

Comments relevant to construction in the June 4, 2025 Beige Book

The “Beige Book” is a compilation of informal soundings of business conditions in each of the 12 Federal Reserve districts, which are referenced by the name of their headquarters cities. The latest, posted June 4, is based on information collected from mid-April to May 23 and includes the following overall comments, followed by comments relevant to construction specific to the district.

U.S. Summary: Reports across the twelve Federal Reserve Districts indicate that economic activity has declined slightly since the previous report. Half of the Districts reported slight to moderate declines in activity, three Districts reported no change, and three Districts reported slight growth. All Districts reported elevated levels of economic and policy uncertainty, which have led to hesitancy and a cautious approach to business and household decisions....On balance, the outlook remains slightly pessimistic and uncertain, unchanged relative to the previous report. However, a few District reports indicate the outlook has deteriorated while a few others indicate the outlook has improved.

Labor Markets

Employment has been little changed since the previous report. Most Districts described employment as flat, three Districts reported slight-to-modest increases, and two Districts reported slight declines. Many Districts reported lower employee turnover rates and more applicants for open positions. Comments about uncertainty delaying hiring were widespread. All Districts described lower labor demand, citing declining hours worked and overtime, hiring pauses, and staff reduction plans. Some Districts reported layoffs in certain sectors, but these layoffs were not pervasive. Two Districts noted that, for many of their contacts, hiring plans had not changed since the start of the year. Wages continued to grow at a modest pace, although many Districts reported a general easing in wage pressures. A few Districts indicated that higher costs of living continued to put upward pressure on wages.

Prices

Prices have increased at a moderate pace since the previous report. There were widespread reports of contacts expecting costs and prices to rise at a faster rate going forward. A few Districts described these expected cost increases as strong, significant, or substantial. All District reports indicated that higher tariff rates were putting upward pressure on costs and prices. However, contacts’ responses to these higher costs varied, including increasing prices on affected items, increasing prices on all items, reducing profit margins, and adding temporary fees or surcharges. Contacts that plan to pass along tariff-related costs expect to do so within three months.

Federal Reserve Bank of Boston (First District--covering New England except Fairfield County, CT)

Summary of Economic Activity

Economic activity slowed slightly amid persistent uncertainty....Commercial real estate activity was flat overall, but office leasing expanded modestly in Boston and Providence.

Commercial Real Estate

Commercial real estate activity was flat on balance amid mixed reports. Office leasing picked up modestly in Boston and Providence, while in the Hartford area, industrial leasing slowed, and office leasing was stagnant. Policy uncertainty held back greater activity, causing many businesses to delay major decisions....Construction activity slowed modestly, constrained by rising costs, but demand for multifamily construction remained high. A Providence contact noted a rise in office-to-residential conversions, but Boston-area contacts reported comparatively little such activity. The outlook was marked by elevated uncertainty, and changes in sentiment were mixed. Most contacts maintained a cautious outlook or became slightly more pessimistic; others, however, became more optimistic, in large part because increased return-to-office policies were expected to boost office leasing in the Boston area.

For more information about District economic conditions visit: <https://www.bostonfed.org/in-the-region.aspx>

Federal Reserve Bank of New York (Second District--covers NY, northern NJ, and Fairfield County CT)

Summary of Economic Activity

Economic activity in the Second District continued to decline modestly amid widespread uncertainty. Employment held steady, though the demand for workers softened and wage growth slowed to a modest pace. Selling price increases remained moderate, but input prices rose strongly with tariff-induced cost increases, especially for

manufacturers....Housing markets picked up, though inventory remained exceptionally tight. Capital spending plans declined, and the outlook was quite pessimistic.

Prices

The pace of selling price increases eased somewhat but remained moderate. However, input prices rose strongly amid rising tariffs, with the price of manufacturing inputs surging to the fastest pace in years. While some firms said they were absorbing tariff-induced cost increases, most reported that they were passing through some or all of such cost increases to their customers by raising prices. An upstate wood mill noted that their ability to raise prices to recoup higher costs was constrained by market forces, significantly reducing profit margins. A heavy construction equipment supplier said they raised prices on goods unaffected by tariffs to enjoy the extra margin before tariffs increased their costs. A number of businesses reported they were no longer stocking goods whose higher prices were becoming infeasible....Uncertainty about the tariff outlook continued to make it difficult for many firms to set prices. Businesses continued to expect substantial increases in input prices in the months ahead.

