



Navigating Market Shifts



Speakers



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Before We Get Started....



**Participants'
audio is muted**



**Post questions in
the Questions
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**The webinar is
being recorded
and will be shared
at the conclusion
of the event**

Agenda



Keeping a Pulse on the Market



2025 Cost Trends Breakdown



**Major Market Disruptions and
Potential Impacts**



Implement Proactive Strategies

How confident are you in your **ability to predict [and adapt] to market shifts** in the construction industry?

How often are you **using AI** as part of your work?

2025 Cost Trends Breakdown

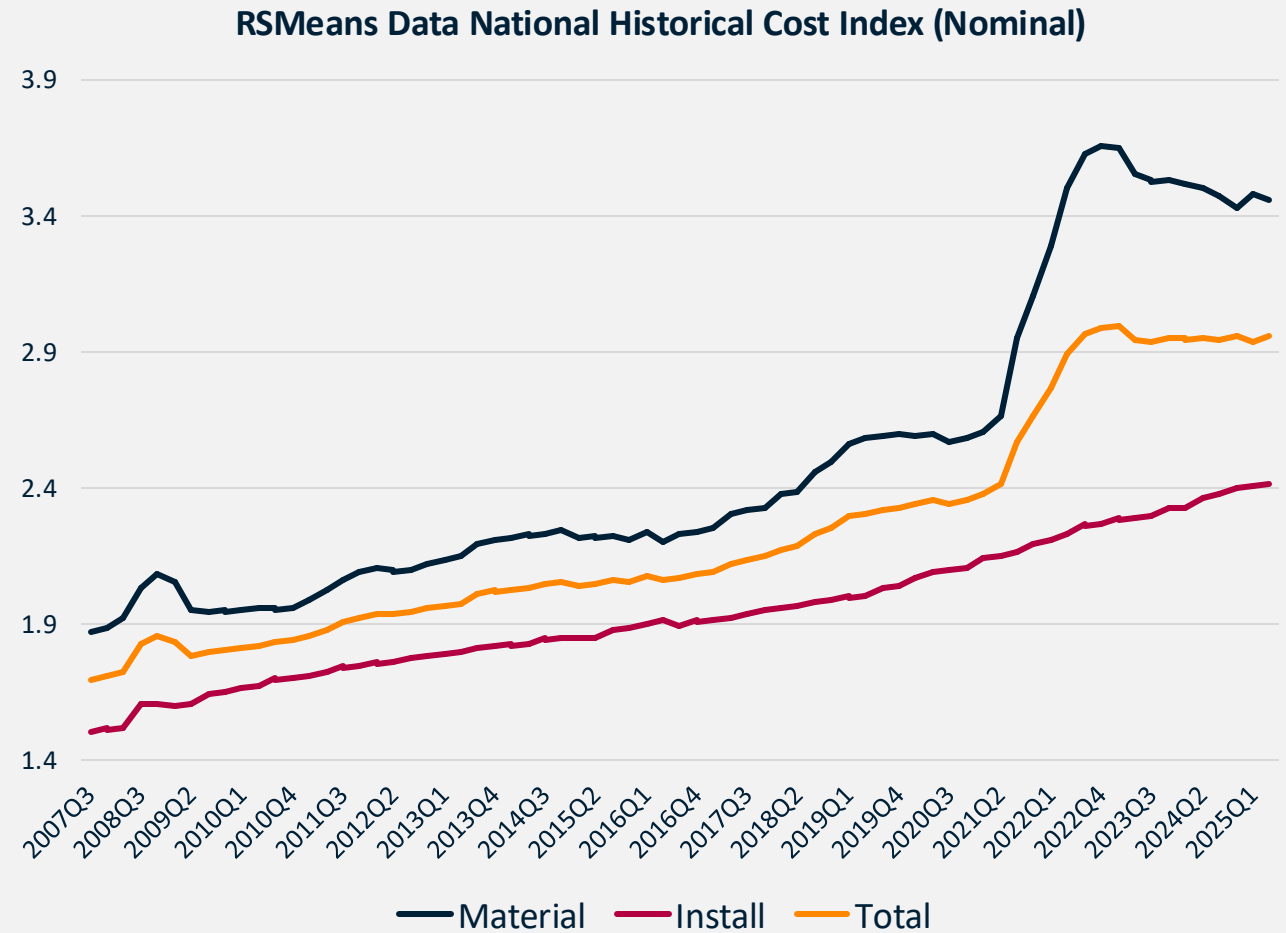


Historical Pricing Trends

- **Material declines within 2025** bolstered by ever-increasing install costs
- Total costs for the Index **remain relatively flat** going into 2025H2



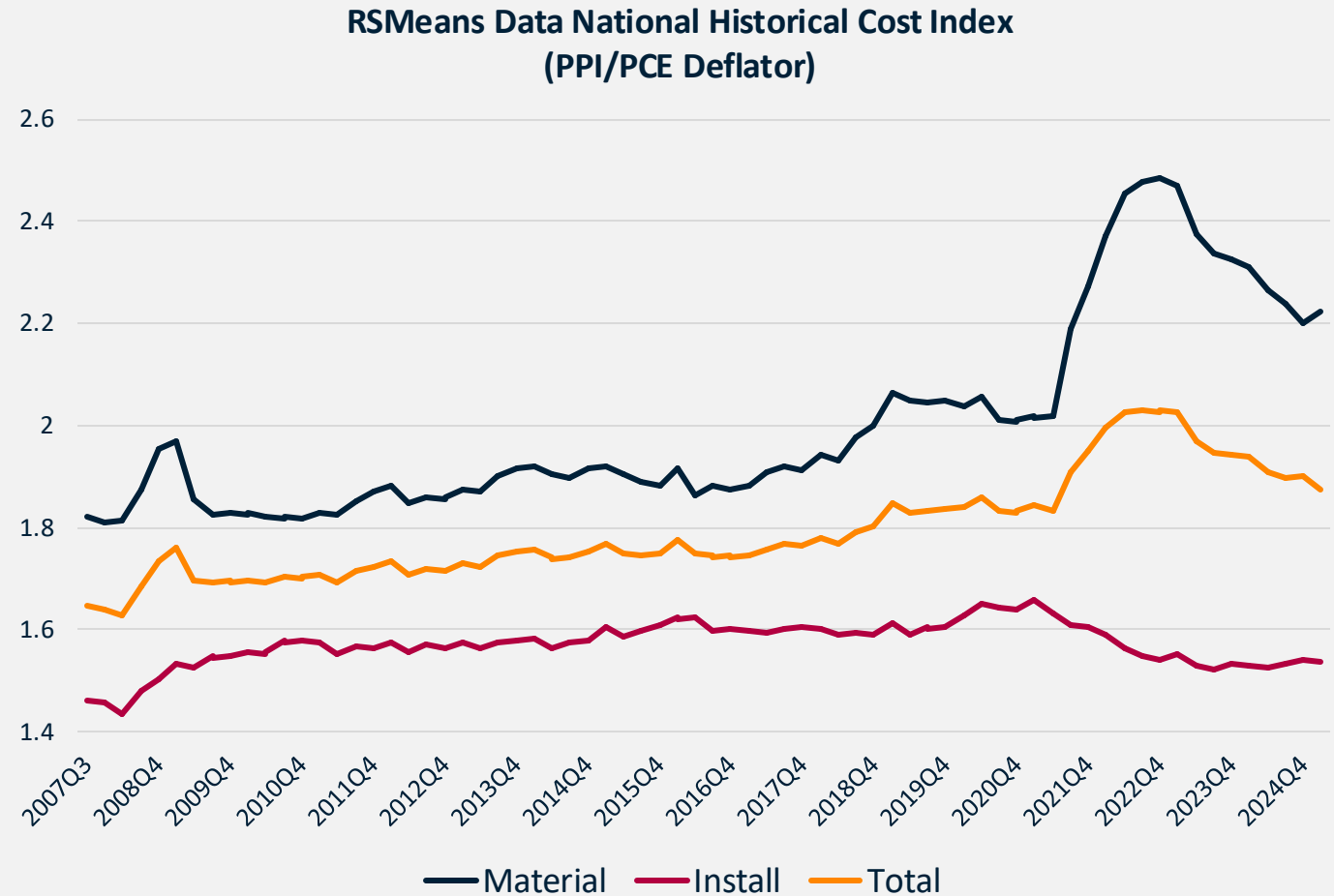
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National costs shown for reference purposes only.

