



**SECOND  
QUARTER  
EDITION**

**2026 NORTH AMERICAN ENGINEERING AND CONSTRUCTION**

# OUTLOOK



**APRIL 2026**

# EXECUTIVE SUMMARY

Total U.S. engineering and construction spending is forecasted to remain essentially flat in 2026 at just under \$2.2 trillion, following a 1.4% decline in 2025 and a sharp deceleration from 7% growth in 2024.

Despite this deceleration, 2026 growth is expected to remain strong in data centers (a subset of office) and most nonresidential nonbuilding segments, led primarily by water and wastewater infrastructure. Considering longer-term projections through 2030, overall growth will be led by power construction, which is expected to accelerate alongside rising electricity demands, driven by data center, industrial and electrification infrastructure needs.

Residential construction continues to contract, with single-family spending down 2%, as affordability is constrained by elevated mortgage rates and modest turnover. Builders are maintaining volume through incentives and smaller product, which supports units but reduces total put-in-place. Multifamily is down 1% but stabilizing. Multifamily starts are recovering from their 2024 trough, while a large delivery pipeline weighs on near-term spending. Improvements are flat to slightly down and activity is concentrated in essential repairs rather than discretionary upgrades.

Nonresidential buildings remain uneven. Office is driven by data center construction, where vacancies persist at near record lows and most capacity under construction is pre-

leased. Traditional office is still in correction, with near 20% vacancy; activity is focused on renovations and repositioning. A combination of large projects and local funding holds health care and education steady, while financing conditions and irregular demand constrain commercial, lodging and manufacturing.

Infrastructure provides the most consistent growth. Leading all segments is sewage and waste disposal, supported by Water Infrastructure Finance and Innovation Act (WIFIA) financing, per- and polyfluoroalkyl substances (PFAS) compliance and industrial demand. Water supply follows, with lead service line replacement and reuse investment. Dredging, navigation and coastal protection tied to U.S. Army Corps of Engineers (USACE) programs drive conservation and development. Power continues to expand as electricity demand grows higher, driven by data centers and industrial needs.

**Eight of the 19 industry segments covered are declining in 2026, six are stable and a limited number are driving growth.** Segment performance will be divergent into next year, with aggregate totals masking key differences. Future investment will stay concentrated in segments with committed funding, contracted demand or regulatory drivers. Challenges will prevail into early 2027 for rate-sensitive private development.



## A SECTOR-SPECIFIC RECESSION

Total construction put-in-place has declined seven times since 1964. In every previous instance, the decline was tied directly to a national recession or its aftermath. The 2025 decline broke that pattern. For the first time in more than 60 years, construction contracted outside of a recession, driven instead by its own fundamentals: elevated interest rates, tighter lending standards and pipeline exhaustion.

The warning signs were visible well in advance. Leading economic indicators, yield curve signals, rising unemployment and tightening credit conditions all pointed to mounting stress before the spending data confirmed it. What made 2025 unusual was not the weakness itself, but where it occurred. Construction turned down while GDP continued to expand, supported by services, technology and government investment. The industry entered a downturn that the broader economy did not.

FMI's Q2 2026 forecast shows total construction put-in-place roughly flat at \$2.16 trillion in 2026 before recovering to \$2.25 trillion in 2027 and then accelerating beyond \$2.7 trillion by 2030. The direction improves, but the starting point remains fragile. Construction is entering this recovery from a weaker foundation than in any cycle in the modern data set; and the outlook still depends on rate relief, lending normalization and some reduction in an unusually complex mix of geopolitical and trade policy uncertainty, from the Iran conflict and its effects on energy markets to Section 232 tariffs on steel, aluminum and lumber.

The conditions for renewed construction spending growth were laid out last year. Whether they arrive quickly enough to prevent additional near-term erosion remains the central question for 2026.

# U.S. KEY TAKEAWAYS

- Total U.S. engineering and construction spending is forecast to remain flat through 2026 at just under \$2.2 trillion, following a 1.4% decline in 2025 and a notable slowdown from the 7% uptick recorded in 2024.
- The absence of standout, high-performing segments in 2025 and 2026 compared to prior years suggests the industry is operating under late-cycle conditions. Residential weakness is a primary factor into early 2026. Single-family (-2%) is constrained by affordability pressures and rising mortgage rates, alongside the 10-year Treasury and global oil prices heading into the second quarter. Multifamily (-1%) appears to be nearing a bottom this year, as starts have trended higher through 2025 and into early 2026.
- Many segments are projected to finish 2026 with growth between 0% and 5%, indicating stability in real terms. These include health care, education, transportation, amusement and recreation, communication, and power.
- A larger-than-normal number of segments (8 of 19) is projected to contract in 2026, including single- and multifamily residential, improvements, lodging, commercial, public safety, manufacturing, and highway and street.
- The NRCI eased to 53.4 in Q2 2026, down from 54.5 in Q1, as sentiment moderated across most components while remaining in expansion territory. Views on the overall U.S. economy and local markets softened but held above 50 at 52.7 and 53.6, respectively. **Backlog expectations declined to 64.3 from 70.4, though are still signaling solid workload visibility.** Cost inputs continued to weigh on the index: both materials and labor cost expectations are at 30.4, indicating persistent but stable escalation pressures.

## U.S. 2026 SEGMENT PERFORMANCE

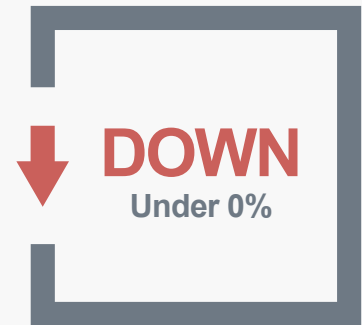
### 2025/2026 COMPARISON



- Office
- Religious
- Sewage and Waste Disposal
- Water Supply
- Conservation and Development



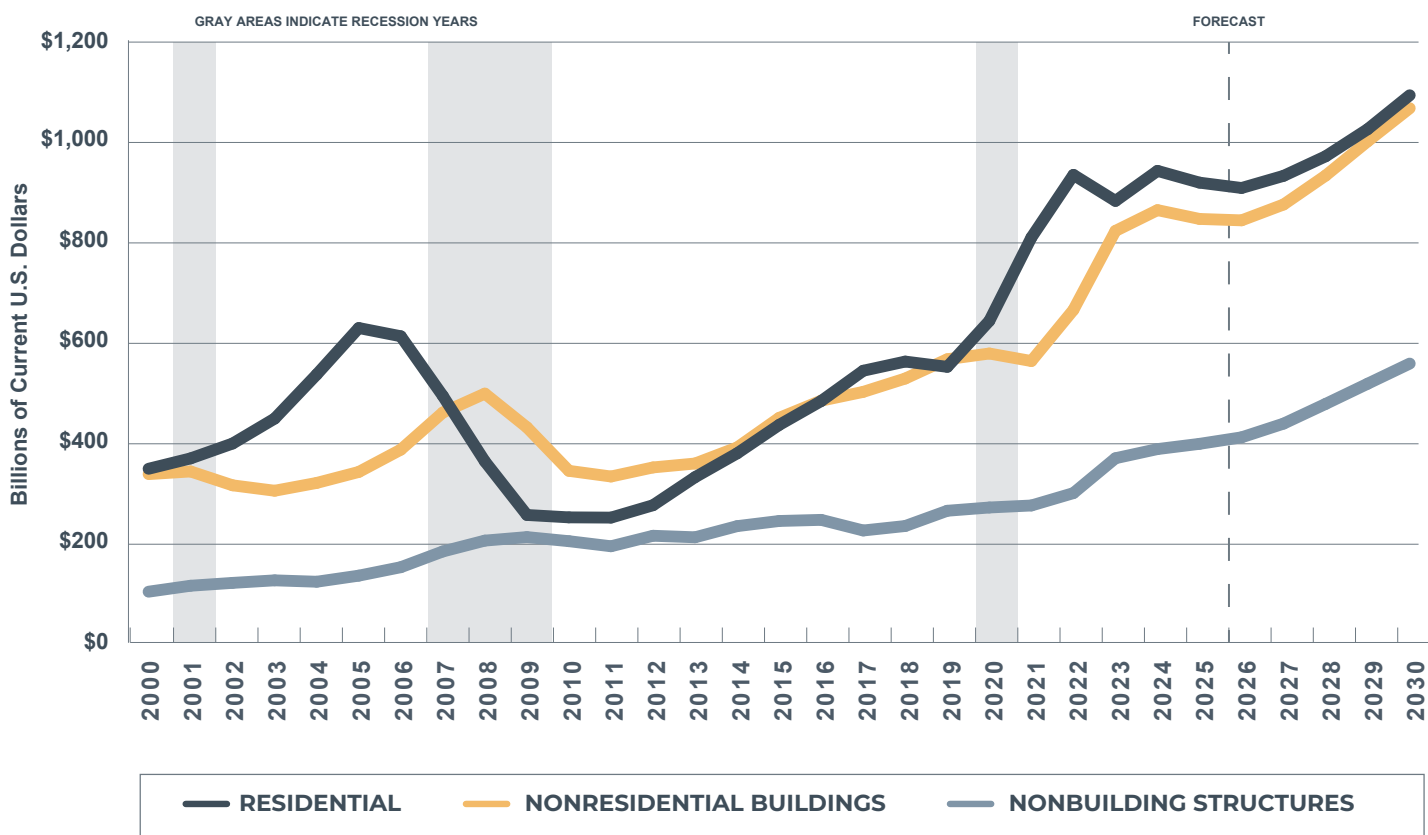
- Health Care
- Educational
- Transportation
- Amusement and Recreation
- Communication
- Power



- Single-family
- Multifamily
- Residential Improvements
- Lodging
- Commercial
- Public Safety
- Manufacturing
- Highway and Street



