2026 Construction Hiring & Business Outlook Media Call Remarks

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JEFF SHOAF

Hello and thank you for logging in today. My name is Jeff Shoaf, and I am the chief executive officer of the Associated General Contractors of America. Joining me today is our chief economist, Ken Simonson, as well as the senior vice president of construction ad real estate at Sage, Julie Adams. We also have several contractors on the line. They are Kyle Van Slyke, the chief operating officer for Musselman & Hall Contractors in Overland Park, Kansas; Arch Willingham IV, president of Chattanooga, Tennessee-based T.U. Parks Construction and Jim Rhides, the Senior Vice President of Wayne Brothers Companies in Davidson, North Carolina.

AGC of America and Sage conduct an annual survey of commercial construction firms to gather insights into their expectations for the coming year. The survey covers firms' expectations for the various market segments, their personnel plans and workforce challenges, confidence in backlog and bidding opportunities, the impact materials costs are having on their operations and other key factors shaping their outlook. The results help inform our work as an association by providing a clear sense of what our members anticipate in the year ahead.

The results for the 2026 Construction Hiring & Business Outlook Survey show far more mixed expectations than last year. While there are pockets of optimism in select private-sector markets, overall sentiment has dampened. Last year's survey revealed only two segments, out of 17 possible markets, where contractors expected a decline in the available dollar value of work. This year's survey shows five segments posting negative readings.

The construction of data centers, power facilities, and healthcare projects, including hospitals will drive much of the private-sector market in 2026. Water/sewer, manufacturing, transportation facilities and bridge and highway construction are also expected to contribute to demand, though firms report more modest expectations than a year ago.

Contractors' expectations for warehouse, federal, multifamily residential, and public building construction have also weakened but remain slightly positive. By contrast, outlooks for lodging and both K-12 and higher education have turned negative after experiencing positive outlooks a year ago. In addition, the expectations for retail and private office construction have turned even more negative compared to last year.

One reason for their lowered expectations is that contractors are increasingly worried about the broader economy, the possibility of a recession, and the outlook for materials costs amid ongoing policy uncertainty. At the same time, many firms remain concerned about persistent labor shortages and the impacts of increased tariffs.

Despite the broader decline in sentiment, nearly two-fifths of firms say their current backlog is larger than it was at this time last year. Likewise, a majority expects to increase their headcount in 2026. A majority of firms reports plans to boost investments in artificial intelligence to improve efficiency. However, most firms say it is difficult to find qualified hourly craft or salaried workers amid persistent labor shortages, specifically because of reductions in the size of the lawful foreign-born workforce and enhanced immigration enforcement.

Over 60% of respondents say a project has been postponed, scaled back, or canceled within the past six months. In addition, one-third of respondents identify funding as unavailable or too expensive. Overall, the survey shows that the possibility of an economic slowdown or recession ranks as the most significant concern for 2026.

In short, while 2026 will present some meaningful opportunities for contractors, the commercial construction industry is also facing significant headwinds. I will now hand things over to our chief economist, Ken Simonson, to provide more insights into this year's Outlook. Ken…

KEN SIMONSON

Thank you, Jeff.

Contractors have a more conservative view about prospects for projects available to bid on in 2026. 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. This year the net reading is positive for 12 of the 17 categories of construction included in the survey.

The highest net reading, 57 percent, is for data centers. Specifically, 65 percent of respondents expect the market for data center construction to increase, compared to just 8 percent who expect it to shrink. This category also saw the largest increase in optimism from a year ago, when the net reading was 42 percent, and it was the only segment to post a double-digit gain. Contractors remain very bullish about power projects as well, which recorded a net reading of 34 percent— the only other category with a higher reading than in the 2025 Outlook survey.

Contractors are moderately optimistic about hospitals, other healthcare facilities, water and sewer, and manufacturing. Within healthcare, non-hospital facilities, including clinics, testing facilities, and medical labs, recorded a net reading of 24 percent, followed by hospital construction with a net reading of 20 percent. Water and sewer had a net reading of 16 percent and manufacturing posted a net reading of 15 percent. Despite the positive net readings respondents were less optimistic about each of these segments than in the 2025 survey.

