

## Input prices rise 3.1% in February ahead of war's impact; Dodge, ConstructConnect diverge on starts

**Input prices for new nonresidential construction** rose 0.1% in February and 3.1% year over year (y/y), according to producer price index (PPI) data the Bureau of Labor Statistics (BLS) [posted](#) on Wednesday. AGC [posted](#) tables and charts of construction-related PPIs. The y/y increase reflects sharp price gains for several key metals used in construction, including aluminum mill shapes (up 39.1%), steel mill products (up 20.9%), fabricated structural metal bar joists and rebar (up 20.0%), and copper and brass mill shapes (up 15.1%). Diesel fuel prices surged 20.3% in February alone and were 3.1% higher than a year earlier, highlighting the volatility of energy inputs that affect transportation and equipment operating costs. Prices were collected from domestic sellers on February 13, before the outbreak of the Middle East war. Rising metals and fuel costs may increase further if disruptions to Middle East oil, natural gas, or aluminum supplies and shipping persist. Readers are invited to consult AGC's Tariff Resource [Center](#) for the latest details and to send information about project timing, materials price changes, and supply chains to [ken.simonson@agc.org](mailto:ken.simonson@agc.org).

As often occurs, the two leading firms tracking **construction starts** reported very different year-to-date (YTD) totals. For the first two months of 2026 combined compared to January-February 2025, total **construction starts** were down 1.9% YTD, Dodge Construction Network [reported](#) today. Nonresidential starts were down 2.0%, with commercial and industrial construction up 23%, while institutional starts down 23%. Residential starts were down 12%, with single-family starts down 17.5% and multifamily starts down 2.8%. Nonbuilding starts rose 9.9%, with 134% growth in "electric power/utilities. The remaining public works sectors, however, are seeing deeper" YTD declines. For the 12 months ending February 2026, total construction starts were up 5.2% from the 12 months ending February 2025. Residential starts were down 6.3%, nonresidential starts were up 6.1% and nonbuilding was up 17.0%.

The **value of construction starts**, not seasonally adjusted, soared 20% YTD, ConstructConnect [reported](#) on Thursday. **Nonresidential building starts** jumped 80% YTD, with commercial up 198% (led by a 1363% leap in combined office and data center starts), institutional down 4.6%, and industrial (manufacturing) down 0.3%. **Engineering (civil) starts** declined 3.1% YTD, with roads down 6.2%, water and sewage treatment up 17%, miscellaneous (power, etc.) up 17%, bridges down 10.5%, and airports down 70%. **Residential starts** slumped 28% YTD, with single-family down 26% and apartments down 17%.

The **Architecture Billings Index (ABI)** rose to 49.4 in February, seasonally adjusted, from 45.6 in January, the American Institute of Architects [reported](#) on Wednesday. The index is "a leading economic indicator that leads nonresidential construction activity by approximately 9-12 months." The ABI is derived from the share of responding architecture firms that report a gain in billings compared to the previous month less the share reporting a decline in billings, presented on a 0-to-100 scale. Any score below 50.0 indicates decreasing business conditions. "February's reading indicates that billings were close to flat, as the share of firms reporting declining billings was only slightly greater than the share reporting increases. Firms across all specializations continued to report declining billings, although conditions at firms with an institutional focus improved as billings approached flat."

"**Retail leasing** is shifting toward services rather than stores that sell physical goods, reflecting changes in consumer spending and the continued rise of e-commerce," the *Wall Street Journal* [reported](#) on Wednesday. "Service-oriented tenants—such as salons, spas and fitness studios—leased just over 50% of retail square footage in 2025, surpassing goods-based retailers for the first time, according to CoStar. Fifteen years earlier, service tenants accounted for only about 40% of leasing activity.... Changes at the property level also reflect how e-commerce has reduced the amount of physical space that retailers need...As a result, landlords are increasingly subdividing large retail spaces vacated by traditional stores and leasing them to multiple service tenants such as fitness studios, medical or beauty spas, and health-related businesses." The trend is supportive of construction spending on tenant improvements but not necessarily new retail construction.