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CONSTRUCTION FIRMS PREDICT STRONG DEMAND FOR CERTAIN PRIVATE-SECTOR & MOST TYPES OF PUBLIC-SECTOR WORK IN 2025, BUT WORRY ABOUT LABOR & MATERIALS PRICES

New Industry Outlook Shows Firms Are Worried About Impacts of President-Elect Trump's Trade and Immigration Policies Even as They Increase Investments in Artificial Intelligence and Other Technologies to Boost Productivity

Construction contractors are optimistic about certain private-sector segments and have high hopes for most types of public-sector work, according to survey [results](#) the Associated General Contractors of America and Sage released today. Yet they have very low expectations for several private-sector market segments, remain concerned about labor shortages and are worried materials prices will climb amid threats of new tariffs, according to [A Year in the Balance: The 2025 Construction Hiring and Business Outlook](#).

“2025 offers quite a few bright spots for the construction industry even as the outlook for some private-sector segments remains quite dire,” said Jeffrey Shoaf, the association’s chief executive officer. “Firms expect regulatory relief will help drive demand and they will continue to hire, when they can, and boost investments in technologies, particularly artificial intelligence.” Click [here](#) to watch a quick video about the results.

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—is positive for 15 of the 17 categories of construction included in the survey. The highest net reading, 42 percent, is for data centers.

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. They also are bullish about healthcare construction, with a net of 27 percent for non-hospital healthcare facilities, such as clinics, testing facilities and medical labs, and 24 percent for hospitals.

Survey respondents are largely positive as well about manufacturing plant construction, with a net reading of 25 percent. Contractors are also optimistic about the education sector with a net reading of 13 percent for kindergarten-to-12th-grade schools and 12 percent for higher education construction.

Five other segments have readings that range from moderately positive to negative. The net reading for warehouse construction is 14 percent, while the reading for multifamily residential construction is 12 percent. Contractors have a slightly positive net reading, 7 percent, for lodging. Meanwhile, the net reading for private office construction is -3 percent. And the outlook for retail projects is -5 percent.

Association officials noted that contractor expectations are high for a range of infrastructure segments. 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. The reading for federal contracts, for agencies such as the General Services Administration and the U.S. Army Corps of Engineers, is 22 percent. One other public category—public buildings—drew a moderately positive net reading of 14 percent.

“One reason contractors have a relatively positive outlook for many public sector market segments is that more contractors are starting to see the effects of increased federal investments in infrastructure,” said Ken Simonson, the association’s chief economist. He noted that 18 percent of respondents say they have worked on new federally funded infrastructure projects, double the 9 percent who said that was the case a year ago.

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The construction economist noted that most firms anticipate adding workers in 2025 to accommodate the higher demand for most types of projects. More than two-thirds of the respondents expect to add to their headcount, compared to only 10 percent who expect a decrease.

Yet he cautioned that more than three out of four firms report having a hard time filling either hourly craft positions, 78 percent, or salaried openings, 77 percent. In addition, the majority expects that hiring craft workers will continue to be hard or will become harder. Only 12 percent say it will become easier or remain easy to hire.

Contractors continue to see a significant number of project postponements and cancellations. 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 or later.

Simonson noted that supply chains are coming back online, however. Nearly half of respondents report no supply-chain issues in 2024. 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.

Among contractors' top concerns for 2025, the three most frequently listed are all workforce related. Sixty-two percent pick rising direct labor costs as one of their top three concerns, 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. Given the supply chain improvements, this concern is likely related to President-elect Trump's threats to impose a broad range of new tariffs, Simonson observed.

Officials with Sage noted that construction firms are increasingly leveraging technology to address industry challenges such as labor shortages and productivity demands. Artificial intelligence leads the way as the technology with the biggest anticipated increase in investment, cited by 44 percent of firms. Other key areas for increased investment include document management software (40 percent), accounting software (36 percent), and project management software (35 percent).

"AI's potential to revolutionize construction workflows is driving increased interest and investment," said Dustin Stephens, global head of construction, Sage. "Leading construction businesses are utilizing advancements in AI, cloud, and mobile technologies to operate more efficiently and tackle complex projects with greater agility."

Stephens added that while cloud adoption remains steady—61 percent of firms now use cloud-based project management tools—cybersecurity has emerged as the top IT challenge, cited by 41 percent of respondents, while finding the time to implement and train on new technology came in second with 38 percent of firms selecting it as a top IT challenge. "As firms embrace innovation, addressing security concerns and streamlining implementation will be critical to sustaining growth in a rapidly evolving industry," he said.

Association officials said they are urging the new administration to work with Congress to establish new programs for temporary work visas that are dedicated to the construction industry. They are also urging President Trump and Congress to pass the Stronger Workforce for America Act, which boosts funding for post-secondary construction training programs and to boost funding for high-school construction training programs.

They are also urging President Trump to revoke President Biden's executive order imposing project labor agreements for any federal construction project worth \$35 million or more. They are also urging the president to be sparing in his imposition of new tariffs and to implement many of the measures to streamline permitting that Congress authorized but President Biden largely ignored.

"It will be a good year for the construction industry if the Trump administration works with us to find a way to address materials shortages, avoid materials price inflation, remove limits on who can work on federal projects and streamline the permitting process," Shoaf said.

Click [here](#) for *A Construction Market in Transition: The 2024 Construction Hiring & Business Outlook*. Click [here](#) for the survey results. Click [here](#) to watch a quick video about the results.

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