Real Estate and Construction

Commercial real estate markets improved slightly. Vacancy rates in Manhattan's office market continued to decline, and rents picked up in recent weeks following a decline in the previous period. A New York City commercial real estate contact noted that amid increasing demand, the supply of higher quality office space was becoming scarce. Leasing activity was strong. Northern New Jersey's industrial market leveled off after a period of weakness earlier in the year, although industrial vacancy rates remained elevated. Construction activity continued to decline.

For more information about District economic conditions visit: <https://www.newyorkfed.org/regional-economy>.

Federal Reserve Bank of Philadelphia (Third District--covering DE, southern NJ, and eastern PA)

Summary of Economic Activity

On balance, business activity in the Third District continued to decline modestly. Employment declined slightly despite an uptick in manufacturing jobs. Wage inflation continued to ease, with wages increasing slightly this period, down from a modest increase last period. Firm price inflation increased moderately, although contacts reported that tariffs have not yet affected prices in most sectors.

Prices

Firm price inflation was moderate this period, up from a modest pace in March. Although contacts in the auto and construction industries reported that the effects of tariffs have not yet affected selling prices, they noted that these prices have still been rising.

Real Estate and Construction

In nonresidential markets, leasing activity and transaction volumes recorded slight growth. One contact noted an uptick in the logistics and warehousing area, led by smaller warehouses

Nonresidential construction activity recorded slight declines, unchanged from last period. Contacts reported some activity in the eds and meds spaces and continued public infrastructure projects. One contact noted that some construction projects are being held up because of the inability to properly price material inputs due to uncertainty with tariffs. New construction in office spaces remains muted.

For more information about District economic conditions visit: <https://www.philadelphiafed.org/regional-economy>.

Federal Reserve Bank of Cleveland (Fourth District--covers OH, eastern KY, southern WV, and western PA)

Summary of Economic Activity

Contacts' reports continued to suggest flat business activity in the Fourth District in recent weeks, and they expected activity to remain flat in the months ahead.

Prices

On balance, contacts indicated that nonlabor input costs rose at a robust pace in recent weeks, continuing an upward trend that began after a period of stability in 2024. Contacts from multiple sectors noted that tariffs were now increasing the costs of materials that they import. Some contacts also noted secondary impacts of tariff-related cost increases from domestic producers. For example, one manufacturer said that their US-based raw materials suppliers raised prices to

factor in the overtime needed to meet increased domestic demand....Contacts generally expected costs to grow at a strong pace in the coming months.

Real Estate and Construction

On balance, residential construction and real estate contacts anticipated continued growth in demand in the coming months. On the commercial construction side, contacts reported a slight decline in activity in recent weeks. Several builders and developers said that uncertainty around economic policy was causing businesses to be more cautious with their construction investment decisions. Contacts expected flat demand in the coming months, anticipating that economic and policy uncertainty will continue to weigh on activity.

For more information about District economic conditions visit: <https://www.clevelandfed.org/en/region/regional-analysis>

Federal Reserve Bank of Richmond (Fifth District--covers DC, MD, NC, SC, VA, and northern WV)

Summary of Economic Activity

The Fifth District economy continued to expand at a mild rate in recent weeks.

Labor Markets

Employment in the Fifth District increased slightly in the most recent period. Contacts were mixed on hiring plans based on business expectations. For example, a Maryland construction company planned on increasing employment due to available work...

Contacts continued to report modest wage increases and felt pressure to raise wages further due to expected increases in cost-of-living for their workers.

Real Estate and Construction

Commercial real estate flattened overall as companies hesitated to make new investments. Industrial space took the biggest hit as businesses tried to assess operating space, tariffs, or whether to continue their U.S. presence. A South Carolina agent said that "Industrial deals have dropped with pins in hand, companies freeze because they can't figure out the rules of this tariff game." Across the district, office space continued to see vacancy rates decrease as employees return to in person work. Upfits in office space are seeing a slight uptick with these returns. A Virginia agent mentioned government contractors have an impetus to upfit their space for security reasons.