## CONSTRUCTION SPENDING PUT IN PLACE ESTIMATED FOR THE UNITED STATES

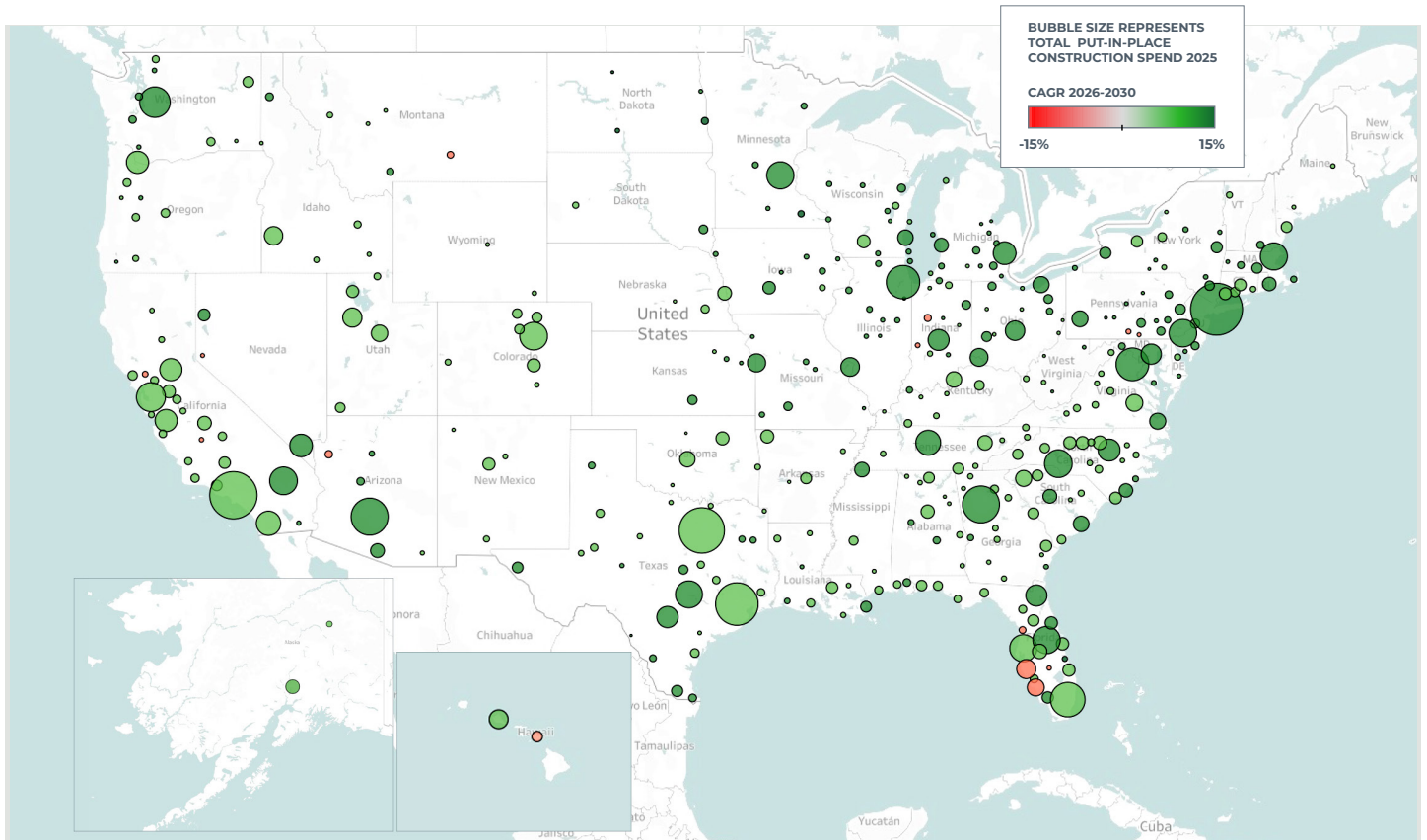


SOURCE: FMI FORECAST Q2 2026

Second quarter 2026 forecast, based on fourth quarter 2025 actuals and first quarter 2026 assumptions.



## HISTORICAL CONSTRUCTION SPENDING PUT IN PLACE FORECAST GROWTH ACROSS METROPOLITAN STATISTICAL AREAS



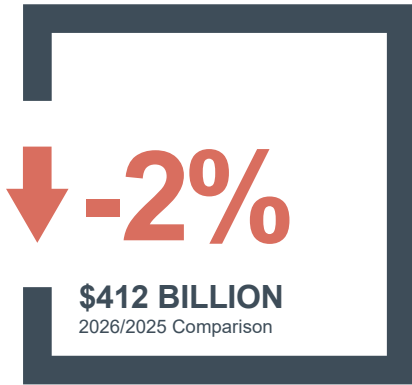
SOURCE: FMI FORECAST Q2 2026

# RESIDENTIAL CONSTRUCTION PUT IN PLACE

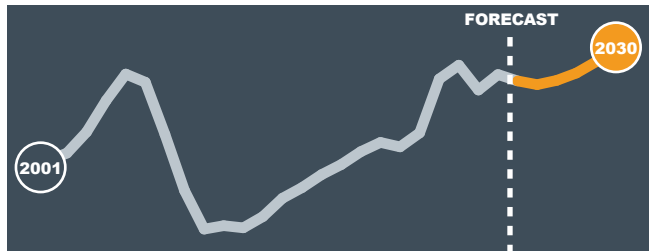
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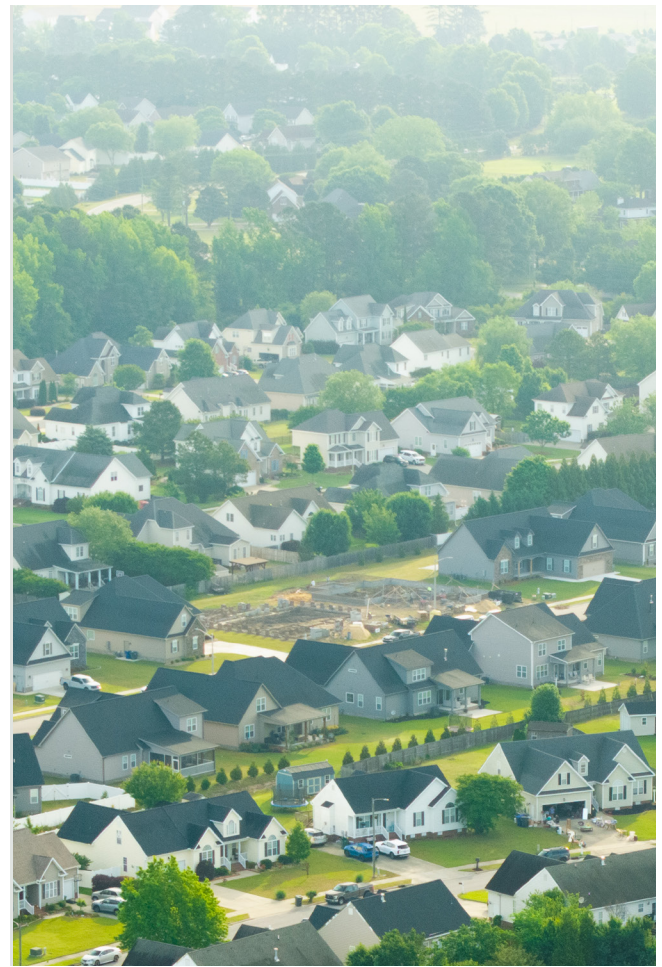
## SINGLE-FAMILY RESIDENTIAL



- DRIVERS:**
- Unemployment rates
  - Core CPI
  - Income
  - Mortgage rates
  - Home prices
  - Housing starts
  - Housing permits



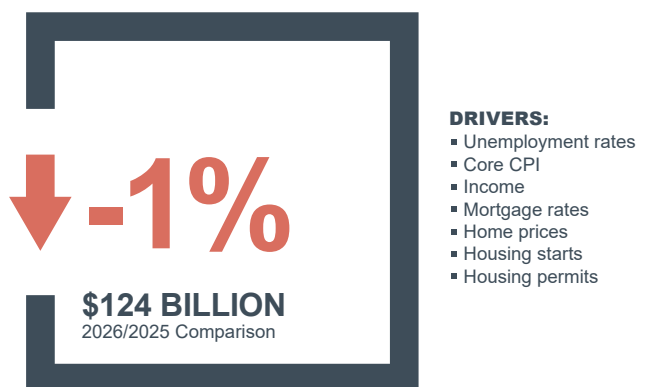
2027	STA	2%	\$421
2028	STA	4%	\$437
2029	UP	5%	\$461
2030	UP	7%	\$491



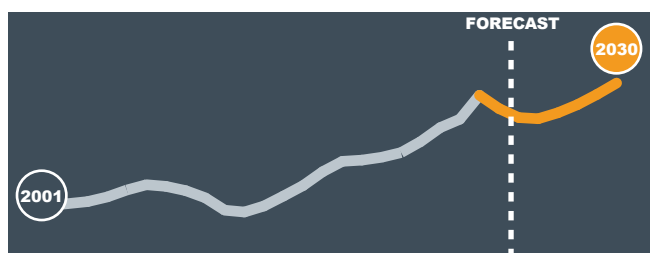
- New home sales started the year weak, falling 18% in January, the lowest since 2022 and 11% below year-ago levels, according to the U.S. Census Bureau. The median price declined 7% to \$400,500 and months' supply rose to 9.7, the highest since mid-2023. Product mix shows the average home size shrinking from roughly 2,700 square feet in 2016 to under 2,400 by late 2025.
- The 30-year fixed rate briefly dipped below 6% in late February (the lowest since mid-2022), supporting demand before the U.S.-Iran war pushed rates back up to 6.22% by mid-March. Rising oil prices tied to the closing of the Strait of Hormuz have escalated inflation expectations and Treasury yields, putting renewed upward pressure on mortgage rates and affordability.
- Builders continue to rely on incentives to sustain demand, manage absorption and control standing inventory. The National Association of Home Builders reported that 64% of builders offered incentives in March, the 12th consecutive month above 60%; 37% reduced prices by an average of 6%.

- Builder sentiment remains weak. The latest March Housing Market Index of 38 marks 23 consecutive months below the break-even level of 50. Sentiment reflects conditions prior to the military action and the subsequent increase in borrowing costs.
- Policy attention in 2026 is likely to focus on easing homeowner lock-in and improving affordability, though near-term impact on demand is expected to be moderate.

## MULTIFAMILY RESIDENTIAL



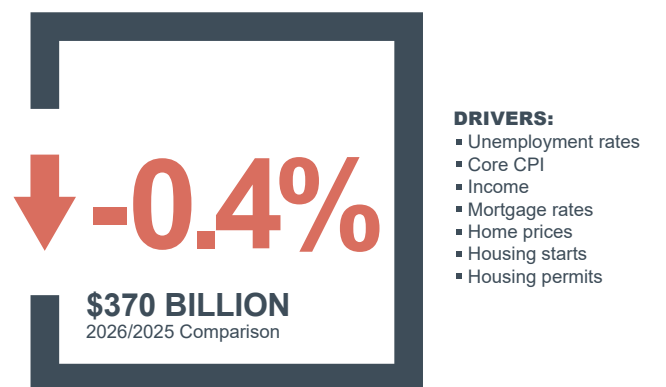
- DRIVERS:**
- Unemployment rates
  - Core CPI
  - Income
  - Mortgage rates
  - Home prices
  - Housing starts
  - Housing permits



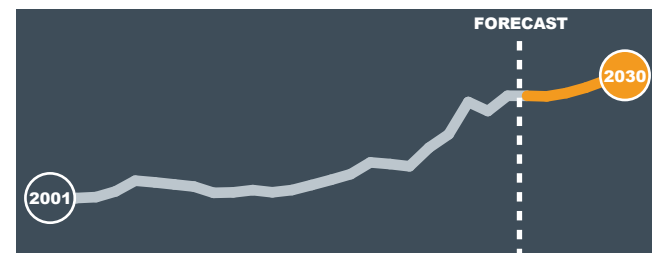
2027	UP	5%	\$131
2028	UP	7%	\$139
2029	UP	8%	\$150
2030	UP	8%	\$162

- Multifamily fundamentals remain soft but are stabilizing, with vacancies rising as deliveries outpaced demand in late 2025. Starts rebounded to near historical averages after falling sharply in 2024, signaling partial recovery even as a large pipeline keeps near-term supply elevated.
- Leasing continues to be competitive thanks to renewals that account for 57% of activity and lower tenant mobility. Rent growth is uneven, caused by weakness in oversupplied markets and more stable performance in existing assets.
- Developers are shifting toward adaptive reuse, office-to-residential conversions and affordable or mixed-income projects, supported by programs in markets like New York and Washington, D.C., and growing momentum in Houston and Chicago.
- Financing is still the primary constraint, as higher insurance, taxes and stricter lending standards reduce project feasibility and limit new development.

