



## Q1 2025: USA Construction Monitor

# Construction sentiment remains positive for now but some clouds are gathering

- Workload expectations are still positive but less so than previously
- Concerns increase around the impact of tariffs on material costs
- Perceived shortages of both skilled and unskilled labour continue to grow

The Q1 RICS-AAACE Construction Monitor shows that sentiment remained generally positive through the early part of the year; for the record, the period of field work ran until April 18th so will have reflected some of follow-up to the announcements by President Trump regarding tariffs. That said, the headline reading for the Construction Sentiment Index was somewhat less buoyant than in the final part of 2024 as is highlighted in Chart 1.

### Infrastructure workloads still leading the way

Chart 2 track the feedback from respondents to the survey around the current level of workloads in net balance terms and puts this into context by comparing the latest reading with the average for the previous four quarters. To be clear, the net balance result is obtained by subtracting the share of respondents who are seeing workloads decline from those who report it increasing; the indicator is typically a good lead indicator of hard data.

The latest results show that it is the infrastructure

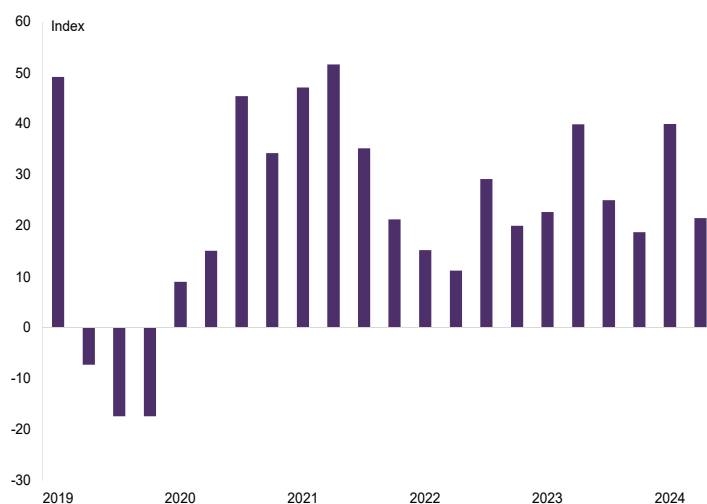
sector where activity momentum remains most upbeat although it is notable that the metrics capturing both residential and non-residential workloads also remain in positive territory. However, it is significant that it is the infrastructure arena where a slowdown is most visible. Disaggregating this sector a little further, contributors to the survey suggest that the picture remains most robust in energy related projects while it has turned a little flatter in water and waste and the agribusiness.

Some other results from the survey relating to the current environment are, however, more consistent with a greater level of caution. The series designed to capture new business enquiries showed a much more modest gain in Q1. Alongside this, the profits margin indicator turned very slightly negative, payment delays edged up according to those feeding into the survey and concerns around the cost of materials rose sharply.

### Credit conditions also reflect more uncertain environment

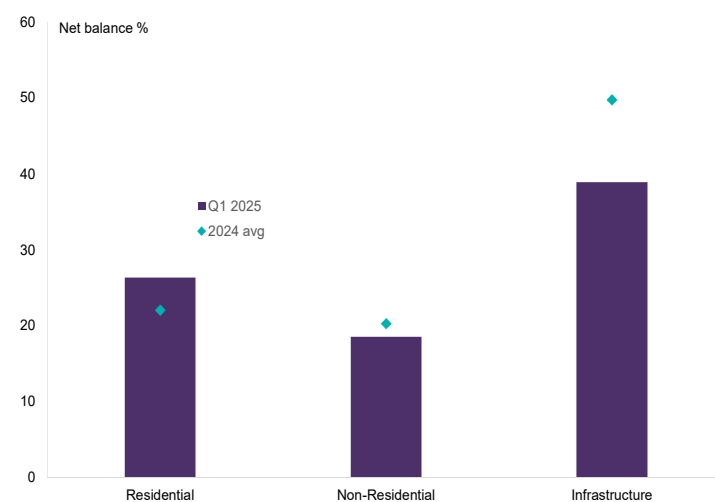
Optimism about an improving credit environment

**Chart 1: Construction Sentiment Index\***



\*The Construction Sentiment Index is a composite measure encompassing variables on current and expected market activity as well as margin pressures.