Historical Pricing Trends – Inflation Adjusted

- A very real **decline in material** that still exceeds 2019 levels
- **Declining real installation** costs since 2020

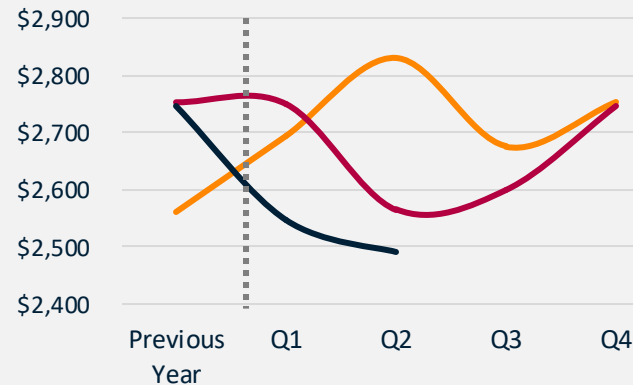


National costs shown for reference purposes only.

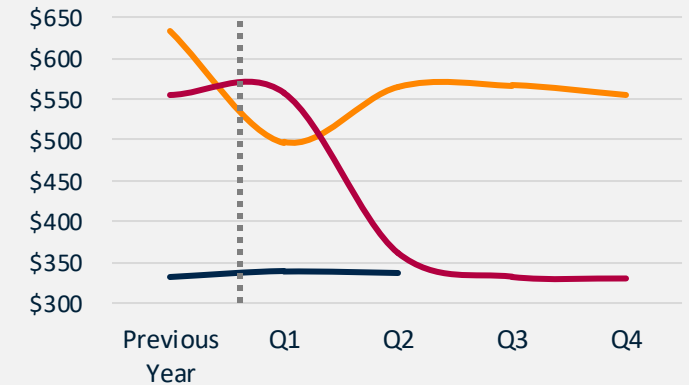
Cost Trends: Steel

- Structural steel **costs increasing** under new market volatility.
- Watching for latent **supply constraint impact** in other categories in 2025Q3.

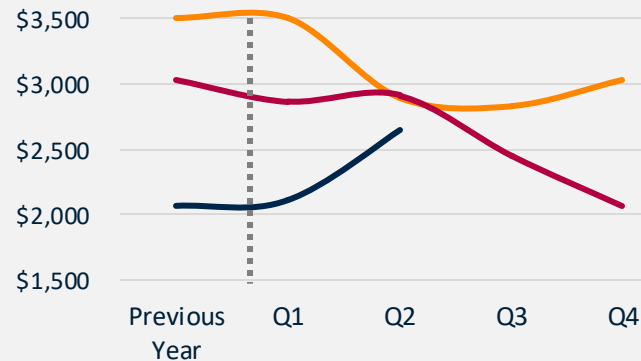
Open Web Joists, K Series



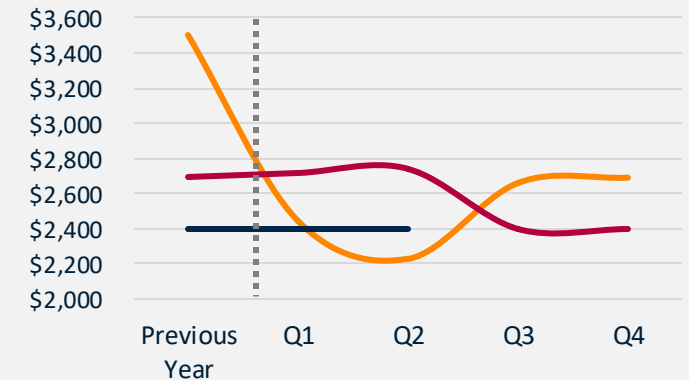
Metal Decking



Structural Steel



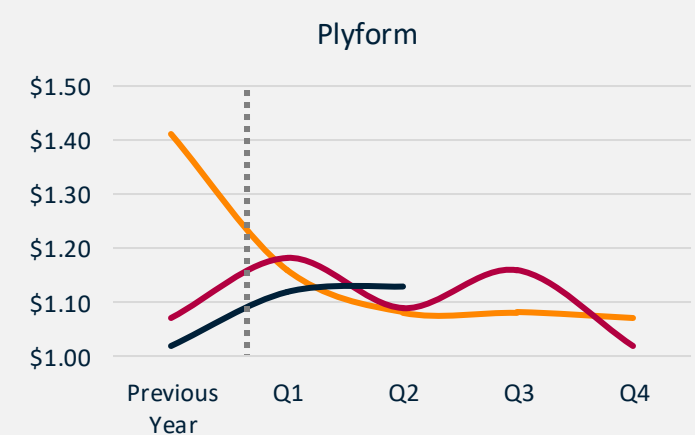
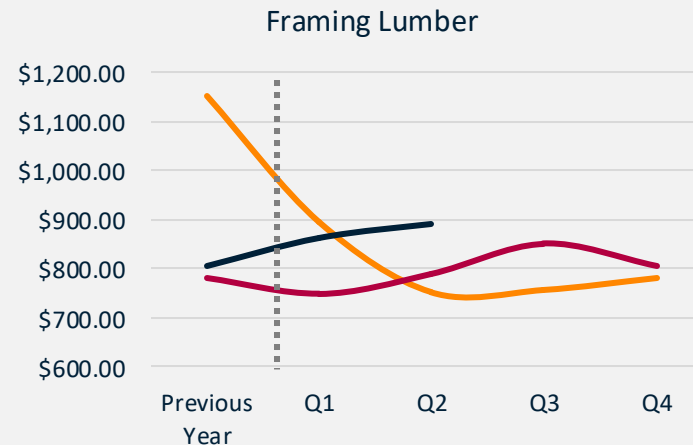
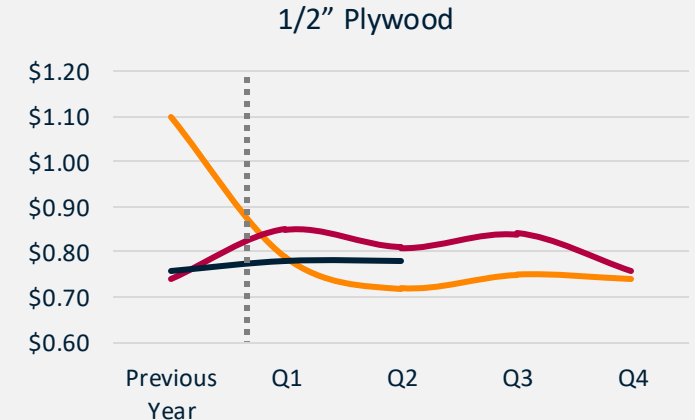
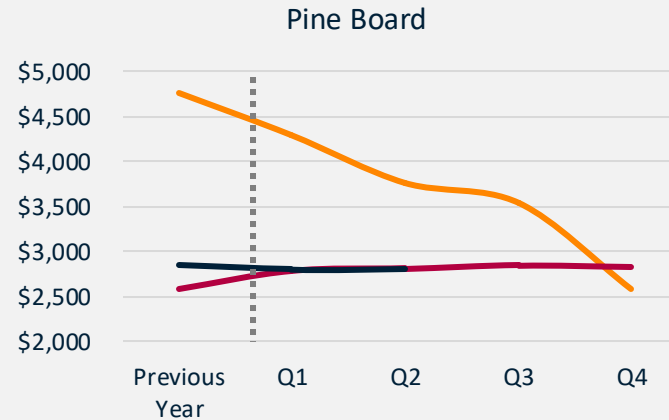
Steel Sheet Piling