Federal Reserve Bank of Atlanta (Sixth District--covers AL, FL, GA, southern LA & MS, and eastern TN)

Summary of Economic Activity

The Sixth District economy grew slightly from mid-April through May. Labor markets remained steady, but some firms cited caution around hiring. Wage pressures eased. Prices increased at a moderate pace. Firms that reported paying more for inputs because of tariffs also looked for ways to cut costs to help offset what they could not pass through to customers.

Labor Markets

Employment levels remained flat over the reporting period. Many firms held headcounts steady and expected relatively stable staffing levels in the coming months. However, some contacts reported caution around hiring given economic uncertainty, and some firms developed contingency plans, including workforce reductions through layoffs, in the event conditions do not improve. Most firms reported that labor was readily available, and turnover was down....A few firms shared concerns about labor supply constraints resulting from tightening immigration policy, particularly in agriculture, construction, hospitality, and manufacturing; however, this did not appear to be restricting the current availability of labor in a significant way. Firms reported less wage pressure amid decreased turnover and increased labor availability. Wage growth was generally lower than a year ago, and many firms held wages flat or delayed wage increases.

Prices

Prices rose moderately since the previous report. Inflationary concerns related to trade policy were reported by firms across sectors, geographies, and firm sizes. More businesses began to raise prices, often through flexible measures such as tariff surcharges. While demand was reportedly softening, some firms increased prices, sacrificing volume to cover added costs. Many contacts cited a multi-pronged approach to managing tariffs, including pushing costs back to suppliers, reconfiguring supply chains, absorbing costs in margins, and passing costs through to customers.

Construction and Real Estate

Commercial real estate activity was stable, on balance. Vacancy rates in office space fell slightly and sales prices rose, but the strain on the sector continued, resulting in rising delinquencies. Industrial capacity continued to increase, driving up vacancies in a sector already experiencing elevated uncertainty due to tariff impacts. Multifamily conditions remained largely unchanged, but new developments slowed moderately, attributed to rising construction costs, even as small pockets of growth in demand and of rising rents emerged throughout the District.

Energy

Although utility sector contacts reported growth opportunities linked to data center development, some noted a slight deceleration in activity, attributed to concerns over potential tariffs increasing the cost of power infrastructure and impeding investment. Offshore wind contacts reported a significant decline in demand, resulting in downsizing. For more information about District economic conditions visit: <https://www.atlantafed.org/economy-matters/regional-economics>.

Federal Reserve Bank of Chicago (Seventh District--covers IA, northern IL & IN, and southern MI & WI)

Summary of Economic Activity

Economic activity in the Seventh District increased slightly over the reporting period, though contacts expected a slight decline in activity over the next year. Consumer spending and employment increased modestly; both business spending and construction and real estate activity were flat; manufacturing declined slightly; and nonbusiness contacts saw a slight decline in activity. Prices and wages rose modestly, and financial conditions loosened slightly.

Labor Markets

Employment rose modestly over the reporting period, and contacts expected a similar pace of growth over the next 12 months. Some contacts in construction and manufacturing continued to face tight labor market conditions, with several indicating that they were having difficulty finding skilled workers and were using higher wages to attract new employees.

Prices

Prices rose modestly since the last report, and contacts expected a faster pace of growth over the next 12 months. Producer prices increased modestly. Nonlabor input costs rose moderately, with reports of higher prices for equipment. Several manufacturers noted increased costs for raw materials including steel.

Construction and Real Estate

Construction and real estate activity was unchanged on balance over the reporting period. Residential construction was flat. Higher tariffs led builders to expect costs to increase significantly in the coming months for new home construction and remodeling projects. Residential real estate activity was also unchanged. Prices increased slightly and rents rose modestly. Nonresidential construction was up slightly, with contacts highlighting growth in demand for data centers and medical offices. Commercial real estate activity was unchanged, though demand for industrial space remained robust. Contacts noted that demand for retail space was increasingly dependent on location. Prices decreased slightly. Contacts said that the gap between buyer and seller property valuations was often significant; for instance, some hospitality property owners postponed selling because they couldn't find buyers willing to pay what they think the property is worth. Rents and vacancy rates were unchanged.

Banking and Finance

...Business loan demand was up slightly, with one contact noting greater demand for multifamily construction loans.