## IMPROVEMENTS



- DRIVERS:**
- Unemployment rates
  - Core CPI
  - Income
  - Mortgage rates
  - Home prices
  - Housing starts
  - Housing permits

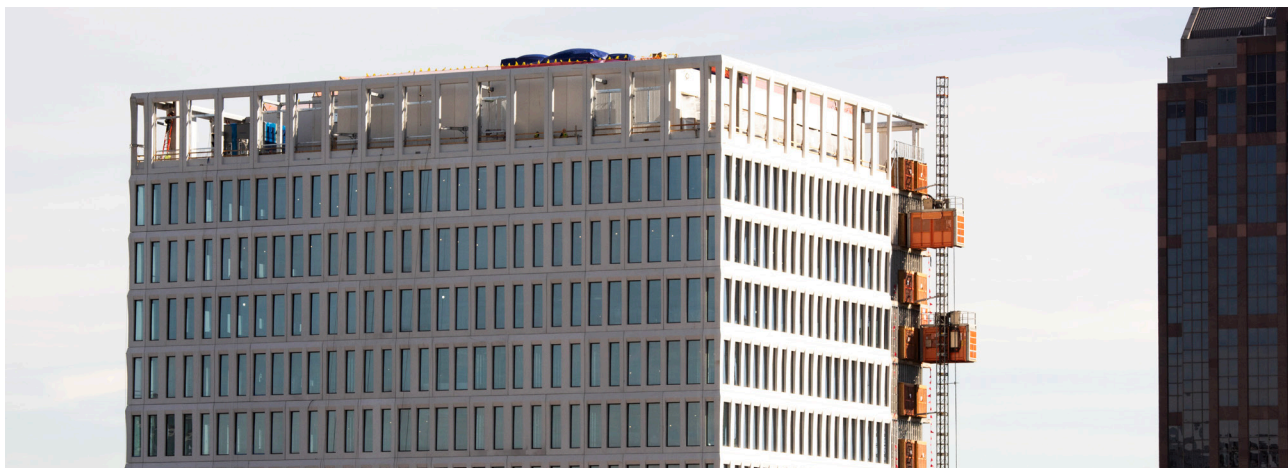


2027	STA	2%	\$379
2028	STA	4%	\$393
2029	UP	5%	\$412
2030	UP	6%	\$437

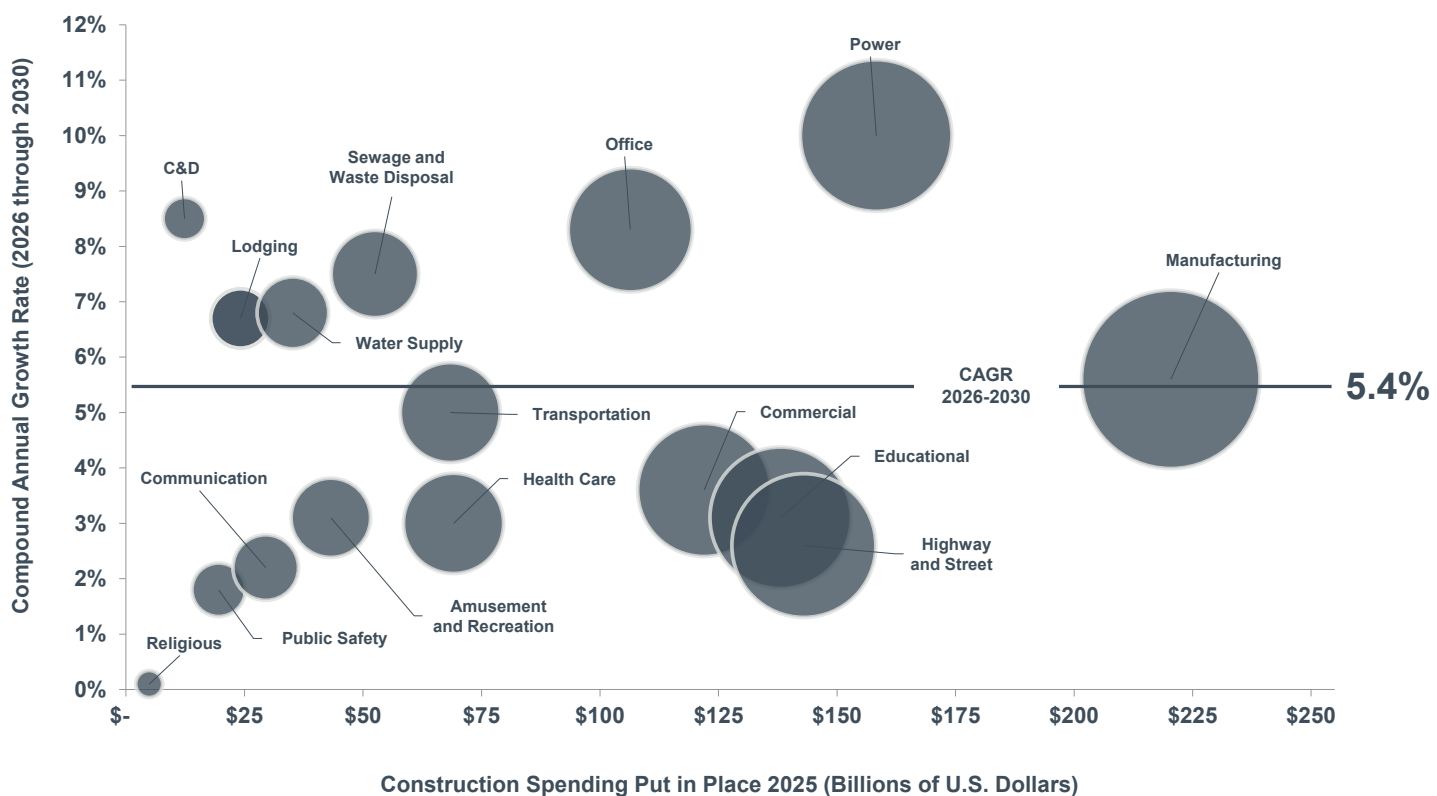
- Late 2025 results from Home Depot and Lowe's indicate a continued swing toward professional-driven demand, with high single-digit growth at Home Depot and roughly 30% of Lowe's sales. DIY and larger discretionary remodels remain weak.
- Aging housing stock sustains baseline demand, and rate lock-in limits home sales and turnover, reducing renovation activity tied to moves.
- Remodeling activity is moving toward essential repairs over discretionary upgrades. HELOC balances have risen to \$422 billion as of early 2026, indicating repair activity from homeowners avoiding refinancing low-rate mortgages.
- Policy and cost headwinds are expected to put a drag on demand through 2026. Energy credit phaseouts pulled some activity into late 2025, while higher borrowing rates and tariff impacts on materials, such as cabinets, are adding pressure to discretionary spending.

# NONRESIDENTIAL CONSTRUCTION PUT IN PLACE





## NONRESIDENTIAL CONSTRUCTION SPENDING PUT IN PLACE FORECAST GROWTH BY CONSTRUCTION SEGMENT



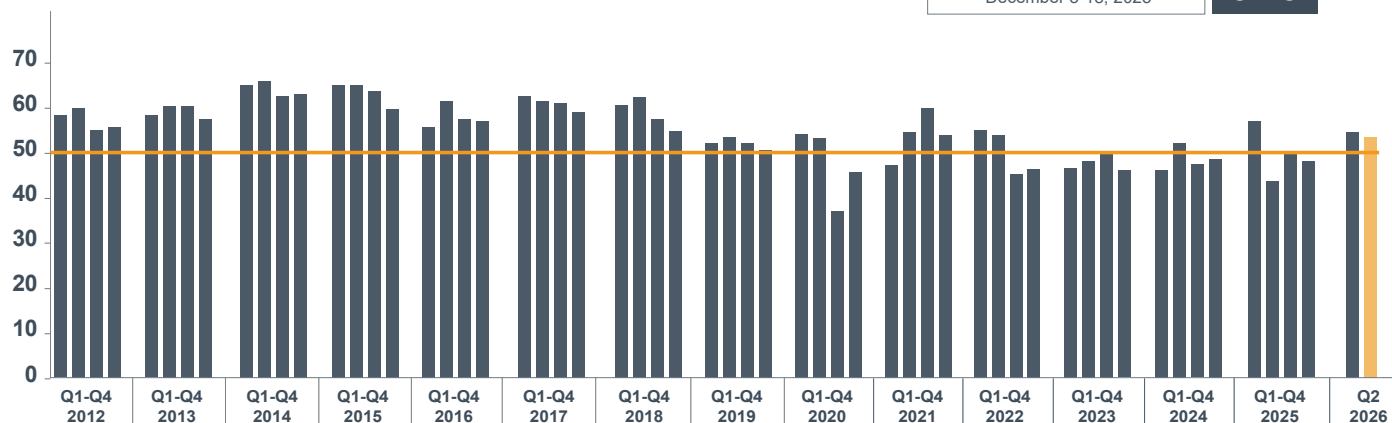
SOURCE: FMI FORECAST Q2 2026

# TOTAL NONRESIDENTIAL CONSTRUCTION INDEX (NRCI)

Q1 2012 TO Q2 2026

Scores above 50 indicate expansion; scores below 50 indicate contraction.

<b>Current NRCI Reading for Q2 2026</b> Survey dates: March 3-18, 2026	<b>53.4</b>
<b>Previous Reading</b> December 3-18, 2025	<b>54.5</b>

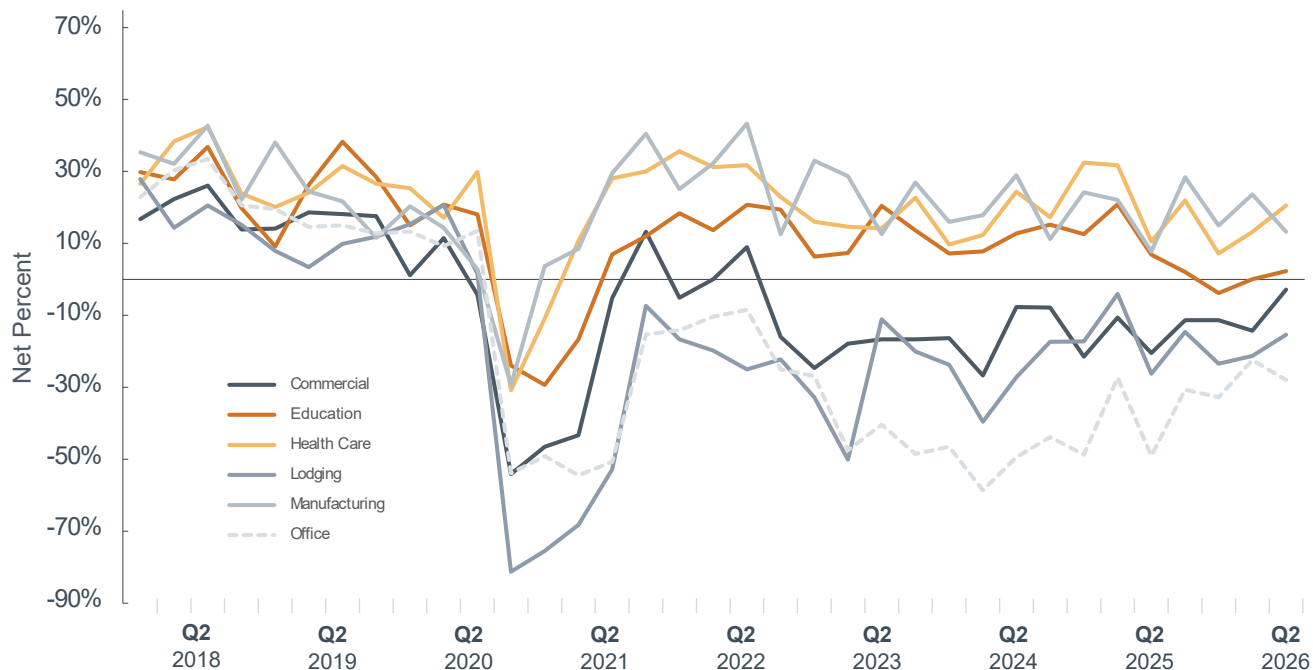


NRCI INDEX MOVEMENT		Q2 2026	Q1 2026
Overall U.S. Economy	↓	52.7	54.6
Economy Where We Do Business	↓	53.6	57.9
Our Engineering and Construction Business	↓	65.2	67.1
Engineering and Construction Where We Do Business	↑	58.9	58.6
Backlog	↓	64.3	70.4
Cost of Materials	↓	30.4	31.6
Cost of Labor	↑	30.4	28.3
Productivity	↓	50.0	53.9