LEGEND: 2023 2024 2025

Cost Trends: Lumber

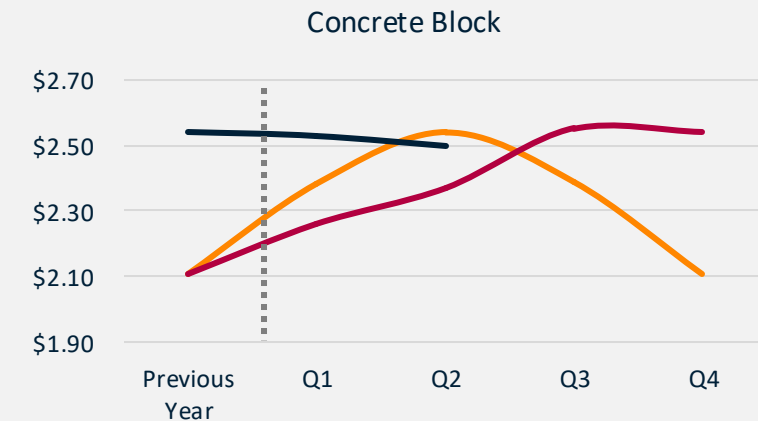
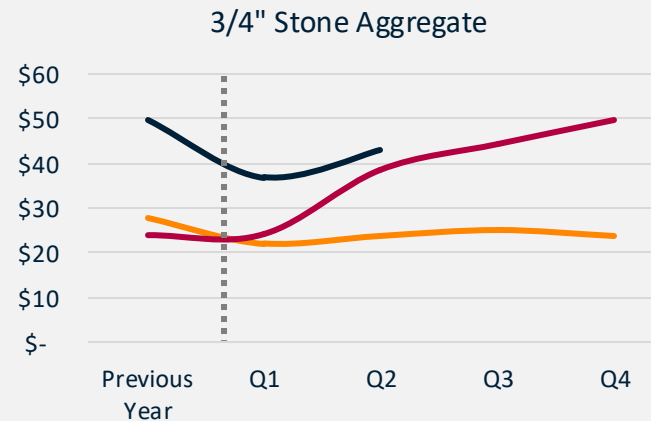
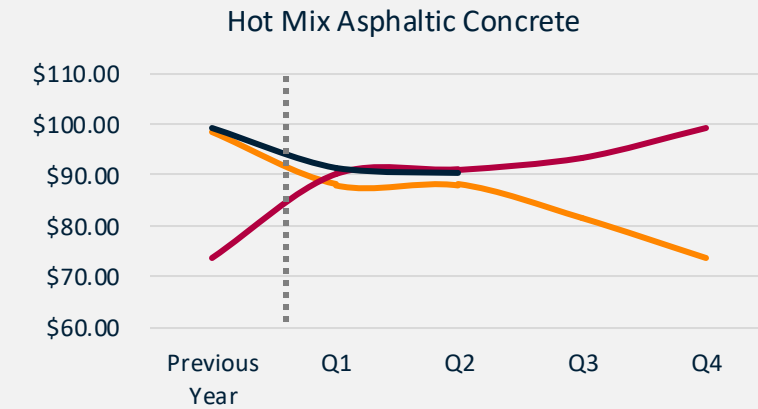
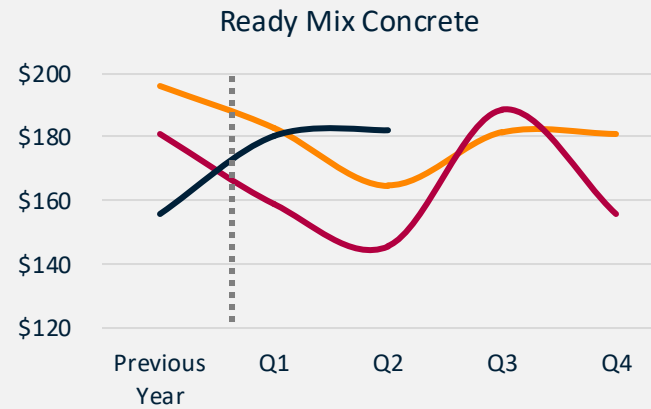
- Framing lumber leads the category with **+15% increase since 2024Q1**
- **Demand-side concerns** coming in 2025H2



LEGEND: 2023 2024 2025

Cost Trends: Concrete & Masonry

- Most category prices increasing in 2025 after **mild price fluctuations**
- Expecting **continued price increases** going into 2025H2