**Chart 2: Current Workloads by Sector**



for the construction industry appears to be running out of steam looking at the results of the Q1 survey. Chart 3 shows that during the first three months of the year, a net balance of -13% reported a deterioration in credit conditions compared with +12% indicating an improvement in Q4 2024. More ominously, net balances of -29% and -9% anticipate the climate actually deteriorating further through the course of this year.

### Twelve-month expectations remain resilient

Despite worries expressed by respondents about the credit outlook and on-going debate about the outlook for the economy, when asked about the prospects for construction workloads looking forward, the numbers are still consistent with solid activity. Chart 4 demonstrates this point with net balance readings of +45 for infrastructure, +15% for non-residential construction and +5% for the residential sector. In each case, the results are, to a greater or lesser degree, somewhat down of the Q4 outcome.

Nevertheless, the conviction around the workloads trend is also reflected in expectations regarding likely headcount needs at the same time horizon; the latest net balance reading of +51% is not far off recent highs.

### Labour and skills viewed as increasing problem

It is hard to avoid the anxiety signalled in the feedback to the survey around access to labour. Chart 5 tracks responses to the question around the main factors inhibiting activity. Top of the tree is skill shortages which was identified by over 80% of respondents. Labour shortages more generally were highlighted by just short of this figure. Concerns around the cost of materials has predictably risen sharply (on the back of the tariff announcements) from just over 40% to two-thirds of contributors while those referencing financial constraints has jumped from a little under one-half to over 60%.

Delving a little deeper into the area of skills, it is skilled trades where concerns around the shortfall is most intense. For the record, this is not a new issue but the share drawing attention to it in the early part of this year has leapt from around two-thirds to four-fifths. Just as significant is the feedback around unskilled labour. Previously less than 30% of responses indicated a challenge of recruitment in this area but this has now climbed to 44%. Alongside there has been a rise in the number highlighting shortages of project managers (to 63%) with quantity surveying type skills also still sought after (56%).

### Profits outlook still shows some positivity

The RICS-AACE Monitor tries to garner feedback from respondents to the prospects for profitability over the forthcoming year in two ways. The first is through a net balance question. This shows that just over 20% of respondents (in net balance terms) still expect margins to increase compared with one-third in Q4. Alongside this, the survey also asks about tender prices and construction costs for the next twelve-months. This shows both currently running in the 6 to 7% region; significantly, in the case of the latter it is material costs where the greatest uplift is projected.