The net reading for construction of transportation structures, such as airport and rail projects, dropped sharply as well, from 29 percent to 11 percent during the past year. The reading for bridge and highway construction dropped 14 points to 10 percent.

Several other categories remain in positive territory for 2026, but at much lower levels than a year ago. Contractors still expect growth in warehouse, federal work, multifamily residential projects, and public building. However, the degree of optimism has weakened substantially. The net reading for warehouse construction declined from 14 percent to 5 percent.

Expectations 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 fell from 22 percent to 5 percent, while the multifamily residential net slid from 12 percent to 4 percent. Public building dropped as well, from 14 percent to 1 percent. Although these segments remain slightly positive, all four readings are now at their lowest levels since 2021.

Five segments now show negative net readings for 2026, compared with just two a year ago.

The net reading for K-12 construction declined from 13 percent in 2025 to -1 percent in this year's survey. Higher education slipped from a net of 12 percent to -5 percent. Expectations for education construction have been weakening for several years, with both K–12 and higher education showing decelerating growth since 2022, aside from a brief uptick in higher education in 2024. The 2026 survey marks the first time since 2021 that both categories have posted negative net readings.

Expectations for lodging, private office, and retail construction were the three most negative segments in 2026. The net reading for lodging fell 14 points, from 7 percent in 2025 to -7 percent in this year's survey. Private office declined by 11 points to -14 percent, while retail dropped 13 points to -18 percent.

In addition to lowered expectations, many contractors also report being impacted by new tariffs and enhanced immigration enforcement.

Roughly 70 percent of firms report being affected by tariffs this year. Forty percent report responding to actual or proposed tariffs by raising bid prices and 20 percent of firms added price-sharing adjustments or other terms to contracts. While 35 percent report passing most or all tariff-related costs on to project owners, 11 percent say they absorbed most or all tariff costs. Nearly one in three firms (32 percent) said they accelerated purchases, while 6 percent delayed purchases. And thirteen percent switched from foreign to domestic producers.

One-third of firms (33 percent) report having been affected by immigration enforcement actions in the past six months. Six percent report a jobsite or offsite was visited by immigration agents. Eleven percent report workers left or failed to appear because of actual or rumored immigration actions, and 24 percent report subcontractors lost workers. These results are very similar to those from the workforce survey AGC and NCCER conducted in July and August, suggesting little change in the level of enforcement activities within the commercial construction sector.

In addition, over three-fifths (63 percent) of respondents report that an owner postponed or canceled a project in the past six months. When asked why, 37 percent cite a lack of funding or uncertainty about a funding source, whether federal, state, or private. More than one in three firms (34 percent) say project financing was unavailable or too expensive. Just under a quarter (23 percent) of firms say increasing material or labor costs played a role.

Despite their broader concerns, most firms anticipate adding workers in 2026 to meet the needs of current and planned projects. More than three-fifths (63 percent) of firms expect to add to their headcount, compared to only 15 percent who expect a decrease.

However, the share of firms reporting difficulty filling open positions continues to rise. More than four out of five firms report having a hard time filling hourly craft positions (82 percent) or salaried openings (80 percent)—a higher proportion than at any point in the past three years.

Before I wrap up, I wanted to touch on one final point. We asked respondents to identify their biggest concerns for 2026. An economic slowdown or recession emerged as their top concern, cited by 62 percent of firms. The next three most cited concerns were workforce-related: 57 percent of respondents cited insufficient supply of workers or subcontractors, 56 percent selected rising direct labor costs (pay, benefits, employer taxes), and 53 percent identified worker quality. Materials costs were the only other concern chosen by a majority of firms, at 53 percent.