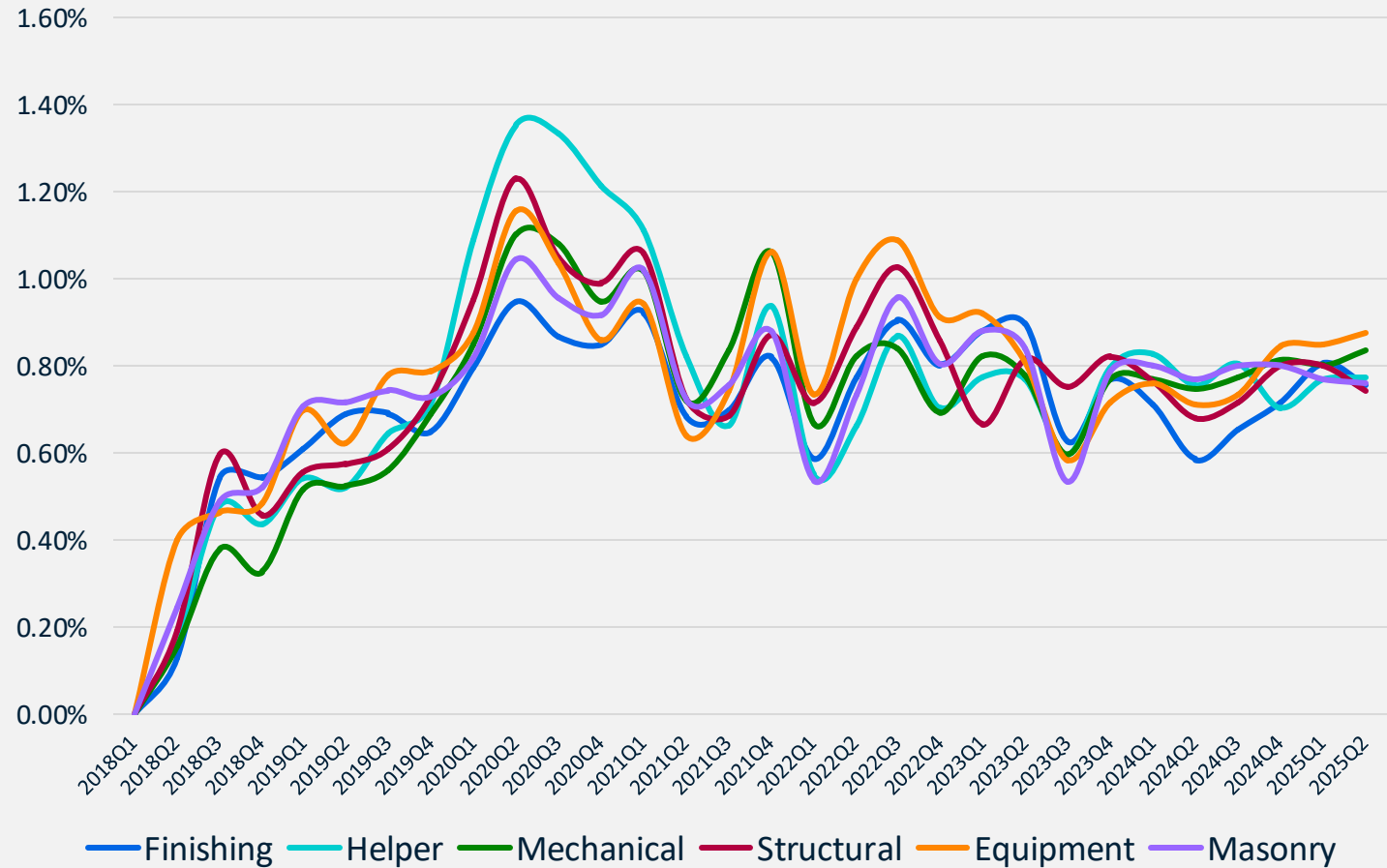


LEGEND: 2023 2024 2025

Labor Cost Trends

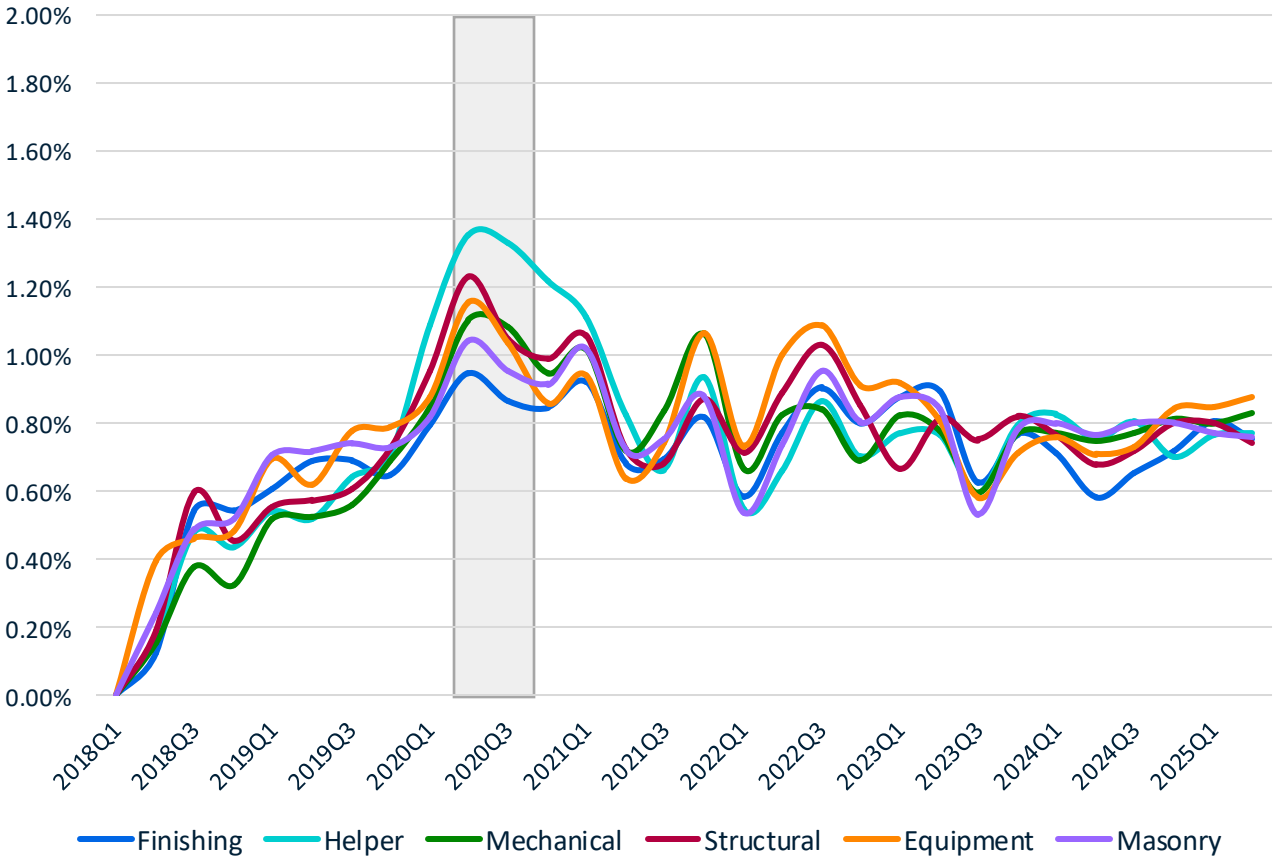
- Labor costs have been **relatively stable** over the past 12 months
- Elevated quarterly growth **likely to continue** through 2025