The data in the NRCI is presented as a sampling of construction industry executives voluntarily serving as panelists for this FMI survey. Responses are based on their experience and opinions, and the analysis is based on FMI's interpretation of the aggregated results. [See the full NRCI analysis on our website.](#)

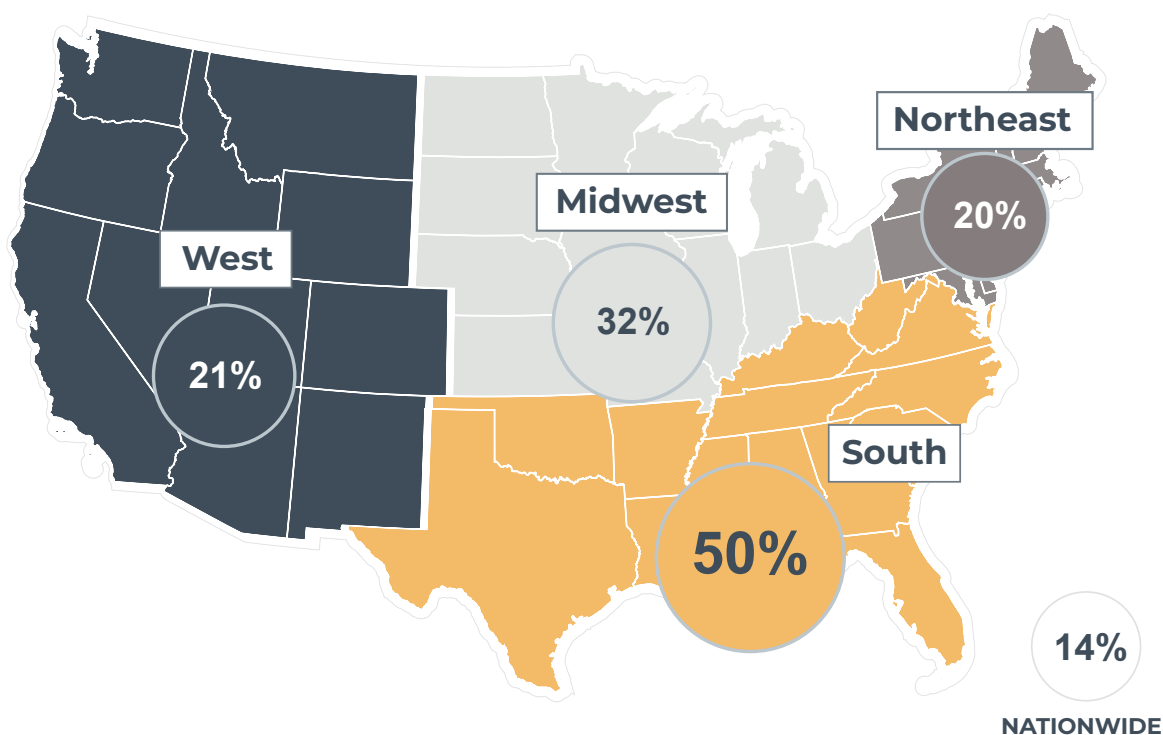
If you are interested in participating in this important industry index, please submit a request via our [NRCI Participation Request form.](#)

## RESPONDENTS REPORTING IMPROVING SEGMENT CONDITIONS QUARTER OVER QUARTER



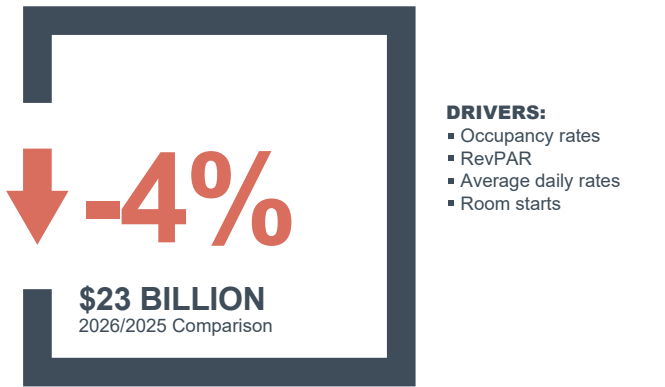
SOURCE: FMI RESEARCH

## WHERE SURVEY PARTICIPANTS WORK BY GEOGRAPHY\*

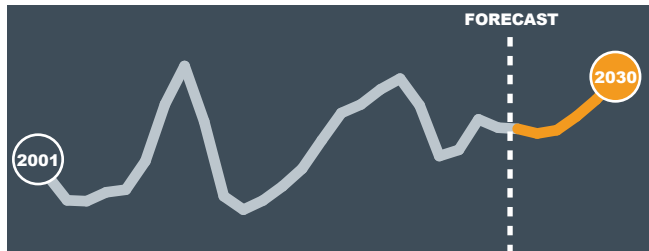


\*RESPONDENTS ARE ABLE TO SELECT MORE THAN ONE OPTION.

## LODGING



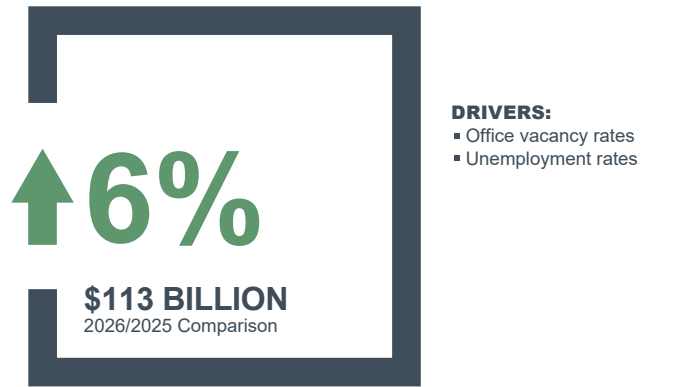
- DRIVERS:**
- Occupancy rates
  - RevPAR
  - Average daily rates
  - Room starts



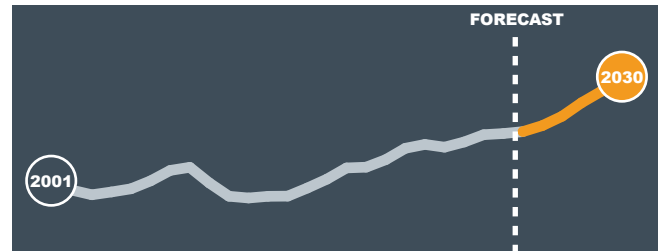
2027	STA	3%	\$24
2028	UP	11%	\$26
2029	UP	12%	\$30
2030	UP	13%	\$33

- Hotel fundamentals softened in 2025, with RevPAR declining -0.3% (the first non-recessionary drop on record), as occupancy fell and ADR growth lagged inflation. Early 2026 indicators show slight improvement, though gains are concentrated in higher-end segments, reflecting a bifurcated recovery.
- The pipeline is large but no longer expanding. More than 6,000 projects are planned, yet less than 20% are under construction. Activity is shifting toward conversions, since ground-up development continues to be challenged by financing.
- Renovations and targeted upgrades are driving 2026 spending, alongside increased investment in cost-saving technologies such as energy management and automation. Financing remains selective, as maturing debt pressures owners and drives recapitalizations and consolidation.
- Rising travel costs and higher oil prices from the Iran war are expected to impact demand in 2026, particularly across leisure and price-sensitive segments, as well as a potential spillover into business travel.

## OFFICE



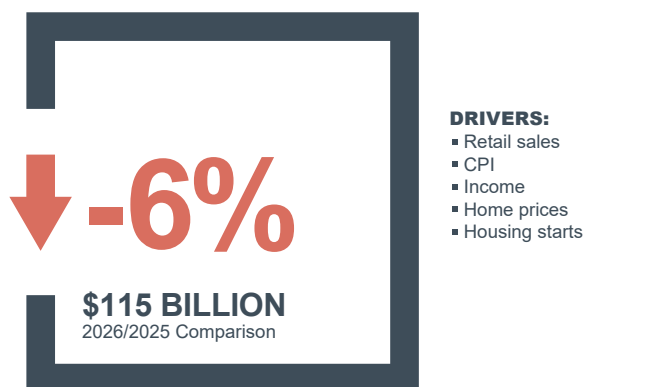
- DRIVERS:**
- Office vacancy rates
  - Unemployment rates



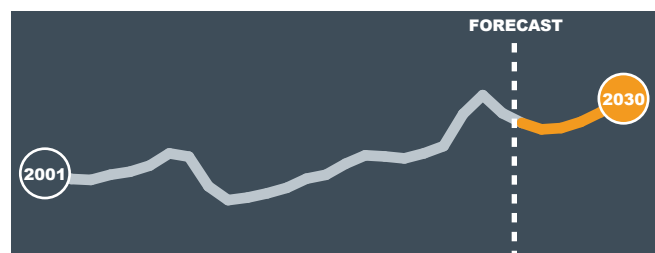
2027	UP	9%	\$123
2028	UP	12%	\$137
2029	UP	9%	\$149
2030	UP	6%	\$159

- **Office totals include data center construction, according to the Census Bureau, reorienting the segment's profile toward industrial and power-related work rather than traditional office interiors.** In 2026, data centers are expected to account for just over half of private office construction and will continue expanding share each year through 2030, driving all the growth in the segment.
- Data center vacancy remains near record lows at 1.6%, and more than 70% of capacity under construction is pre-leased, according to CBRE. Starts are up nearly 100% year-over-year, per ConstructConnect, as completion costs approach \$1,000 per square foot. Power availability, permitting and long equipment lead times are the ongoing primary constraints.
- Traditional office conditions are still oversupplied but stabilizing, with vacancy holding near 19% to 21%, depending on the source (Moody's, CBRE). Demand is concentrated in higher-quality assets; older buildings are burdened by longer lease timelines and competitive pricing pressure.
- Renovations and repositioning are the main construction activities in traditional office. Tenant improvement allowances have more than doubled since 2016, according to Savills, while construction costs continue to outpace budgets. Conversions are expanding but remain limited by asset-specific constraints that screen out a large share of potential projects.