Now, I will turn things over to Julie Adams with Sage to provide some more insight into how the rapidly evolving field of artificial intelligence is both driving demand for construction projects and helping make firms more efficient as well. Julie…

JULIE ADAMS

Thank you, Ken.

The growth that's expected in data center construction is a direct reflection of the AI boom we've seen in just about every industry. As businesses race to build the computing infrastructure needed to power artificial intelligence applications, they're creating unprecedented demand for specialized construction projects. This surge in AI-driven work comes at a critical time when the industry continues to grapple with labor shortages and other operational challenges, making it essential that we find smarter ways to deliver projects.

Construction firms are increasingly turning to artificial intelligence (AI). This year, 61 percent of respondents say their firms use AI or plan to increase investments in it, up from 44 percent in last year's survey. A breakdown of usage shows that 45 percent of firms deploy AI for office and administrative functions, 23 percent use it for estimating, and 20 percent apply it to design or preconstruction. Another 16 percent report using AI for recruitment, training, or other HR functions.

These findings suggest we're at an inflection point where AI is both driving demand and reshaping how construction firms operate. The firms that strategically embrace these technologies to address workforce constraints and improve efficiency will be best positioned to capitalize on emerging opportunities. As AI adoption accelerates, we expect to see continued innovation in how the industry tackles its most persistent challenges, ultimately creating a more productive and resilient construction sector.

Now I would like to turn things back over to Jeff Shoaf, who has some additional observations about this year's Outlook.

JEFF SHOAF

Thank you, Julie.

2026 offers a handful of clear bright spots amid a growing number of challenges, reflecting the mixed outlook reported throughout this survey.

That is why the Associated General Contractors of America is pushing Congress and the Trump administration to act quickly to extend and expand current levels of funding for key infrastructure programs. In particular, the association is launching a new, nationwide campaign in 2026 to urge federal officials to pass new legislation funding improvements to the nation's highway and transit systems before current legislation expires at the end of September. Enacting a new surface transportation bill will help sustain demand for a range of public-sector construction segments.

At the same time, association officials continue to urge the administration and Congress to address construction workforce shortages with both short-term and long-term measures. In the near term, federal officials should work with Congress to expand lawful, temporary work visa pathways dedicated to construction, allowing firms to access needed workers while domestic training pipelines are rebuilt. In addition, the administration should focus its immigration enforcement activities on gang members and terrorist, instead of those who are otherwise responsibly engaged in economic activity.

AGC is also calling for sustained investments to rebuild the domestic pipeline for construction professionals. Expanding support for post-secondary construction training, apprenticeships, and career and technical education programs remains essential. Recent progress on allowing short-term training programs to qualify for Pell Grants is a positive step that can help accelerate entry into construction careers when paired with high-quality, industry-aligned instruction.

Contractors also need greater clarity around tariff policy. Predictable trade rules and workable domestic sourcing requirements would help stabilize costs and improve planning without delaying projects when domestic materials are unavailable.

Finally, AGC is working with federal leaders to implement practical permitting reforms that streamline reviews and accelerate project timelines without compromising environmental or safety standards. Reducing unnecessary delays would help move stalled projects into construction and give firms greater confidence to hire, invest, and plan for the future.

The bottom line is that out 2026 forecast acknowledges headwinds like reduced demand in private building construction, lack of labor availability, and concerns about long term economic growth for the commercial construction industry. With supportive infrastructure funding, workforce, trade, and permitting policies in place, construction can continue to grow the economy, deliver essential projects and expand access to high-paying career opportunities.

With that, let me offer the contractors with us, Kyle Van Slyke, the chief operating officer for Musselman & Hall Contractors in Overland Park, Kansas; Arch Willingham IV, president of Chattanooga, Tennessee-based T.U. Parks Construction and Jim Rhodes, the Senior Vice President of Wayne Brothers Companies in Davidson, North Carolina.

Let's start with Kyle…

Arch, what are you seeing in your market…

And Jim, how are things where you operate…

Now I will hand things back to Brian Turmail to open things up for questions…

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