MOCA SYSTEMS, INC.

Today's Construction Economy

First Quarter 2025 MOCA Systems, Inc

Executive Summary

U.S. nonresidential construction sector spending growth softened toward the end of 2024, although it remains historically elevated. Correspondingly, labor demand declined, yet skill shortages persist. Orders for materials and equipment also decreased, with equipment orders contracting year-over-year (YoY). Disruptions from tariffs and reduced immigration pose additional risks to construction costs. Consequently, the MSI Economics construction market forecast reflects the underlying strength of the industry while acknowledging significant risks in 2025 that could lead to increased construction costs.

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US Construction Market Forecast

Q1 2025

	Historical (YoY)					Forecast (YoY)		
	2020	**2021**	**2022**	**2023**	**2024***	**2025**	**2026**	**2027**
US GDP	-2.2%	5.8%	1.9%	2.5%	2.7%	2.5%	2.1%	2.0%
Total Construction Spend	7.9%	10.3%	14.9%	6.4%	6.2%	1.8%	1.7%	1.5%
Nonresidential Construction Spend	2.3%	-1.3%	14.6%	18.2%	6.6%	4.0%	2.4%	2.0%
PPI Construction Materials	1.5%	26.9%	12.6%	-2.9%	-1.0%	2.4%	2.2%	2.0%
PPI Construction Machinery	1.8%	4.5%	10.4%	9.4%	2.5%	2.1%	2.0%	1.9%
All Employees Construction	-3.2%	2.5%	4.4%	3.3%	3.5%	2.8%	2.5%	2.0%
PPI New Nonresidential Construction	2.5%	5.2%	19.9%	7.9%	3.4%	2.7%	2.8%	2.0%
Average Hourly Earnings, Construction	2.9%	3.9%	5.6%	5.2%	4.7%	3.2%	2.9%	3.0%

*subject to revision

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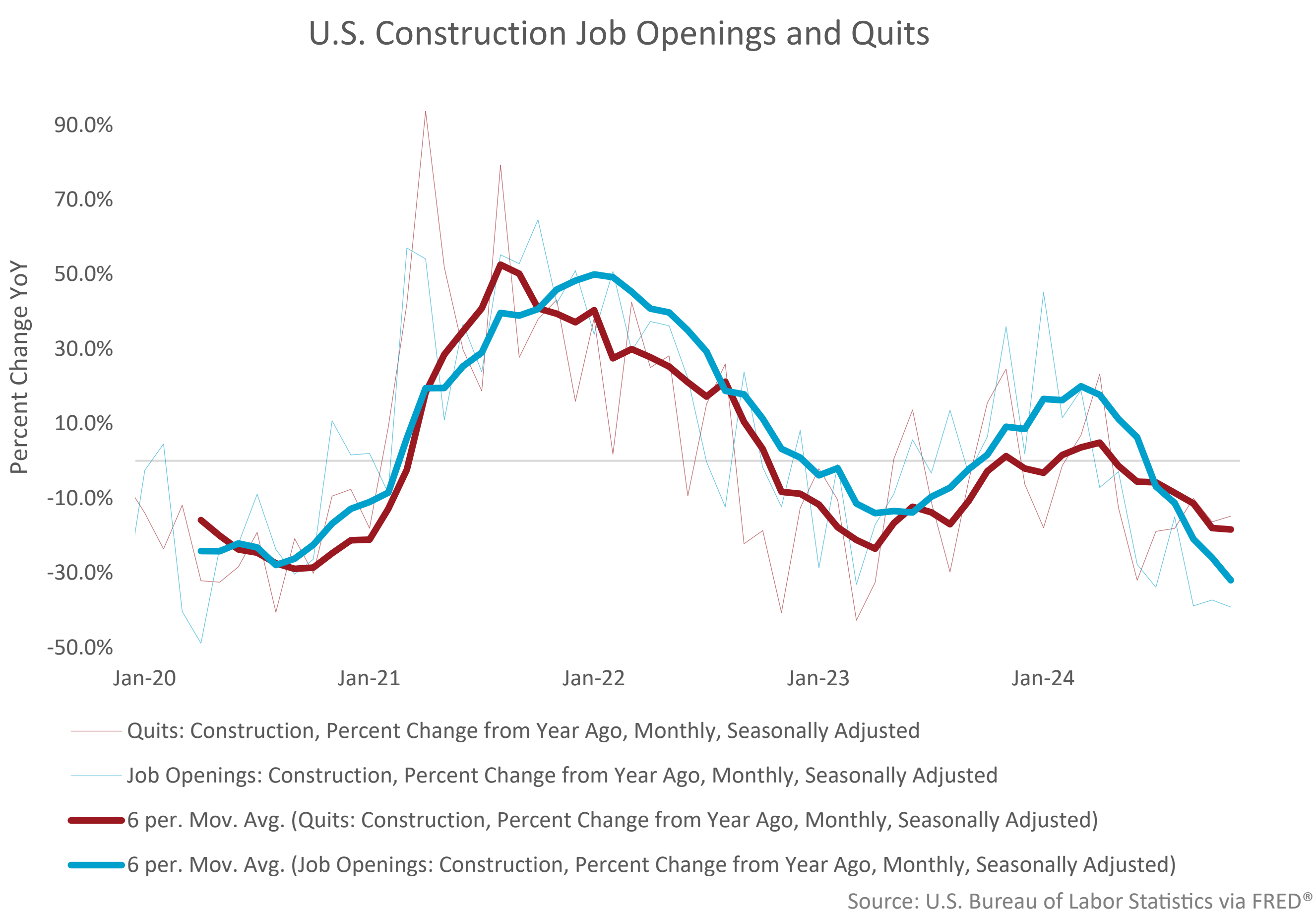
Labor Availability

