or more employees comprise 14 percent of the total.

Thirty percent of firms report they employ union workers most or all of the time, while 57 percent are either exclusively open-shop or only occasionally employ union labor. The remaining 13 percent do not self-perform or directly hire craft personnel.

Firms and their employees were not compensated or in any other way reimbursed for completing the survey.

The regions covered in the survey included the following states:

Northeast

Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont

South

Alabama, Arkansas, Delaware, District of Columbia, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, West Virginia

Midwest

Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, Wisconsin

West

Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, Wyoming

A full set of survey materials is available at ___________________________.