Average Quarterly Change in Labor Cost by Category

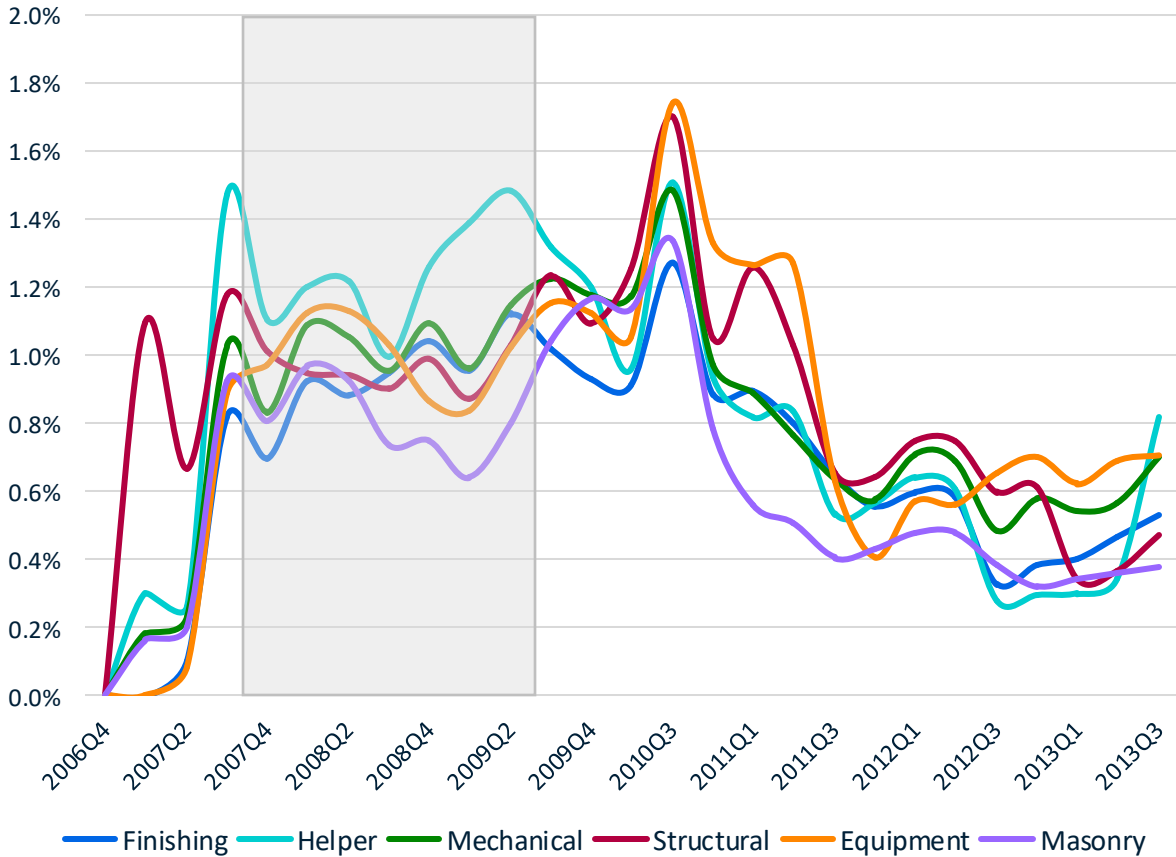


Cost Trends – Labor in Perspective

Average Quarterly Change in Labor Cost
2018 - 2025



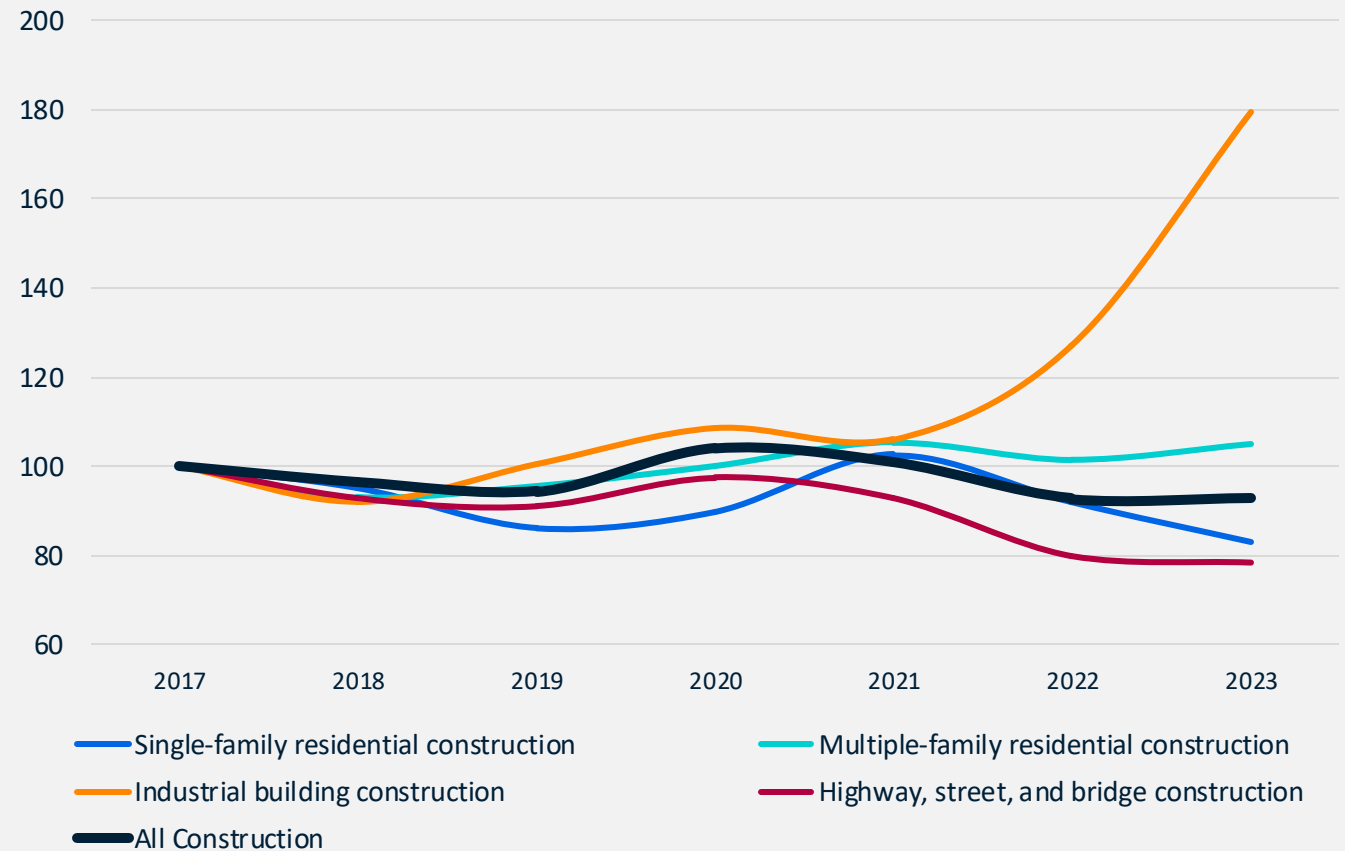
Average Quarterly Change in Labor Cost
2006 - 2013



Labor Productivity

- **General productivity declines** outside of Industrial Building
- Anticipate **project delays** and potential cancellations

BLS Labor Productivity



Source: Bureau of Labor Statistics Construction Labor Productivity, September 2024