## COMMERCIAL



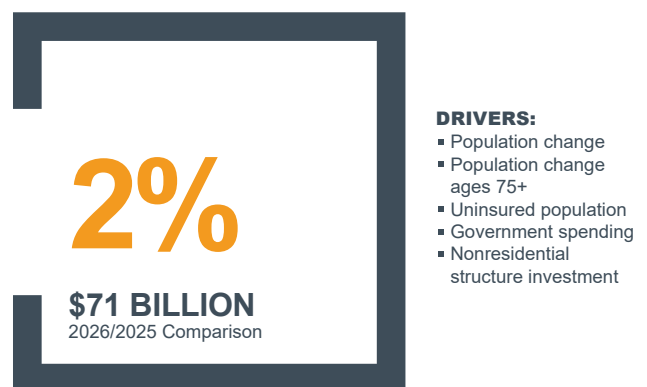
- DRIVERS:**
- Retail sales
  - CPI
  - Income
  - Home prices
  - Housing starts



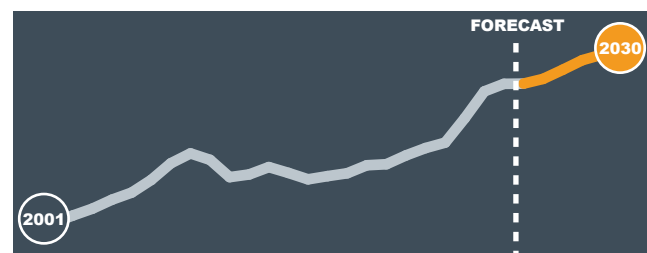
2027	STA	1%	\$117
2028	UP	6%	\$123
2029	UP	8%	\$133
2030	UP	9%	\$146

- Store closures are still outpacing openings, with more than 2,000 closures tracked early in 2026, according to Core-sight, led by discretionary and pharmacy segments. Leasing demand is concentrated in grocery-anchored centers, discounters and service-oriented tenants, reflecting consumers' move toward essential spending.
- Despite footprint reductions, in-store sales still account for roughly 85% of U.S. retail activity, per Census data. Most construction activity is in remodels, re-tenanting and mixed-use additions, helping keep vacancy low at 4.3%, with modest rent growth, according to NAR.
- Warehouse fundamentals are stabilizing after a sharp correction. Vacancy held near 7.1% in late 2025, absorption rebounded and deliveries fell to multiyear lows, according to Cushman & Wakefield. As speculative development pulls back, starts will favor build-to-suit investment.
- While smaller industrial assets remain tight, large-format warehouse vacancy is higher but improving due to recovering demand from 3PL, manufacturing and e-commerce. Leasing across both retail and industrial continues to favor newer, more efficient space. Elevated fuel costs are also pressuring logistics networks and reinforcing demand for more efficient, well-located distribution space.

## HEALTH CARE



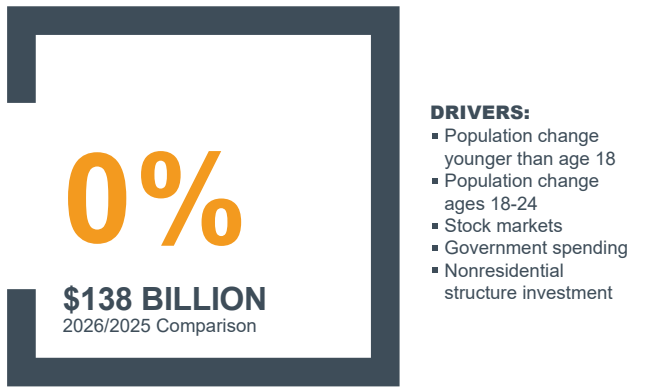
- DRIVERS:**
- Population change
  - Population change ages 75+
  - Uninsured population
  - Government spending
  - Nonresidential structure investment



2027	STA	4%	\$74
2028	STA	4%	\$77
2029	STA	2%	\$78
2030	STA	2%	\$80

- Large hospital systems are driving this sector, with starts projected to rise about 12% in 2026, according to ConstructConnect.
- Billion-dollar projects now represent a growing share of total spending, up significantly over the past decade. Investment is concentrated in major metros across the South and California.
- Specialty investment is accelerating, particularly in oncology, where Becker's identified more than \$4 billion in recent system-level commitments tied to precision care and advanced treatment facilities.
- Renovations and system upgrades continue to anchor activity, as owners prioritize operational efficiency, digital integration and AI-enabled workflows. At the same time, elevated borrowing costs and tariffs on equipment and specialty materials add cost pressure and execution risk for large projects.

## EDUCATIONAL



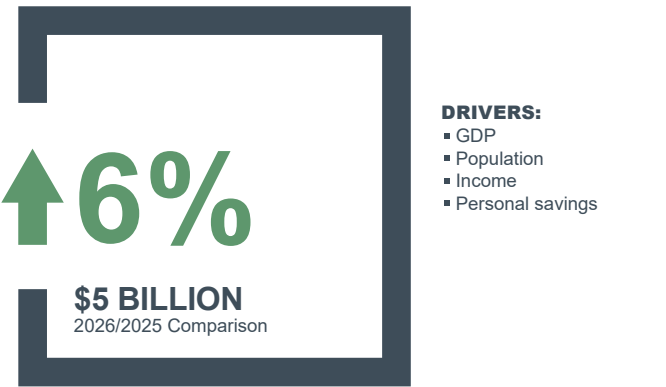
- DRIVERS:**
- Population change younger than age 18
  - Population change ages 18-24
  - Stock markets
  - Government spending
  - Nonresidential structure investment



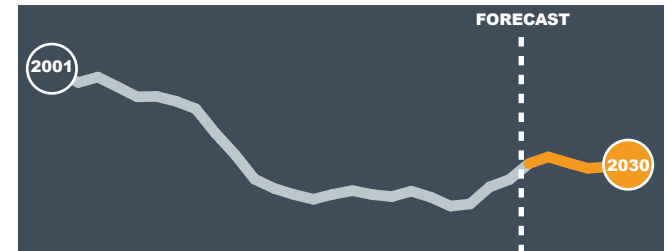
2027	STA	2%	\$141
2028	STA	4%	\$146
2029	UP	5%	\$153
2030	UP	5%	\$161

- K-12 construction is gaining momentum from strong local funding. Bond issuance reached \$82 billion in 2025, up 42% year-over-year and the highest in more than a decade, according to Bloomberg. Passage rates were near 80%.
- Despite strong bond issuance, funding continues to be a constraint. The expiration of federal Elementary and Secondary School Emergency Relief funds has led to an increased reliance on local bonds. Tariffs on materials, including structural steel and HVAC components, have eroded purchasing power and forced some districts to phase or scale back projects.
- Aging facilities drive baseline demand. Activity is focused on safety, security and building systems retrofits, including HVAC and indoor air quality upgrades.
- Higher education is expected to underperform through 2026. Enrollment uncertainty, endowment pressures and state funding constraints are limiting new investment, and universities are increasingly relying on public-private partnerships for campus housing, athletics and mixed-use development.

## RELIGIOUS



- DRIVERS:**
- GDP
  - Population
  - Income
  - Personal savings



2027	DWN	-5%	\$5
2028	DWN	-5%	\$5
2029	STA	1%	\$5
2030	STA	3%	\$5

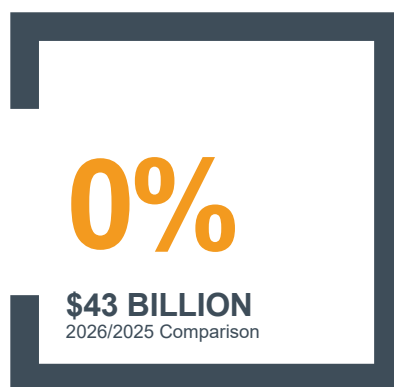
- Roughly 15,000 churches closed in 2025, and a similar number transitioned to part-time staffing, according to Pew and Axios, reflecting continued pressure on legacy footprints.
- Consolidation and property rationalization will drive investment over the forecast period. Spending is expected to shift toward rightsizing, deferred maintenance and targeted modernization, with more congregations pursuing mergers and shared campuses. Adaptive reuse will keep expanding, as underutilized properties are increasingly converted into housing, community space and mixed-use developments.
- New construction will be limited and mostly in high-growth Sun Belt markets such as Texas and Florida, where migration demands larger, campus-style facilities.

## PUBLIC SAFETY

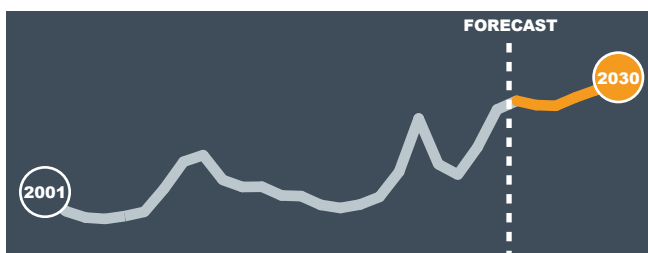


- DRIVERS:**
- Population
  - Government spending
  - Incarceration rates
  - Nonresidential structure investment

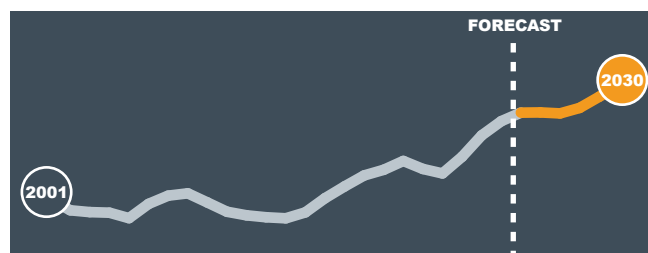
## AMUSEMENT AND RECREATION



- DRIVERS:**
- Income
  - Personal savings rates
  - Unemployment rates
  - Employment



2027	STA	0%	\$19
2028	UP	5%	\$20
2029	STA	4%	\$21
2030	STA	4%	\$21

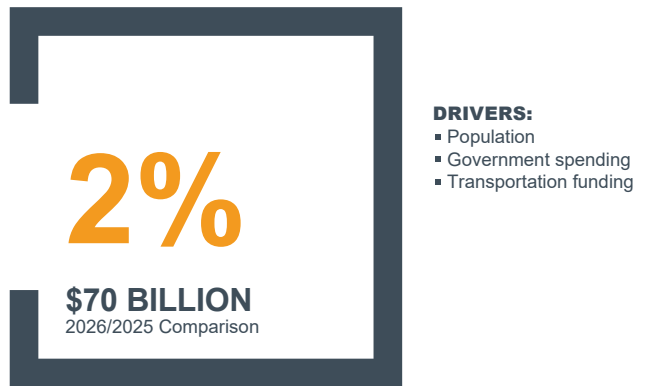


2027	DWN	-1%	\$43
2028	STA	3%	\$44
2029	UP	7%	\$47
2030	UP	6%	\$50

- Construction is expected to decline modestly in 2026, with near-term activity driven by state and local investment in police and fire facilities through bond-funded programs. Projects are increasingly smaller-scale upgrades rather than new builds, focused on relocations, functional improvements and building systems.
- Correctional construction remains weak. The declining inmate population restricts new prison starts and shifts spending toward renovations, medical additions and life-safety upgrades.
- Federal government-related construction is softening, as federal workforce reductions (employment has declined roughly 11% since late 2024, according to the Bureau of Labor Statistics) weigh on future investment.

- For the next several years, investment will remain concentrated in large, publicly supported projects, such as stadiums and convention centers. Smaller entertainment concepts will continue to face financing and demand challenges.
- Owners are increasingly focused on renovations and upgrades to digital systems, security and AI-enabled operations, including crowd management and audio-visual modernization.
- Municipal recreation investment proceeds at a steady pace, fueled by local bond funding that provides a stable base of spending.

