

## War impacts intensify; construction spending rises, led by data centers, power, public projects

The impact of the Middle East war on **construction costs, supply chains, and investment decisions** is growing. Some energy company executives “say price gyrations and the uncertainty hanging over the conflict make it all but impossible to plan investments—and that the disruption is already far-reaching,” the [Wall Street Journal reported](#) today. “Even if the U.S. manages to reopen the Strait of Hormuz, they said, it will take a long time for supplies of oil, fuel, plastics, natural gas, and industrial gases—all critical to the global energy system and manufacturing myriad daily essentials—to catch up with demand....CEOs said the next regions hit would be Europe and the U.S. West Coast. California imports roughly 75% of its oil, about 20% of its jet fuel, and 10% of its gasoline—much of that coming from Asia and the Middle East. California is poised to see fuel shortages if the Strait remains closed in coming weeks, they said. Asian refineries are running through the crude in their storage tanks and are expected to start cutting production soon. The oil and fuel supplies that California depends on are on track to become harder to find in coming months, said Andy Walz, who runs Chevron’s refining, pipeline, and chemical businesses.” The national average **price of diesel fuel** was \$5.38 on Thursday, up \$1.62 (43%) from a month ago, just before the war began, AAA [reported](#).

**Construction spending** (not adjusted for inflation) totaled \$2.19 trillion, down 0.3% from an upwardly revised December total but up 1.0% year-over-year (y/y), the Census Bureau [reported](#) on Tuesday. Private **residential construction** fell 0.8% for the month but climbed 2.3% y/y, with single-family down 5.8% y/y, multifamily up 0.4%, and residential improvements up 13%. (Data for improvements are often revised by large amounts in either direction.) **Private nonresidential spending** fell 0.4% for the month and 3.0% y/y. Data center construction rose 2.3% for the month and 31% y/y; all other private nonresidential spending fell 0.6% and 4.8%, respectively. The largest private nonresidential segment—manufacturing construction—declined for the 12th month in a row, by 2.0% for the month and 15% y/y. Private power construction was flat in January and rose 3.4% y/y. Commercial construction slipped 0.1% for the month and 0.7% y/y (comprising warehouse, down 4.6% y/y; retail, up 4.8%; and farm, down 2.8%). Private office construction (excluding data centers) fell 0.1% in January and 13% y/y. (Census includes data centers in office construction in its press release but breaks them out in an Excel file under Historical Data). **Public construction spending** rose 0.6% for the month and 4.5% y/y. Spending on the three largest public segments rose y/y: highway and street construction, up 4.1% y/y; public education, up 0.3%; and public transportation construction, up 5.0%.

Despite the 4.6% y/y decline in **warehouse construction**, there are bright spots. “In dozens of thinly populated regions across the country, Amazon is building new delivery hubs to deliver packages in around two days,” the [Journal](#) reported on Monday. “Amazon says it aims ultimately to have 200 rural delivery hubs.” In contrast, “the U.S. market for **refrigerated warehouse space** is in the deep freeze,” the [Journal reported](#) today. “The vacancy rate for temperature-controlled warehouses in the U.S. hit a 20-year high of 6.9% in the fourth quarter, more than double the availability during the same period five years earlier, according to real-estate services firm Newmark....Industry experts say an anticipated slowdown in new construction this year will help shrink the gap between supply and demand. Newmark forecasts about 4 million square feet of new space will become available this year, down from 10.4 million in 2025.”

**Population growth** slowed in more than three-fourths of the nation’s **metro areas** in the year ending June 30, 2025 compared to the previous 12 months, the Census Bureau [reported](#) on Thursday. Population growth and change from the prior year provide clues as to availability of workers and demand for housing, schools, retail, and other consumer-oriented demand, and can affect funding for state and local projects. “The three metro areas with the steepest percentage point declines in population growth rates were along the U.S.-Mexico border: Laredo, TX (from 3.2% in 2023-2024 to 0.2% from 2024 to 2025); Yuma, AZ (3.3% to 1.4%); and El Centro, CA (1.2% to -0.7%). These shifts were largely due to lower levels of net international migration (NIM), which declined nationwide. Nine out of 10 U.S. counties experienced lower NIM levels between July 1, 2024, and June 30, 2025, compared to the year prior. The one in 10 counties that did not see a drop in international migration did not see an increase either.” The largest numerical dropoff occurred in the New York-Jersey City-White Plains, NY-NJ metro division: from a gain of 210,718 in 2024 to just 5,197 in 2025, a difference of -205,521. An AGC [analysis](#) found that only one out of five metros (including divisions of the 13 largest metros) gained more residents in 2025 than in 2024. The largest improvement occurred in Jackson, Miss.: 1,350 more residents in 2025, compared to a loss of 868 in 2024, for a favorable swing of 2,218. (Metros comprise one or more entire counties but are named for the principal cities.) The largest percentage improvement occurred in Bloomington, Ind.: 0.8 percentage points, from a decline of 0.4% in 2024 to a gain of 0.5% in 2025.