Chart 3: Credit Conditions

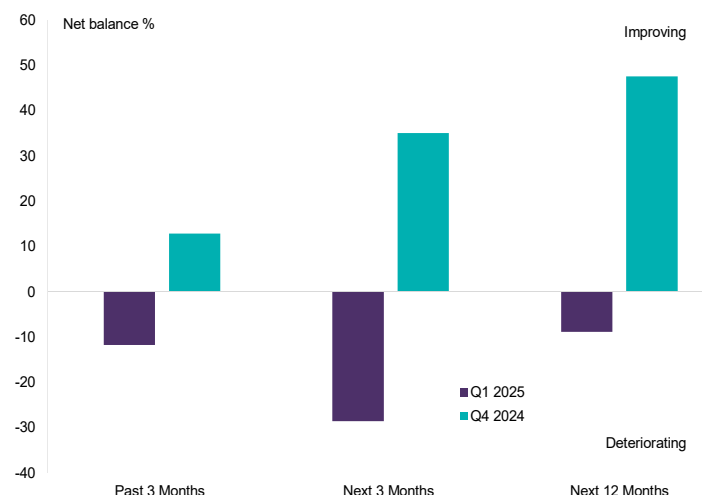


Chart 4: Workload Expectations by Sector

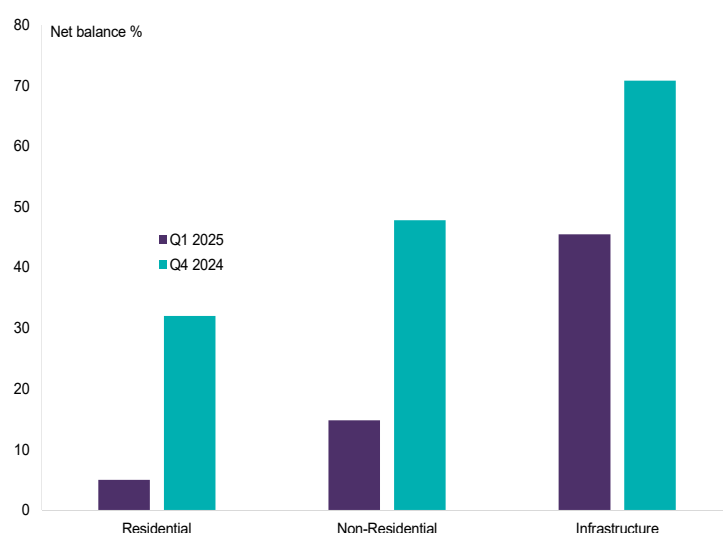
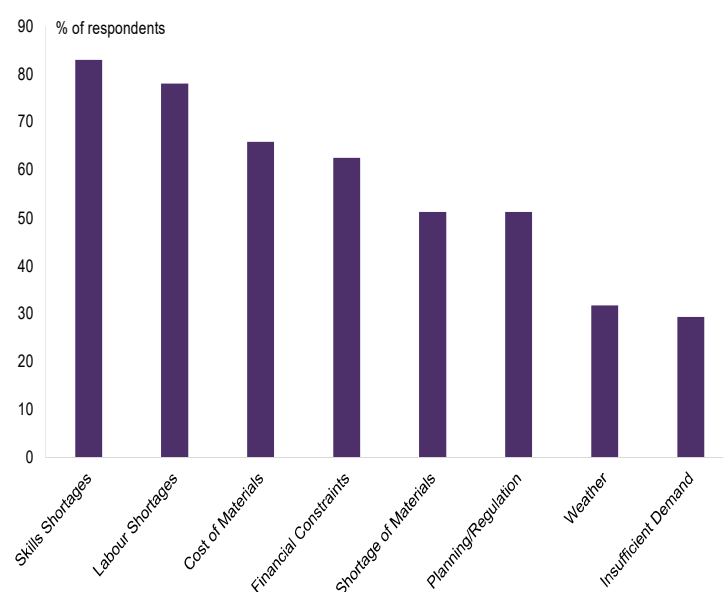


Chart 5: Factors Hindering Activity



# Information

## Global Construction Monitor

RICS-AACE USA Construction Monitor is a quarterly guide to the trends in the construction and infrastructure markets. The report is available from the RICS website [www.rics.org/economics](http://www.rics.org/economics) along with other surveys covering the housing market, residential lettings, commercial property, construction activity and the rural land market.

## Methodology

This is the RICS-AACE USA Construction Monitor which forms part of the RICS Global Construction Monitor. Questionnaires were sent out on 10th March 2025 with responses received until 21st April 2025. Respondents were asked to compare conditions over the latest three months with the previous three months as well as their views as to the outlook. Net balance = Proportion of respondents reporting a rise in a variable (e.g. occupier demand) minus those reporting a fall (if 30% reported a rise and 5% reported a fall, the net balance will be 25%). Net balance data can range from -100 to +100. A positive net balance reading indicates an overall increase while a negative reading indicates an overall decline. A total of 2363 company responses were received globally.

RICS Construction Activity Index is constructed by taking an unweighted average of current and 12-month expectations of four series: residential workloads, non-residential workloads, infrastructure workloads and profit margins. Global and regional series are weighted using the World Bank's GDP PPP (2017 constant prices) data series. Current responses were weighted using the prior years GDP (e.g. the 2020 responses were weighted using 2019 GDP data). Where responses are not sufficient to form a national-level sample, they are binned together to fill in any gaps in regional coverage.

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