Disruptions and Impact



Forces at Play



Natural disasters



Material shortages



Supply chain issues



Interest rates



**International
conflict**

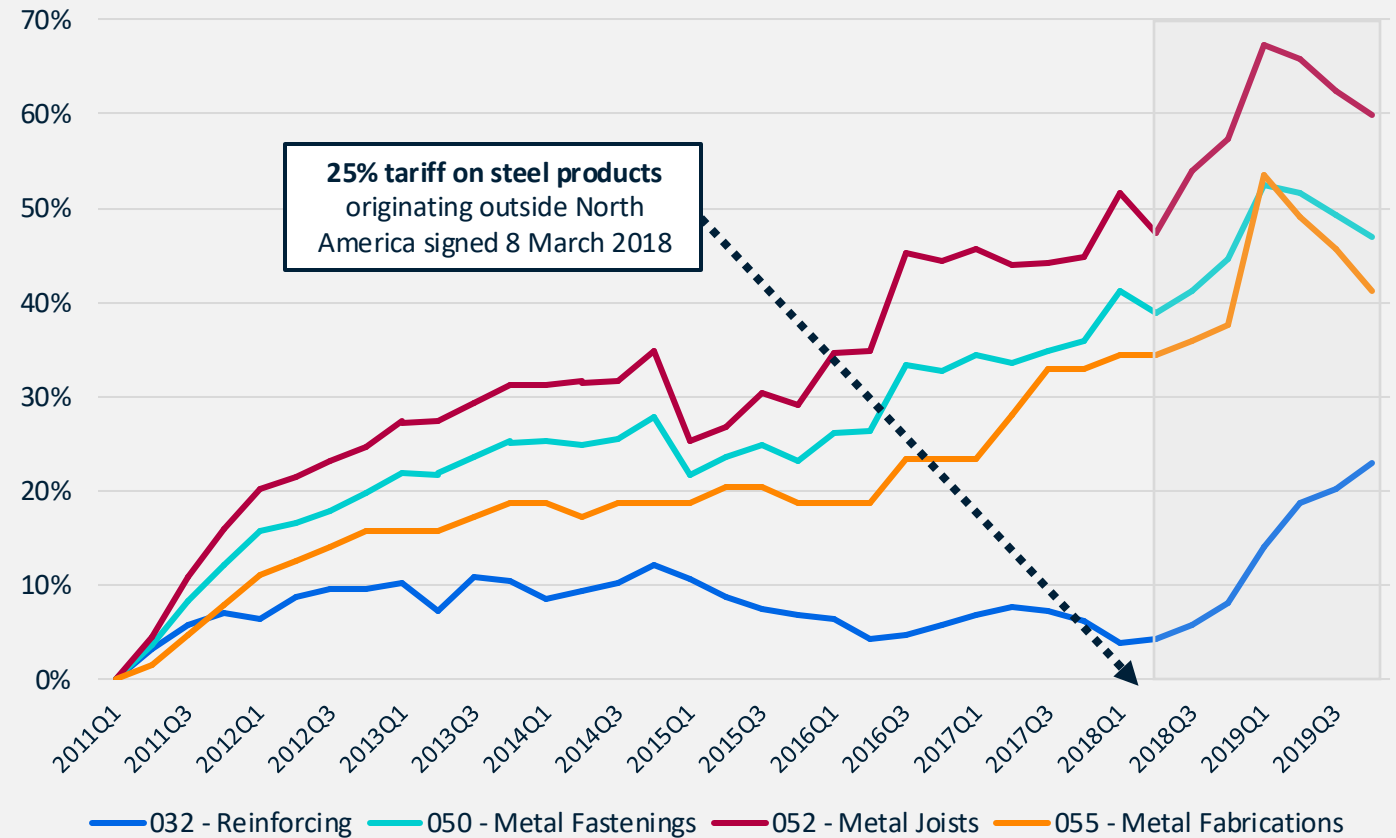


**Cyber security
concerns**

Market Trends – Supply Disruptions

- Research trends from previous tariff cycles reveal **short-term impacts**
- Impact of 2025 supply disruptions may be **harder to isolate**

National Average Benchmark Steel Material Categories



National costs shown for reference purposes only.

Manufacturing Costs Precede Construction

- Raw material prices **drive construction costs**
- Manufacturing **price increases** continue through 2025Q2.

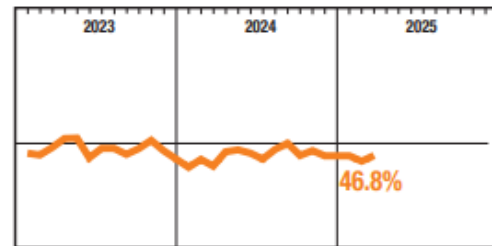
ISM® Report On Business®

March 2025



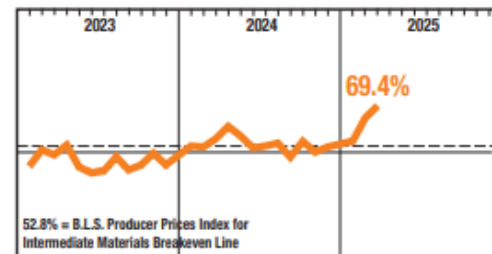
Manufacturing PMI®

Analysis by Timothy R. Fiore, CPSM, C.P.M., Chair of the Institute for Supply Management® Manufacturing Business Survey Committee



Customers' Inventories

ISM's Customers' Inventories Index registered a reading of 46.8 percent. The seven industries reporting customers' inventories as too high in March — in the following order — are: Furniture & Related Products; Paper Products; Wood Products; Miscellaneous Manufacturing[†]; Electrical Equipment, Appliances & Components; Machinery; and Plastics & Rubber Products.