Federal Reserve Bank of St. Louis (Eighth District--covers AR, western KY & TN, southern IL & IN, northern MS, and eastern MO)

Summary of Economic Activity

Economic activity has remained unchanged since our previous report. Employment levels were unchanged, and wage growth has been modest. Prices continued to increase moderately, and most contacts expecting higher nonlabor costs due to tariffs indicated they would pass the costs along to customers. Contacts expressed a high degree of uncertainty and

concerns that tariffs would result in further cost increases. Heavy rains and storms have resulted in planting and construction delays and lower traffic to some recreational businesses. Tornadoes in St. Louis have resulted in casualties, power shortages for several days, and the destruction of many properties. The outlook remains slightly pessimistic, with signs of continued deterioration.

Labor Markets

Employment has remained unchanged since our previous report. Contacts reported a more stable workforce with less attrition and more retention occurring. While contacts continue to report easing in hiring, skilled labor positions continue to be challenging to fill. A Louisville construction contact noted needing to expand training with employees as there are fewer skilled workers available. Several manufacturing and construction firms expect employment growth in the next quarter.

Wages have increased at a moderate pace since our previous report. Contacts expect wages to continue increasing at a similar pace in upcoming months. Manufacturing, construction, and IT services companies indicated that increases to the minimum wage in Missouri were expected to have no major impact on their wage distribution, whereas the opposite was true for workers in rural areas working in childcare, restaurants, or retail.

Nonfinancial Services

...An architecture business reported a slight weakening in their workload and a decrease in the demand for new projects.

Real Estate and Construction

Commercial real estate activity has been mixed. A contractor reported that customers were trying to complete their projects sooner out of fear of higher costs, while others reported that new projects were not starting due to uncertainty and high costs. Contacts in St. Louis and Louisville reported that weather conditions had delayed or slowed construction and that projects dependent on government funding were also paused, with developers uncertain whether they would continue receiving funding to complete the projects.

Federal Reserve Bank of Minneapolis (Ninth District--covers MN, MT, ND, SD, and northern MI & WI)

Summary of Economic Activity

Ninth District economic activity decreased slightly since the previous report. Employment was flat and wages grew moderately. Prices increased moderately overall, with greater pressure on inputs....Construction fell slightly, while residential real estate activity decreased modestly and commercial real estate was flat

Labor Markets

Hiring among construction firms—including for new, full-time positions—remained healthy despite reported softness in sectoral activity.

Wages grew moderately. Median wages across a large set of District businesses grew just over 3 percent year over year. Multiple construction contacts noted recent union wage increases over 4 percent; but in response to slow construction activity, one remodeling firm reported that it was discounting general labor costs in exchange for booked projects.

Prices

Prices increased moderately overall, at about the same rate of increase as the previous report, while input price pressures intensified. More than a third of District firms increased the prices they charged to customers in April from a month earlier, according to a monthly survey, while more than half reported increased input prices. In their month-ahead outlooks, more than half of firms surveyed anticipated increasing their prices. Some manufacturing contacts reported they were adding surcharges to offset steel and aluminum tariffs. One contact reported adding a surcharge line to invoices but not using it yet. Contacts in other sectors were not putting explicit tariff surcharges in place, but some were adjusting overall prices or planning to do so in the future.

Construction and Real Estate

Construction activity edged slightly lower since the last report. In a recent survey, the share of respondents who reported decreases in activity was higher than those who reported increases. A Federal Reserve Bank of Minneapolis 35 large share expected activity to decline or remain unchanged at low levels in upcoming months. Increased competition for projects, pervasive high costs, and labor constraints were anticipated to limit activity. For more than half of respondents, expectations turned pessimistic as uncertainty from tariffs crept up. “No one wants to spend money when the future is so

uncertain,” shared a northern Minnesota firm, adding that price uncertainty was “pushing projects out of budget” and complicating bidding. Recent permits issued were flat for residential projects and higher for commercial projects with some variation across markets. Commercial real estate was flat overall. Office vacancy rates remained high; leasing was reportedly picking up overall while larger tenants were downsizing their space needs. Industrial and retail vacancy rates remained low thanks to a dearth of new development, and multifamily vacancy was expected to improve as new construction starts have fallen significantly.

For more information about District economic conditions visit: <https://www.minneapolisfed.org/region-and-community>.

Federal Reserve Bank of Kansas City (Tenth District--covers CO, KS, NE, OK, WY, western MO, and northern NM)

Summary of Economic Activity

Overall activity in the Tenth District declined moderately in recent weeks across several sectors of the regional economy.