## TRANSPORTATION



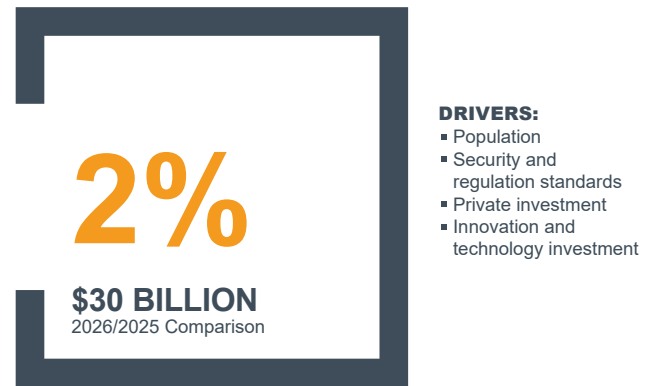
- DRIVERS:**
- Population
  - Government spending
  - Transportation funding



2027	STA	3%	\$72
2028	UP	6%	\$76
2029	UP	7%	\$82
2030	UP	7%	\$87

- Investment is stalling in 2026, as the segment approaches a key policy transition. The current surface transportation authorization under the Infrastructure Investment and Jobs Act (IIJA) expires September 30, 2026, and increasing uncertainty around its reauthorization may put the brakes on long-term funding.
- Near-term execution risk is elevated this year due to the partial government shutdown, causing delays in agency approvals and grant awards. These slowdowns can raise project costs through extended timelines and remobilization, even when underlying funding remains intact.
- The Federal Aviation Administration’s Airport Terminal Program, a major contributor to growth in the past, ends in 2026. Its final grants amount to \$1 billion, following \$5 billion deployed over the past five years. No successor program has been authorized, and active projects are increasingly constrained by capacity and phasing challenges.
- The Federal Transit Administration’s Capital Investment Grants program has \$28.6 billion in project requests, but a lack of recent awards is slowing construction activity. Rail and logistics modernization continue to support long-term demand, overlapping with expanding manufacturing capacity.

## COMMUNICATION



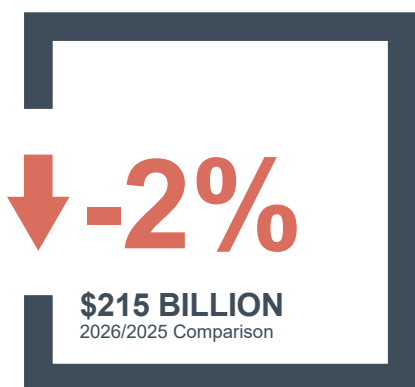
- DRIVERS:**
- Population
  - Security and regulation standards
  - Private investment
  - Innovation and technology investment



2027	STA	3%	\$31
2028	STA	2%	\$31
2029	STA	2%	\$32
2030	STA	2%	\$33

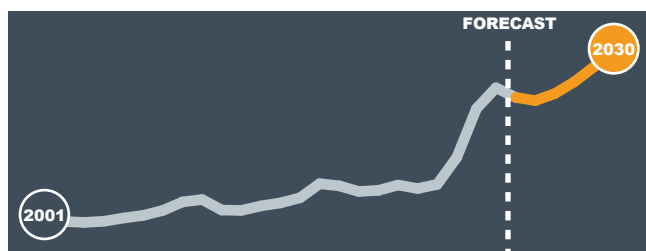
- The segment is transitioning from peak 5G investment to fiber-led expansion. Carrier capital spending has stabilized and operators are prioritizing network optimization over new buildouts.
- Fiber investment continues to be the primary driver, supported by the Broadband Equity, Access and Deployment (BEAD) program. Most state plans are now approved, but spending is weighted toward 2027–2028 and keeping near-term growth modest.
- Activity remains uneven due to permitting, access and compliance requirements, which are delaying some awards and starts despite a strong pipeline.
- Communication infrastructure is increasingly tied to data centers, with rising computing demand driving fiber capacity, redundancy and last-mile investment.

## MANUFACTURING



**DRIVERS:**

- PMI
- Industrial production
- Capacity utilization
- Durable goods orders
- Manufacturing inventories



2027	UP	5%	\$226
2028	UP	8%	\$245
2029	UP	10%	\$269
2030	UP	7%	\$289

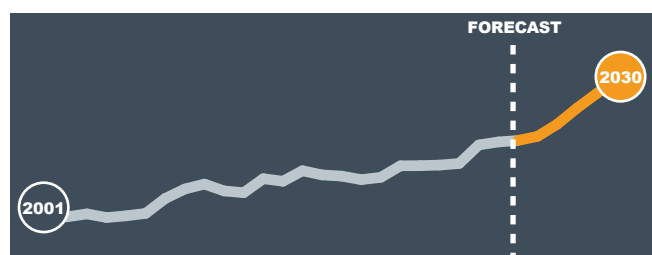
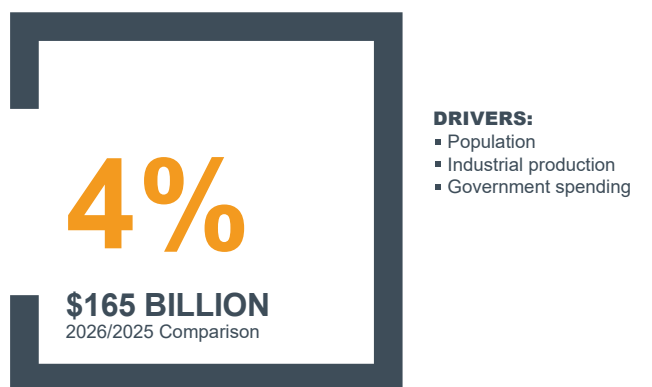
- Manufacturing construction is expected to decline in 2026, as the sector enters a consolidation phase following the reshoring surge. Construction spending is estimated to be down roughly 2%, even as broader manufacturing remains in expansion. Purchasing Managers’ Index readings in the low 50s (S&P Global, ISM) signal slower but still positive momentum.
- Chemicals and food and beverage are carrying near-term spending, while EV and battery investment has slowed. Semiconductor megaprojects are still moving forward, but timelines have stretched and new announcements have lost speed.
- Power availability, substation capacity and water integration are delaying project schedules: early site work advances, but major construction phases wait on interconnection. Specialized equipment lead times are also pushing schedules.
- Cost pressures are rising again, driven by tariffs on steel and equipment, and increasing oil prices caused by the Iran war. Owners face increasing input and logistics costs, compressing margins and delaying project execution.



# NONBUILDING STRUCTURES CONSTRUCTION PUT IN PLACE

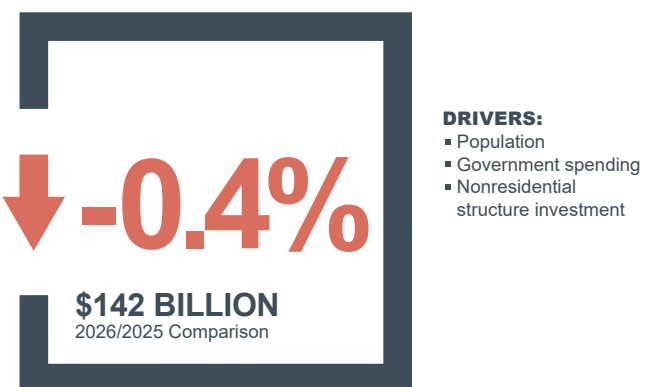


## POWER



2027	UP	12%	\$184
2028	UP	14%	\$209
2029	UP	11%	\$233
2030	UP	9%	\$255

## HIGHWAY AND STREET

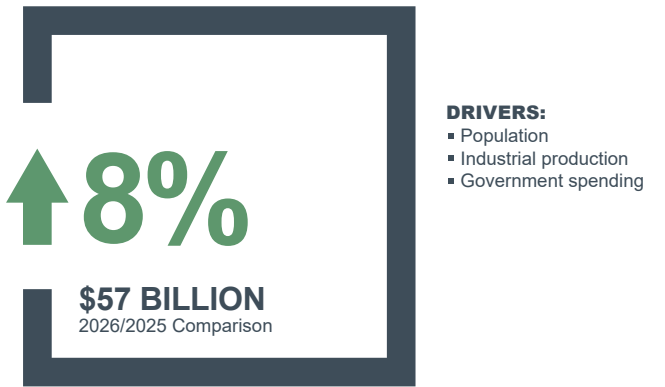


2027	STA	1%	\$144
2028	STA	4%	\$150
2029	UP	5%	\$157
2030	STA	4%	\$163

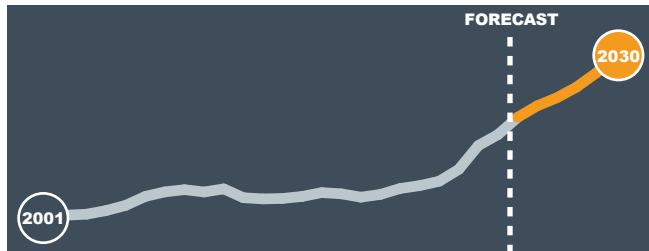
- Construction is expected to strengthen over the forecast period, alongside rising electricity demand. Data center load is a major driver, increasing from about 58 TWh in 2014 to 176 TWh in 2023, and projected to reach between 325 and 580 TWh by 2028, based on U.S. Energy Information Administration (EIA) and U.S. Department of Energy estimates.
- Near-term investment is increasingly concentrated in transmission and distribution, with utilities planning more than \$1.1 trillion in capital spending through 2029, per the Edison Electric Institute. Load growth is becoming more localized by data center and industrial demand.
- EIA projections show solar capacity growing more than 20% annually through 2027, and project gas-fired additions at the highest level in over a decade. Also, developers plan to add 24 GW of utility-scale battery storage to the grid this year, up from last year's record of 15 GW.
- Long lead times for transformers, gas turbines and other major equipment, along with limited skilled labor, are delaying project timelines and pushing peak activity further out, a trend widely cited in utility and contractor reporting. Rising energy prices linked to the Iran war are also increasing power costs and reinforcing the need for reliable capacity.

- Highway and street construction is expected to stay flat in 2026, as the IIJA funding cycle matures and completions offset fewer new starts. Federal highway programs remain elevated at roughly \$56.8 billion for FY2026.
- The segment is approaching a key policy transition, as IIJA authorization expires September 30, 2026. Without reauthorization, funding would revert to pre-IIJA levels, a material step down, though a continuing resolution at current levels is the most likely near-term outcome. States are adapting with accelerated delivery methods, fuel tax indexation (typically capped between 1.5% and 3.0% annually) and EV registration fees to stabilize long-term funding.
- Project mix is shifting toward completion and modernization. Spending growth is led by bridge work, which has grown roughly 10% year-over-year, per recent data.
- Diesel prices are up about \$1.20 per gallon since the Iran war began, asphalt costs follow on a lag and steel and rebar tariffs hover near 50%.

## SEWAGE AND WASTE DISPOSAL



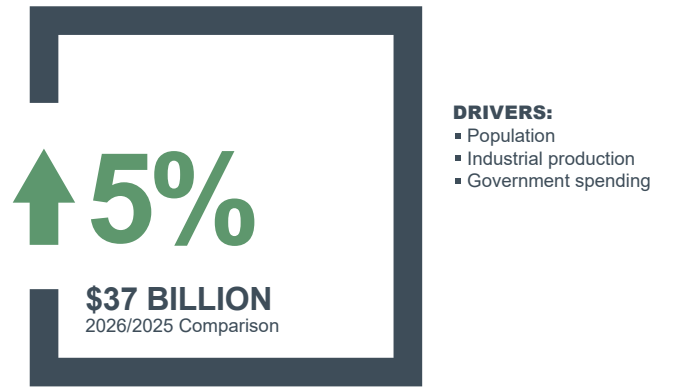
- DRIVERS:**
- Population
  - Industrial production
  - Government spending



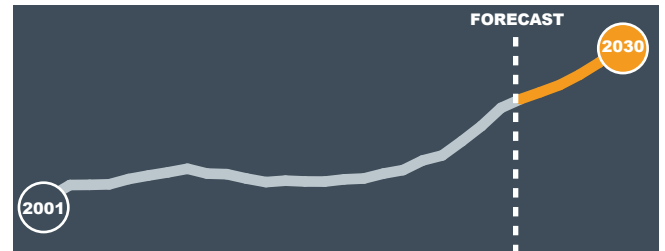
2027	UP	5%	\$60
2028	UP	7%	\$64
2029	UP	8%	\$69
2030	UP	9%	\$75

- Treatment plant upgrades and collection system work propel 2026 growth. WIFIA lending capacity totals roughly \$7 billion for FY2026: about \$6.5 billion for WIFIA and \$550 million for State Water Infrastructure Finance and Innovation Act (SWIFIA), according to the EPA.
- Data centers and advanced manufacturing are pushing demand for water reuse and reclamation. Utilities are tightening pretreatment and discharge systems to manage more complex waste streams.
- PFAS compliance is also pushing utilities toward upgraded treatment solutions, such as granular activated carbon and reverse osmosis.
- FY2026 appropriations hold EPA water programs around \$3.0 billion. Just over half of Clean Water State Revolving Fund funding is directed toward earmarks, according to Congressional Research Service analysis, reducing long-term lending capacity and adding planning uncertainty.