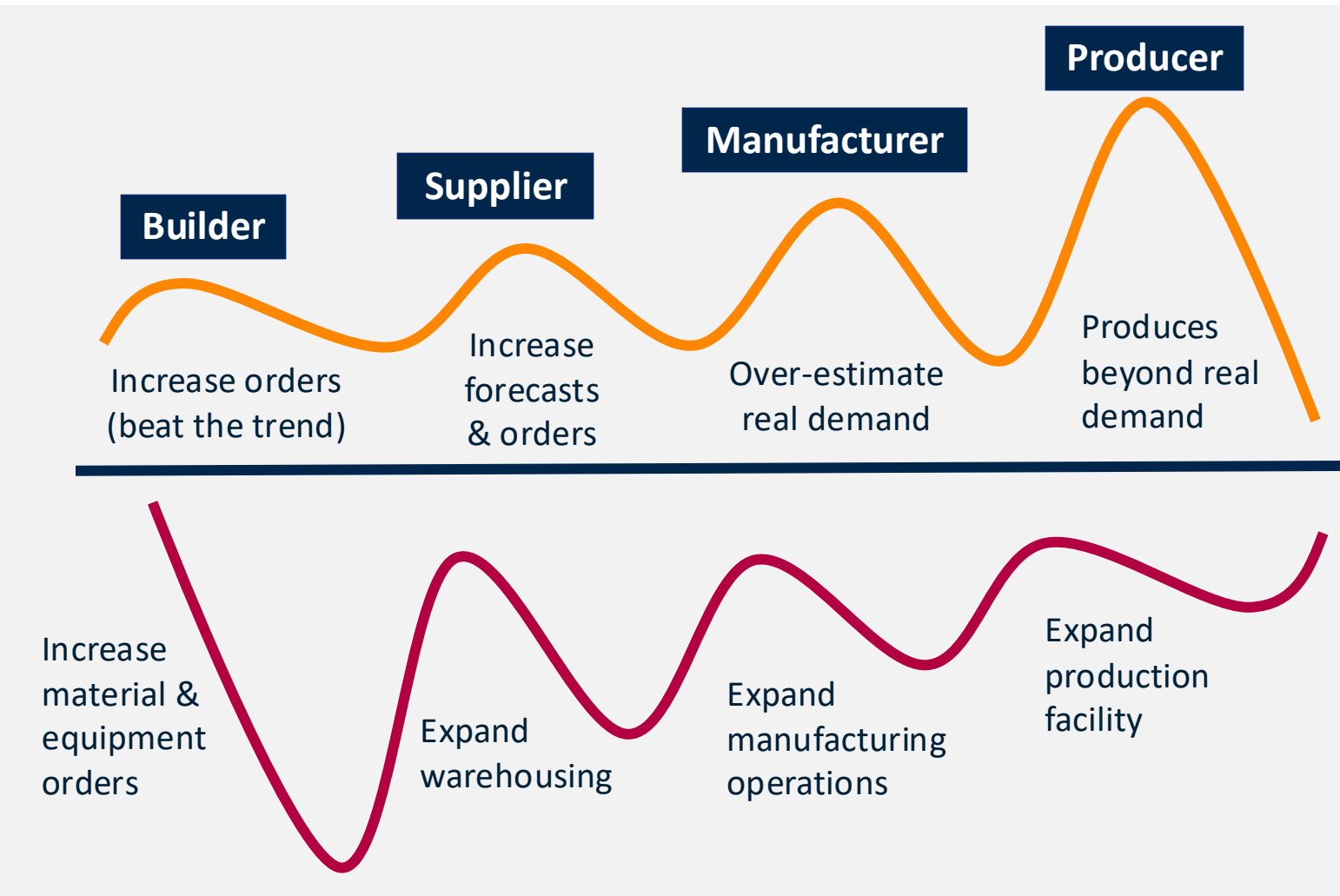
Prices

The ISM Prices Index registered 69.4 percent. In March, the 15 industries that reported paying increased prices for raw materials, in order, are: Nonmetallic Mineral Products; Textile Mills; Electrical Equipment, Appliances & Components; Fabricated Metal Products; Primary Metals; Plastics & Rubber Products; Paper Products; Miscellaneous Manufacturing[†]; Transportation Equipment; Wood Products; Machinery; Chemical Products; Food, Beverage & Tobacco Products; Furniture & Related Products; and Computer & Electronic Products.

Source: [Institute for Supply Management®](https://www.ism-usa.org)

Supply Chain Considerations

- Beware import-centric **Bullwhip Effect** in 2025
- **Contractor uncertainty** on both sides of the exchange





Equip Your Organization With Proactive Strategies

Strategic Responses for Contractors

1.

Diversify Sourcing

2.

**Enhance
Communication
With Clients**

3.

**Renegotiate
Supplier Contracts**

4.

**Implement Robust
Cost Tracking**

5.

**Explore Material
Alternatives**

6.

**Consider
Prefabrication**

Strategic Responses for Owners

1.

Diversify Sourcing

2.

**Enhance
Communication
With Contractors**

3.

Repair vs. Replace

4.

**Data-Driven Capital
Planning Systems**

5.

**Alternative
Delivery Methods**

6.

**Scenario-Based
Budgeting**

Using Technology to Counteract Uncertainty

The background of the slide features a series of overlapping, stylized geometric shapes in two shades of blue. On the right side, there are several large, light blue chevron-like shapes pointing downwards and to the right. On the left side, there are darker blue, more complex geometric forms that appear to be part of a larger, abstract pattern. The overall effect is a modern, tech-oriented aesthetic.

AI in Construction – Where You'll Find It



NOT Just a Chatbot...

Enhancing Budgeting Accuracy:

AI tools analyze historical data, leading to improved accuracy in project budgeting and resource allocation.

Optimizing Scheduling:

Project schedules can be optimized based on past performance and predictive analytics, improving delivery outcomes.

AI-Driven Design Software:

In-platform AI tools generate optimized building layouts, improving design efficiency and project outcomes.

Enhancing Team Collaboration:

AI solutions facilitate enhanced collaboration among project teams, ensuring better communication and project coherence.

AI in Construction | Readyng Your Organization

Build it Yourself or Integrate:

- What are your core competencies?
- What are your technology risk thresholds?
- What is your organizational appetite for change?

- Budget Assessment
- Expected ROI
- Importance of Training
- Skills for Collaboration
- Resource Allocation
- Importance of Monitoring
- Routine Maintenance

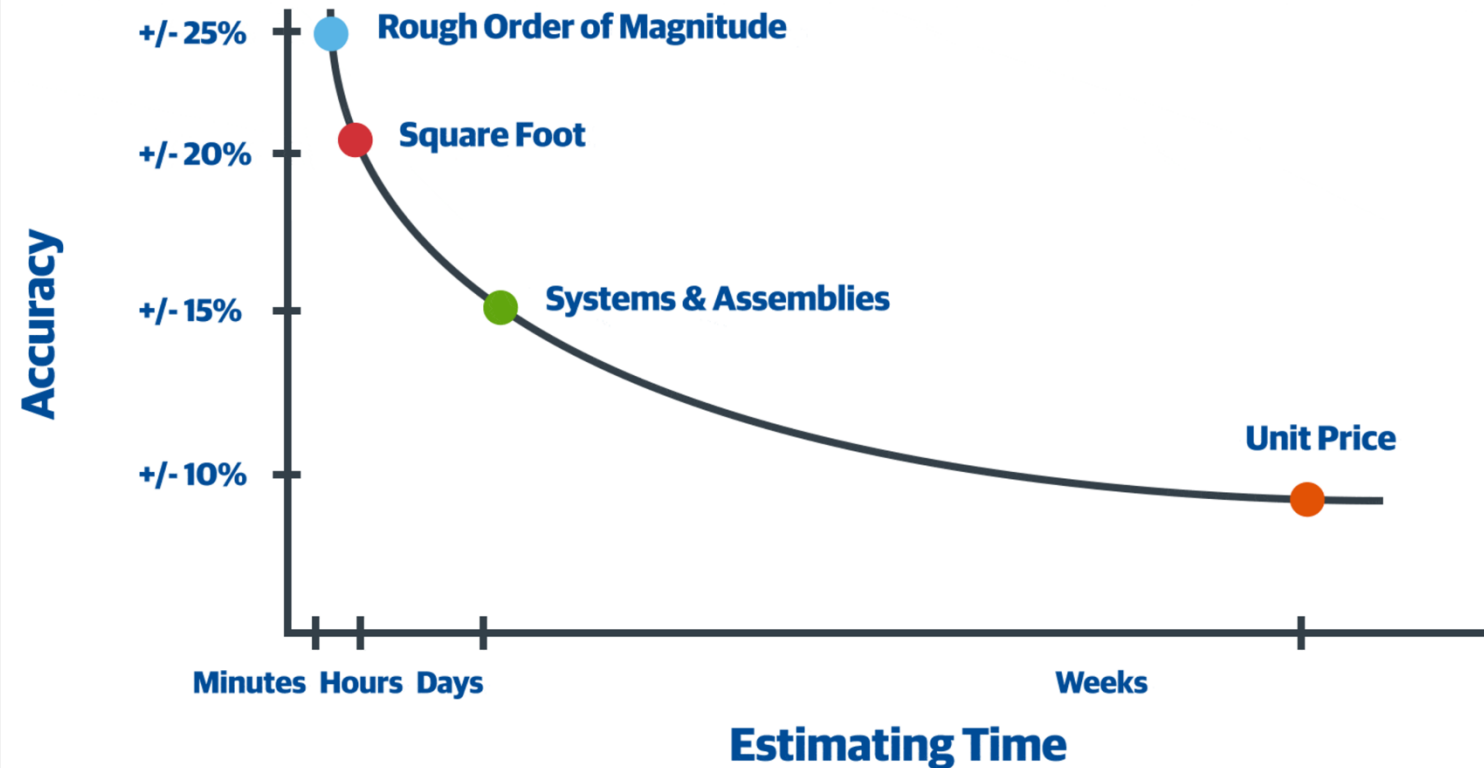
AI at Gordian | Faster Early-Stage Estimates

Leverage AI to accelerate the creation of early-stage estimates.