Real Estate and Construction

Single family home builders indicated activity slowed in recent months....Builders also felt pressure from robust increases in materials costs over the past month. The supply of construction labor was reportedly stable, but many builders indicated they were considering cuts to their workforce.

Energy

Several contacts in the power and renewables industries reported utilities and power producers are carrying forward many planned renewable energy investments decisions despite recent or anticipated policy changes. Still, contacts noted that rising equipment costs, supply chain uncertainty, and energy policy uncertainty are putting marginal projects on hold in the near term. Developers emphasized they are looking to advance only those “no regret” investments in smaller projects with swifter payback periods.

For more information about District economic conditions visit: <https://www.KansasCityFed.org/research/regional-research>.

Federal Reserve Bank of Dallas (Eleventh District--covers TX, southern NM, and northern LA)

Summary of Economic Activity

Economic activity in the Eleventh District economy was little changed over the reporting period....Employment was flat and price pressures held steady except for the tariff-related increases seen in the manufacturing sector. Outlooks generally deteriorated, and tariff uncertainty was making it hard for businesses to plan for the future.

Construction and Real Estate

Commercial real estate activity generally remained steady during the reporting period. Apartment leasing was strong, though rent growth continued to be lackluster due to elevated supply. Industrial demand was solid, but there were reports of slowing leasing activity due to tariff uncertainty. Outlooks were cautious, with uncertainty stemming from tariff policies causing developers and investors to take a wait-and-see approach on new deals.

Financial Services

Concern regarding office and multifamily commercial real estate loan performance remained stable from February and down from the peak in August 2024; however, performance concerns for other commercial real estate loans ticked up.

For more information about District economic conditions visit: www.dallasfed.org/research/texas

Federal Reserve Bank of San Francisco (Twelfth District--covers AK, AZ, CA, HI, ID, NV, OR, UT & WA)

Summary of Economic Activity

Economic activity in the Twelfth District slowed slightly during the April to mid-May reporting period. Employment levels were generally stable amid some layoffs and attrition without replacement. Wages were up slightly, and prices across industries rose modestly....Conditions in residential and commercial real estate markets softened slightly...Looking forward, contacts expressed a slightly more positive outlook on the economy relative to the prior reporting period, although the overall expectations for economic conditions continued to be generally downtrodden.

Prices

Prices rose modestly as in the prior reporting period. Costs rose, including those for firms’ inputs, such as metals, concrete, parts and equipment, as well as costs for imported merchandise for retail sale, insurance, and utilities. As a result, many businesses raised their final prices. In some cases, firms explicitly included a separate tariff line for items or

contingencies in their price quotes and contracts. One contact observed that price increases that had been implemented in anticipation of certain tariffs were not rolled back once those tariffs were removed.

Manufacturing

Manufacturing activity rose somewhat over the reporting period. Demand for manufactured wood products improved slightly in anticipation of seasonal construction activity in the spring. Overall demand for new equipment ticked up in recent weeks, and the availability of raw materials reportedly normalized to pre-2020 levels. However, one contact in the capital equipment industry noted slightly weaker demand for machinery parts and accessories from developers and distribution centers.

Real Estate and Construction

Activity in the residential real estate market weakened slightly in recent weeks. Construction continued to slow as builders faced overall softening demand, high costs, and elevated uncertainty. Sales of single-family homes slowed and shifted towards smaller, lower-priced properties. However, a few contacts in parts of the Mountain West region observed that population growth kept demand solid. Some potential buyers opted to rent instead, given the elevated prices and high mortgage rates. Multifamily rents grew in some areas, such as in Southern California where recent fires increased rental demand. Rents declined in other areas, such as the Mountain West, where more units on the market increased supply. Conditions in commercial real estate weakened somewhat, as in the prior reporting period. Demand for commercial space leases fell overall as tenants waited for more clarity about trade policy and economic conditions. Contacts reported more vacancies, including for retail and office space. Leasing demand was somewhat bolstered by tenants with stronger financial positions. Construction of new commercial property remained slow, particularly in the private sector, because of uncertainty about future economic conditions and the effects of trade policy on building costs and materials availability. Construction activity for public sector projects such as transportation and utilities remained solid.