## WATER SUPPLY



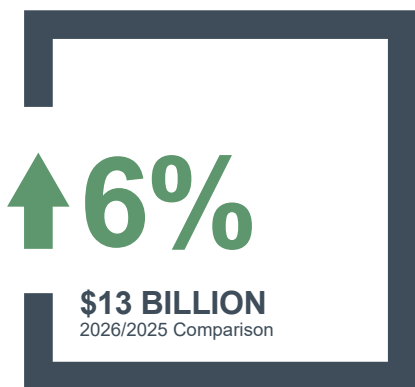
- DRIVERS:**
- Population
  - Industrial production
  - Government spending



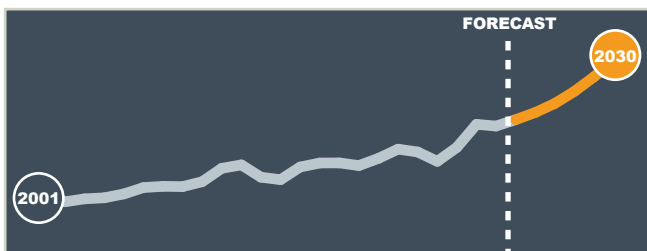
2027	UP	5%	\$39
2028	UP	7%	\$42
2029	UP	8%	\$45
2030	UP	9%	\$49

- Water supply construction is expected to expand in 2026, driven by population growth, industrial activity and rising demand from data centers and semiconductor facilities. This trend is pushing utilities toward expanded storage, treatment upgrades and non-potable reuse.
- Lead service line replacement is moving into active construction under the Lead and Copper Rule, representing a multi-decade investment cycle, with costs ranging from several thousand dollars to more than \$10,000 per line.
- Investment is increasingly focused on resilience and supply reliability; aquifer storage, desalination and water recycling are scaling across Western and Sun Belt states.
- Permitting timelines, right-of-way constraints and competition for electrical and controls talent are extending schedules, while FY2026 Drinking Water SRF funding remains uncertain, as a larger share of appropriations shifts toward earmarks.

## CONSERVATION AND DEVELOPMENT



- DRIVERS:**
- Population
  - Government spending



2027	UP	7%	\$14
2028	UP	9%	\$15
2029	UP	10%	\$17
2030	UP	10%	\$19

- The USACE Civil Works budget is proposed at roughly \$10.4 billion for FY2026, with congressional support above FY2025 enacted levels (~\$9.8B-\$9.9B, CRS). This reflects the growing importance of ports, waterways and flood control infrastructure.
- Navigation and dredging still dominate construction activity, accounting for more than 40% of the 2026 Civil Works budget. Investment, financed by Harbor Maintenance Trust Fund allocations, includes channel deepening, coastal restoration and ongoing maintenance across major U.S. ports.
- Reshoring, grid expansion and data center growth are pushing demand for reliable port access and coastal resilience, reinforcing long-term spending across the segment. Project timing is constrained by permitting, procurement and delivery capacity.



### Construction Put in Place Estimated for the United States

Millions of Current Dollars

2nd Quarter 2026 Forecast, Based on 4th Quarter 2025 Actuals and 1st Quarter 2026 Assumptions

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
<b>RESIDENTIAL BUILDINGS</b>											
Single-family	310,060	424,491	453,755	400,917	433,921	420,323	412,485	421,476	437,011	460,881	491,129
Multifamily	100,089	114,926	123,808	149,227	135,046	125,536	124,316	130,594	139,219	150,109	162,174
Improvements*	234,108	269,551	355,206	331,108	371,704	371,530	370,038	378,806	393,210	412,102	436,776
<b>Total Residential</b>	<b>644,257</b>	<b>808,968</b>	<b>932,768</b>	<b>881,252</b>	<b>940,671</b>	<b>917,389</b>	<b>906,840</b>	<b>930,876</b>	<b>969,441</b>	<b>1,023,092</b>	<b>1,090,080</b>
<b>NONRESIDENTIAL BUILDINGS</b>											
Lodging	28,483	19,082	20,236	25,897	24,353	24,140	23,274	23,886	26,443	29,541	33,333
Office	92,831	89,902	95,382	103,158	104,374	106,399	112,826	122,680	137,092	149,146	158,625
Commercial	89,714	97,394	131,503	151,468	132,345	121,979	115,134	116,526	123,053	133,157	145,760
Health Care	48,599	50,327	58,098	66,634	69,036	69,101	70,606	73,510	76,563	78,337	79,991
Educational	110,692	100,988	104,035	123,067	138,223	138,089	138,302	141,294	146,442	153,331	160,826
Religious	3,472	3,096	3,187	3,912	4,219	4,900	5,184	4,931	4,699	4,757	4,923
Public Safety	17,667	12,826	11,715	14,610	18,622	19,543	19,090	19,018	19,905	20,646	21,383
Amusement and Recreation	28,288	27,102	31,527	37,195	40,963	43,225	43,281	43,019	44,473	47,446	50,304
Transportation	60,734	59,075	60,908	65,155	65,683	68,410	69,881	72,098	76,141	81,594	87,296
Communication	23,876	23,091	24,366	28,501	29,553	29,483	30,006	30,861	31,452	32,050	32,832
Manufacturing	75,425	82,030	125,025	202,460	235,730	220,401	215,316	226,397	245,144	269,086	289,195
<b>Total Nonresidential Buildings</b>	<b>579,781</b>	<b>564,913</b>	<b>665,982</b>	<b>822,057</b>	<b>863,101</b>	<b>845,670</b>	<b>842,901</b>	<b>874,220</b>	<b>931,408</b>	<b>999,092</b>	<b>1,064,468</b>
<b>NONBUILDING STRUCTURES</b>											
Power	118,168	119,108	121,605	151,105	155,898	158,253	164,785	184,041	209,468	232,564	254,510
Highway and Street	102,321	103,381	115,655	139,746	144,406	142,981	142,438	144,438	150,041	156,880	162,784
Sewage and Waste Disposal	27,189	28,811	33,246	42,093	46,136	52,527	56,807	59,800	63,726	68,943	75,249
Water Supply	18,952	20,284	24,056	28,084	32,887	35,219	37,050	38,968	41,666	44,873	48,850
Conservation and Development	8,903	7,911	9,392	11,838	11,653	12,333	13,090	14,053	15,331	16,882	18,525
<b>Total Nonbuilding Structures</b>	<b>275,533</b>	<b>279,495</b>	<b>303,954</b>	<b>372,866</b>	<b>390,980</b>	<b>401,313</b>	<b>414,169</b>	<b>441,299</b>	<b>480,231</b>	<b>520,141</b>	<b>559,916</b>
<b>Total Put in Place</b>	<b>\$1,499,571</b>	<b>\$1,653,376</b>	<b>\$1,902,704</b>	<b>\$2,076,175</b>	<b>\$2,194,752</b>	<b>\$2,164,372</b>	<b>\$2,163,910</b>	<b>\$2,246,394</b>	<b>\$2,381,080</b>	<b>\$2,542,325</b>	<b>\$2,714,465</b>

### Construction Put in Place Estimated for the United States

Change From Prior Year — Current Dollar Basis

2nd Quarter 2026 Forecast, Based on 4th Quarter 2025 Actuals and 1st Quarter 2026 Assumptions

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
<b>RESIDENTIAL BUILDINGS</b>											
Single-family	11%	37%	7%	-12%	8%	-3%	-2%	2%	4%	5%	7%
Multifamily	13%	15%	8%	21%	-10%	-7%	-1%	5%	7%	8%	8%
Improvements*	27%	15%	32%	-7%	12%	0%	0%	2%	4%	5%	6%
<b>Total Residential</b>	<b>16%</b>	<b>26%</b>	<b>15%</b>	<b>-6%</b>	<b>7%</b>	<b>-2%</b>	<b>-1%</b>	<b>3%</b>	<b>4%</b>	<b>6%</b>	<b>7%</b>
<b>NONRESIDENTIAL BUILDINGS</b>											
Lodging	-15%	-33%	6%	28%	-6%	-1%	-4%	3%	11%	12%	13%
Office	5%	-3%	6%	8%	1%	2%	6%	9%	12%	9%	6%
Commercial	6%	9%	35%	15%	-13%	-8%	-6%	1%	6%	8%	9%
Health Care	5%	4%	15%	15%	4%	0%	2%	4%	4%	2%	2%
Educational	2%	-9%	3%	18%	12%	0%	0%	2%	4%	5%	5%
Religious	-7%	-11%	3%	23%	8%	16%	6%	-5%	-5%	1%	3%
Public Safety	47%	-27%	-9%	25%	27%	5%	-2%	0%	5%	4%	4%
Amusement and Recreation	-7%	-4%	16%	18%	10%	6%	0%	-1%	3%	7%	6%
Transportation	6%	-3%	3%	7%	1%	4%	2%	3%	6%	7%	7%
Communication	8%	-3%	6%	17%	4%	0%	2%	3%	2%	2%	2%
Manufacturing	-7%	9%	52%	62%	16%	-7%	-2%	5%	8%	10%	7%
<b>Total Nonresidential Buildings</b>	<b>2%</b>	<b>-3%</b>	<b>18%</b>	<b>23%</b>	<b>5%</b>	<b>-2%</b>	<b>0%</b>	<b>4%</b>	<b>7%</b>	<b>7%</b>	<b>7%</b>
<b>NONBUILDING STRUCTURES</b>											
Power	0%	1%	2%	24%	3%	2%	4%	12%	14%	11%	9%
Highway and Street	3%	1%	12%	21%	3%	-1%	0%	1%	4%	5%	4%
Sewage and Waste Disposal	4%	6%	15%	27%	10%	14%	8%	5%	7%	8%	9%
Water Supply	16%	7%	19%	17%	17%	7%	5%	5%	7%	8%	9%
Conservation and Development	-3%	-11%	19%	26%	-2%	6%	6%	7%	9%	10%	10%
<b>Total Nonbuilding Structures</b>	<b>2%</b>	<b>1%</b>	<b>9%</b>	<b>23%</b>	<b>5%</b>	<b>3%</b>	<b>3%</b>	<b>7%</b>	<b>9%</b>	<b>8%</b>	<b>8%</b>
<b>Total Put in Place</b>	<b>8%</b>	<b>10%</b>	<b>15%</b>	<b>9%</b>	<b>6%</b>	<b>-1%</b>	<b>0%</b>	<b>4%</b>	<b>6%</b>	<b>7%</b>	<b>7%</b>

\*Improvements includes additions, alterations and major replacements. It does not include maintenance and repairs.