Use If:

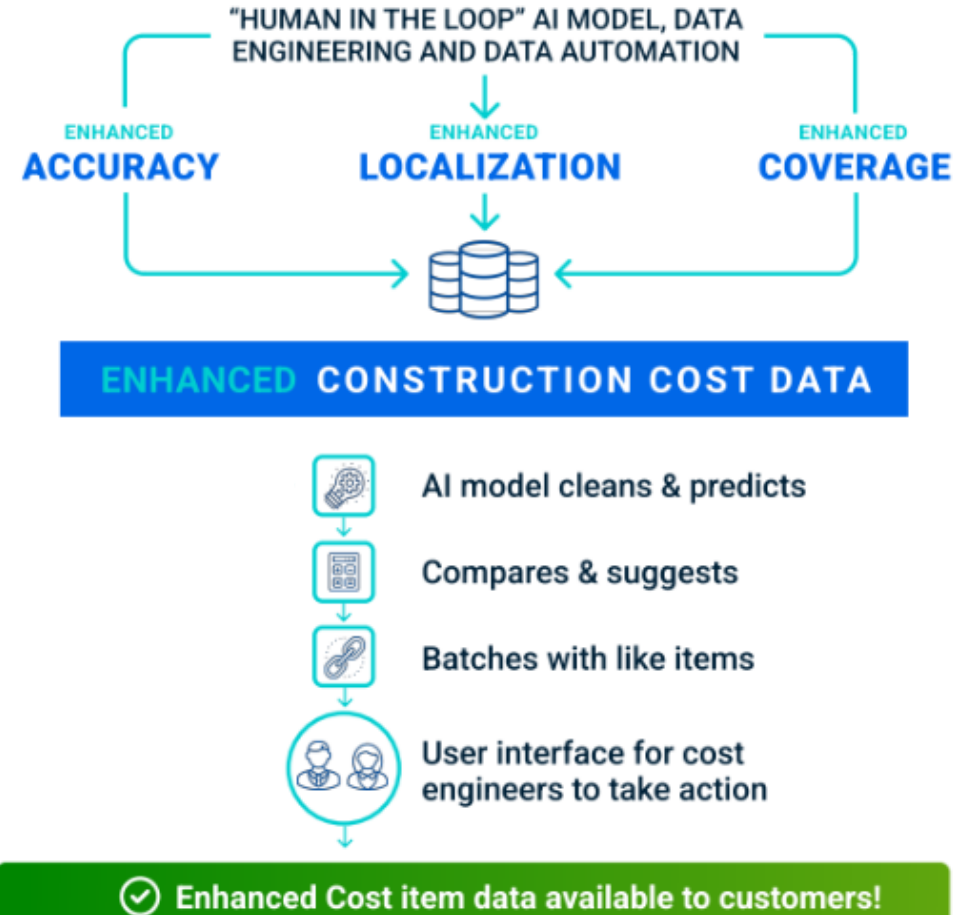
- You produce significant volume of Class 4/5 or Class C/D estimates.
- The AI has high data quality thresholds.
- You have a trusted data source from which to extract benchmarks.

Estimating Time vs. Accuracy

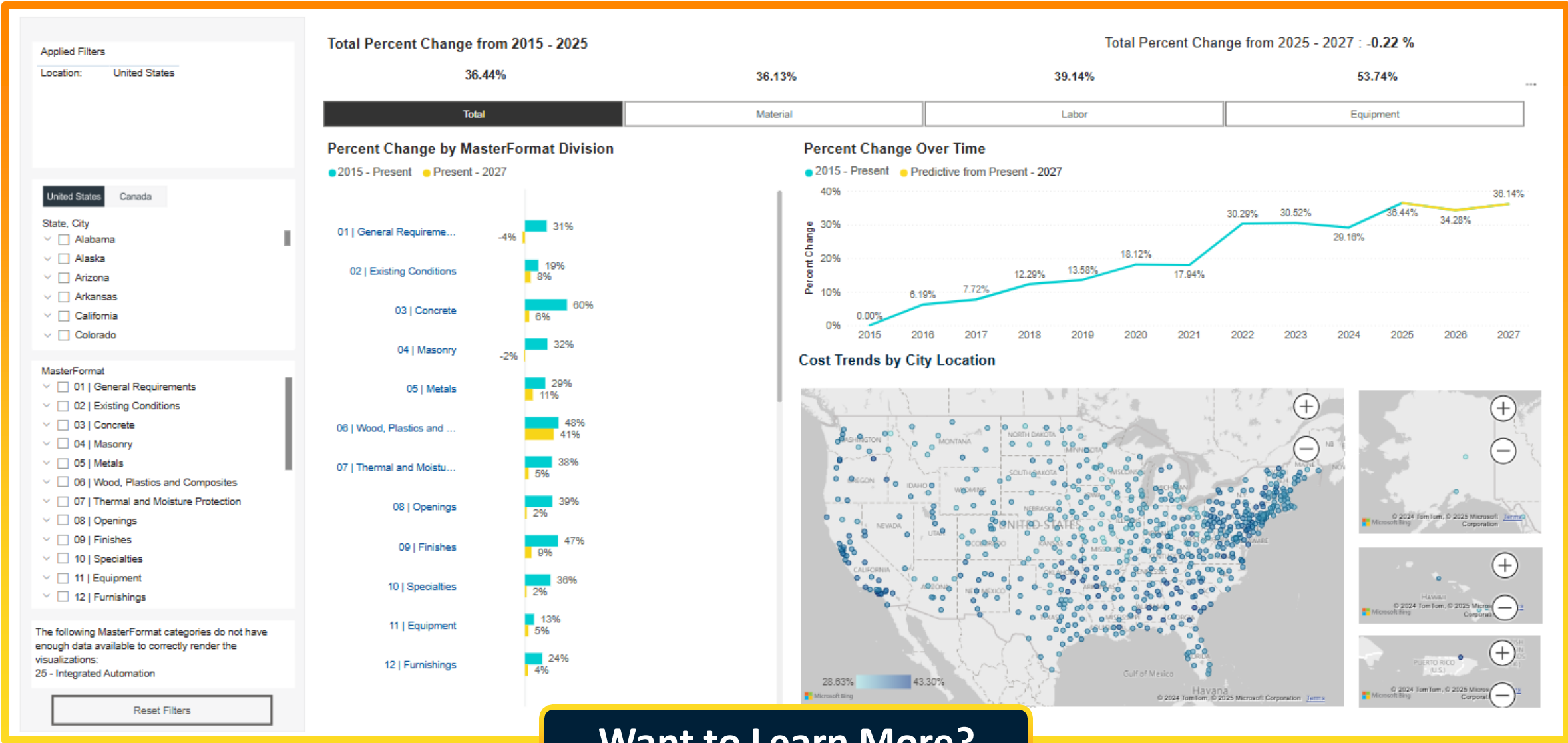


AI at Gordian | Research Augmentation

- Utilizing AI within a **Human-in-the-Loop Model** to augment expert research
- Ensemble of **LLM and NLP models** trained on internal research data
- Cost Engineers stay in the loop to **confirm results** and **train/retrain the model**



Market Indicators – Predictive Cost Trends



Recap



Monitor construction pricing trends



**Develop proactive planning your organization
can implement**



Leverage technology to counteract uncertainty



Q&A

Want to see RSMeans™ Data in action?
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rsmeans.com/free-trial