The construction labor market is cooling as indicated by job openings, -39.2% YoY in November. Job quits, which reflect both retirements and ability to move between jobs, have moved down, -14.2% YoY. Despite difficulties in finding specific talent[1], the number of job openings (276k) is below the five-year average (339k). While talent gaps are no longer widening, persistent skill shortages and potential immigration reductions continue to drive up project costs.



"[November's construction jobs] reading…puts 4Q 2024 on track to be the weakest fourth quarter since 2019."

- Michael Gukes, Chief Economist, ConstructConnect, December 2025[2]

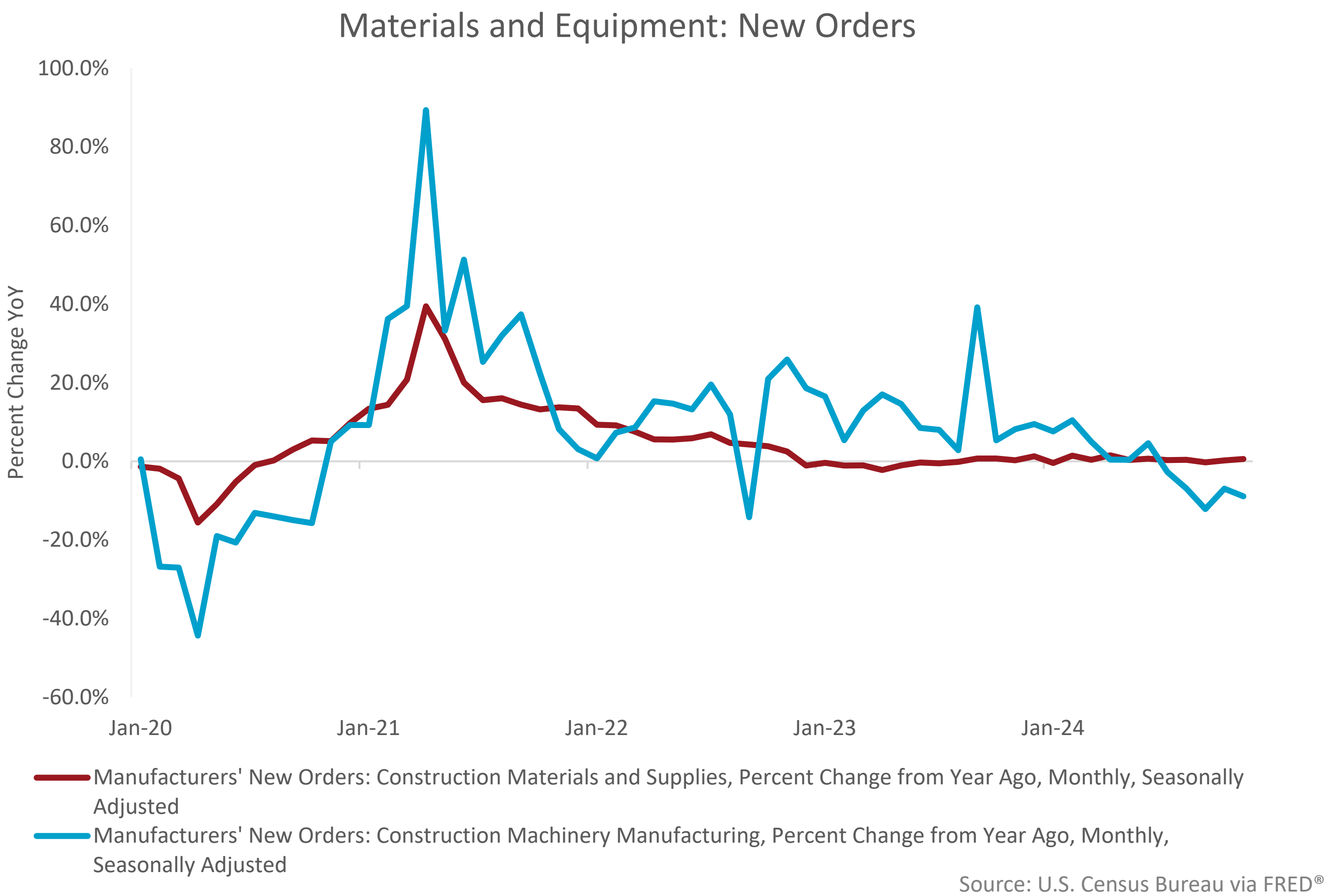
The Market's Message

Construction labor shortages continue to impact nonresidential projects; though the skill gap is narrowing and hiring slowed considerably, the potential for immigration reduction outbalances that risk. Though the overall demand for labor is declining, labor costs are expected to continue to increase the cost of construction in 2025.

[1] Experts Guarded about 2025 Construction Economy Outlook – CNR Magazine
[2] Construction Employment Update - December 2024

Material and Equipment

New orders of construction materials and supplies indicate a stable phase with growth rates generally positive from October 2022 to November 2024. The steady rate of growth indicates early-stage projects continue to move forward; concurrently, prices appear stabilized at current levels. New orders for construction machinery softened recently indicating some slowing of new project starts and could indicate fleets are slowing the larger replacement cycle underway since 2017. Disruption in the form of tariffs and labor disputes would place price pressure on projects nearing the execution phase that may require more strategic financing or delays.



"The fact that overall input prices have remained flat in recent quarters is purely good news. Just 20% of contractors expect their profit margins to decline over the next six months, according to ABC's Construction Confidence Index."

- Anirban Basu, Chief Economist, Associated Builders and Contractors (ABC), January 2025[3]

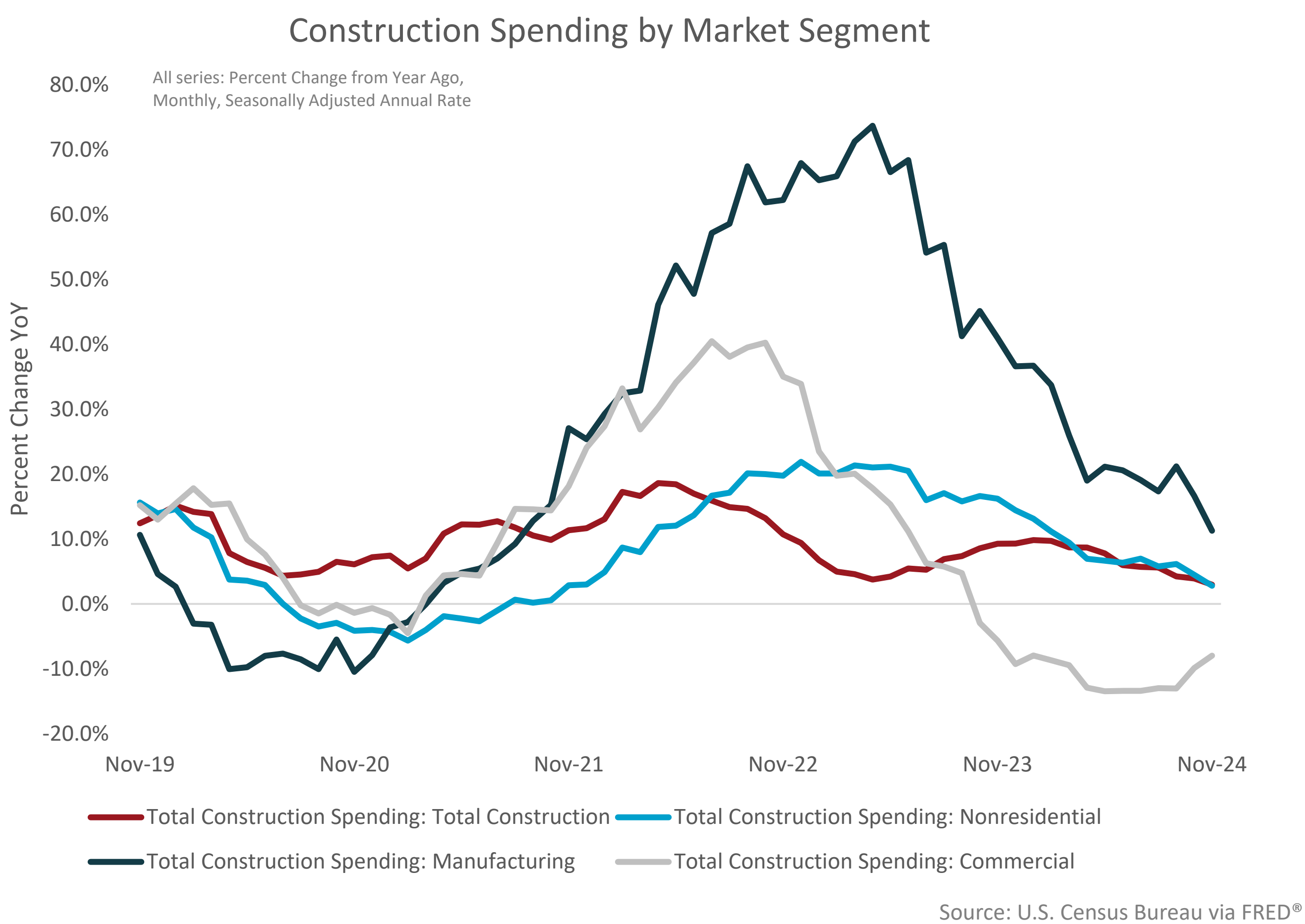
The Market's Message

Movements in new orders of materials and machinery are closely linked to early project phases. The observed declines in machinery orders likely reflect a slowing replacement cycle rather than a slowdown in project starts. The steady pace of material orders indicates stable levels of ongoing construction projects, suggesting stable prices and minimal impact on overall construction costs.

[3] Construction input prices hold steady, but contractors brace for hikes | Construction Dive

Construction Spending

Total U.S. construction spending grew by 3.0% YoY in November, below the rolling 5-year average of 9.5%, indicating normalization in both residential and nonresidential sectors. Nonresidential construction growth slowed to 2.8% YoY, with the commercial subsector at -8.0% YoY, improving from a -13.5% YoY low in May. Over $1.0T in commercial real estate is set for refinancing in the next two years, likely continuing the trend toward smaller premium office spaces, with regional variation. Manufacturing spending, boosted by the Inflation Reduction Act and onshoring initiatives, grew by 11.3% YoY in November, with further tailwinds to onshoring driven by potential tariffs.



"Outside of a few niche sectors including manufacturing and data centers, the commercial/industrial outlook is poised at best for very modest growth or more likely declines in spending levels moving forward."

- Kermit Baker, PhD, Chief Economist, American Institute of Architects (AIA), July 2024[4]

The Market's Message

Total construction spending remained elevated, but that growth began to normalize as the pipeline of projects right sizes to financial, labor, and supply conditions. We expect this cooling in total spending to have a net neutral effect on nonresidential construction price as contractors are likely to hold margins at current levels.

[4] July 2024 AIA Consensus Construction Forecast

New Administration

Tariffs

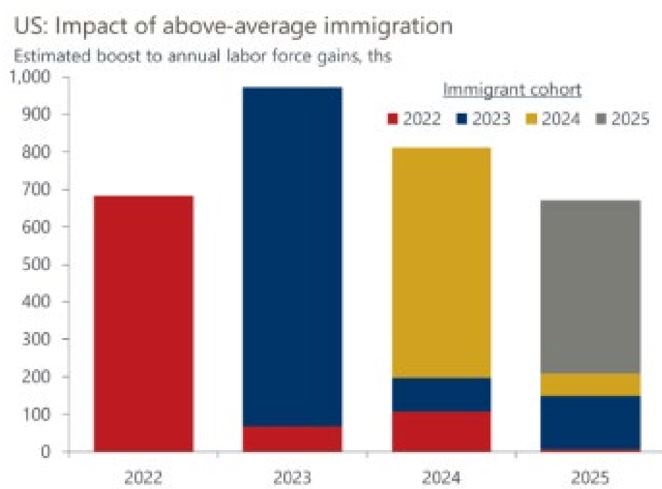
The administration's stance on tariffs is likely to increase costs for construction materials. For example, tariffs on steel and aluminum, which were imposed during Trump's first term, led to higher prices for these essential materials. If similar tariffs are reintroduced or expanded, construction projects could face increased costs, potentially leading to higher overall project expenses and delays.

"Broad enforcement [of tariffs] could disrupt construction by increasing the costs of materials from specific countries, potentially delaying or deferring projects altogether."

- Chris Fisher, Managing Principal, Ducker Carlisle, December 2024[5]

Immigration

Immigration policies under the Trump administration are expected to tighten, which could significantly impact the construction labor force. The construction industry heavily relies on immigrant labor, with a substantial portion of the workforce being undocumented immigrants. Stricter immigration enforcement could reduce the availability of labor, exacerbating existing labor shortages. This could lead to project delays, increased labor costs, and higher bid prices as contractors compete for a smaller pool of workers.



Source: Oxford Economics

"The newly-elected Donald Trump administration is set to influence the construction industry in the U.S. through a mix of fiscal stimulus, reduced immigration, and shifting trade policies."

- Sebastian Tillett, Economist, Oxford Economics, December 2024[6,7]

The Market's Message

In summary, the new Trump administration's policies on tariffs and immigration are likely to increase costs and labor shortages in the construction industry, leading to higher project expenses and potential delays. While the short-term impacts may be negative, continued onshoring and skilled trade expansion are expected to exact positive structural change to the U.S. economy in the long term.

[5] Trump tariffs could disrupt construction projects | Construction Dive
[6] What does Trump 2.0 mean for construction globally? | Oxford Economics
[7] Rough road ahead for US Construction under Trump 2.0 | Oxford Economics