# CANADIAN ENGINEERING AND CONSTRUCTION OUTLOOK

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# CANADIAN KEY TAKEAWAYS

- Total engineering and construction spending for Canada is forecast to end 2026 up 6.5% after climbing 6.4% in 2025. Strength is largely limited to the multifamily and infrastructure segments. According to Statistics Canada, the Commonwealth nation’s resident population declined by .2% in 2025. This is the first time since 1946 that Canada has experienced a yearly population decline and is mainly attributable to tighter immigration laws.
- Growth in 2026 will be slow in the nonresidential building sector, with a 2.2% growth rate closely

mirroring Canada’s expected inflation. Religious and manufacturing segments are expected to be down. Segments expected to be up (growth between 0% - 4%) include single family residential, commercial, educational, public safety, amusement and recreation, and communication.

- Year-end expected growth rates of 5% or more are anticipated for multifamily, residential improvements, lodging, office, transportation, healthcare, and non-building infrastructure. Transportation and infrastructure spending continues, with

Canada’s commitment to diversifying trade opportunities.

- In March, the Bank of Canada decided to maintain interest rates at 2.25%. Leaders of the central bank expressed caution due to the evolving war in the Middle East and continued adjustment to U.S. tariff changes. Higher oil prices benefit Canada’s oil producing regions, but can lead to general price inflation for all sectors. The country’s domestic energy market may also face disruption as it begins to import Chinese electric vehicles.

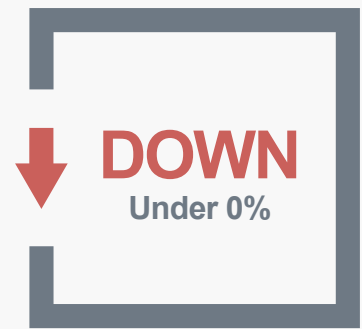
## CANADA 2026 SEGMENT PERFORMANCE 2025/2026 COMPARISON



- Multifamily
- Residential Improvements
- Lodging
- Office
- Health Care
- Transportation
- Power
- Highway and Street
- Sewage and Water Disposal
- Water Supply
- Conservation and Development



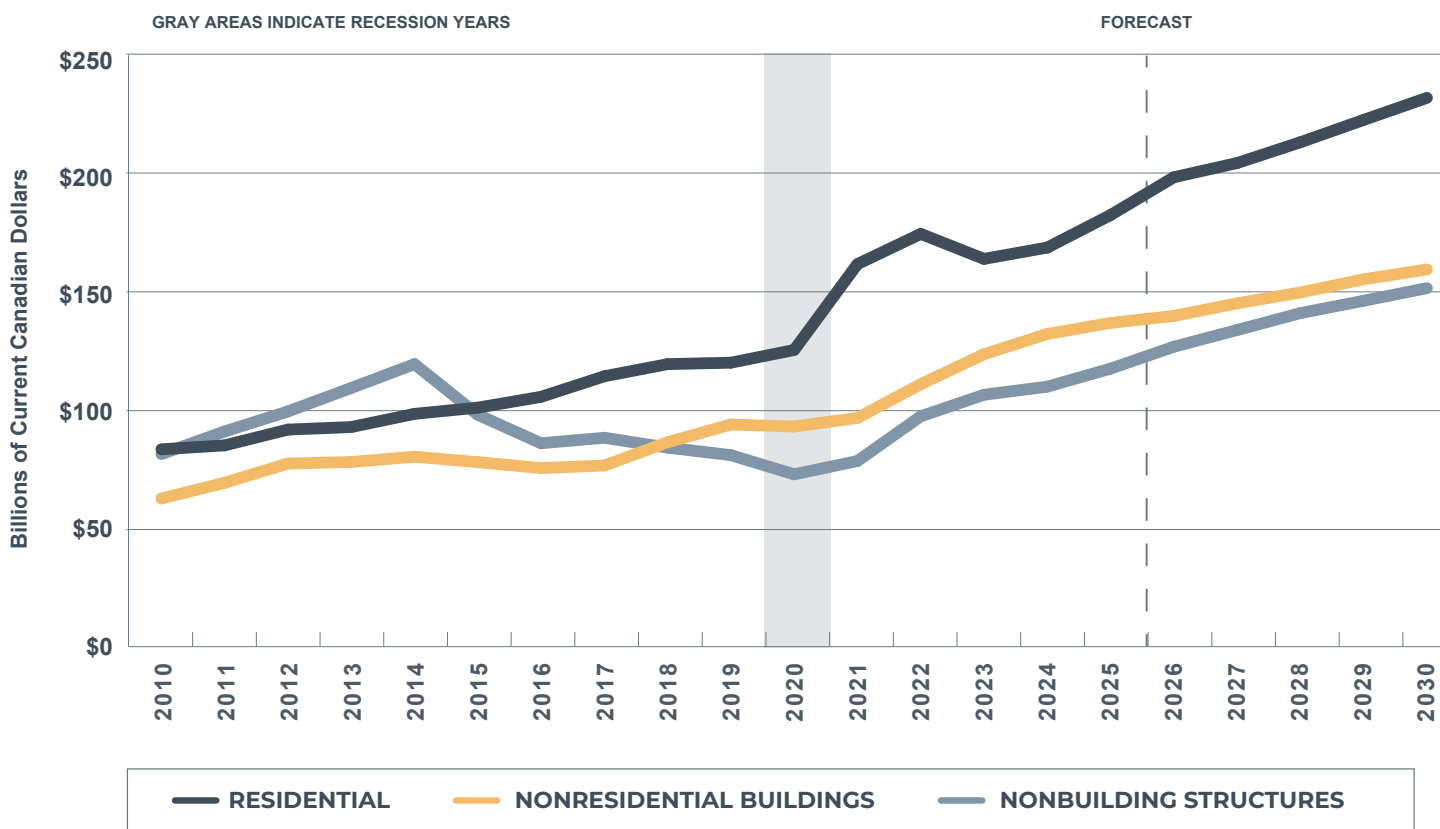
- Single-family
- Commercial
- Educational
- Public Safety
- Amusement and Recreation
- Communication



- Religious
- Manufacturing



## TOTAL CONSTRUCTION SPENDING PUT IN PLACE ESTIMATED FOR CANADA

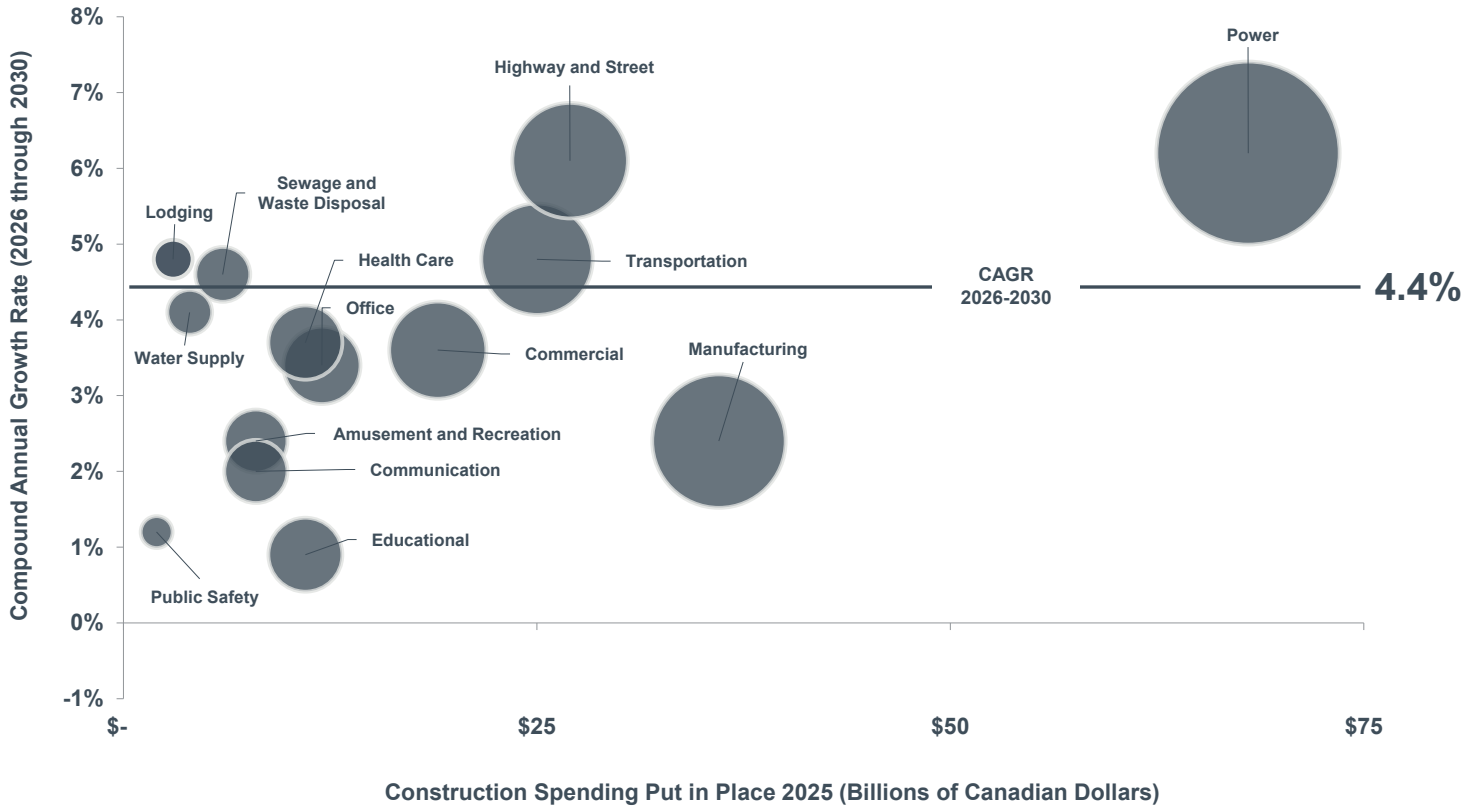


SOURCE: FMI FORECAST Q2 2026

Second quarter 2026 forecast, based on fourth quarter 2025 actuals and first quarter 2026 assumptions.



## NONRESIDENTIAL CONSTRUCTION SPENDING PUT IN PLACE FORECAST GROWTH BY CONSTRUCTION SEGMENT



SOURCE: FMI FORECAST Q2 2026

## Construction Put in Place Estimated for Canada

Millions of Current Canadian Dollars

2nd Quarter 2026 Forecast, Based on 4th Quarter 2025 Actuals and 1st Quarter 2026 Assumptions

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
<b>RESIDENTIAL BUILDINGS</b>											
Single-family	23,976	34,821	36,364	29,329	29,225	29,040	29,922	29,339	30,365	31,714	33,596
Multifamily	38,292	46,199	50,406	52,425	56,744	62,770	68,534	71,724	75,797	79,054	80,674
Improvements*	63,083	80,820	87,912	82,299	82,893	90,875	100,284	103,712	107,445	112,331	118,209
<b>Total Residential</b>	<b>125,351</b>	<b>161,840</b>	<b>174,682</b>	<b>164,053</b>	<b>168,862</b>	<b>182,685</b>	<b>198,739</b>	<b>204,775</b>	<b>213,607</b>	<b>223,100</b>	<b>232,480</b>
<b>NONRESIDENTIAL BUILDINGS</b>											
Lodging	2,748	2,445	2,481	2,666	3,146	2,850	3,132	3,226	3,319	3,535	3,602
Office	11,674	10,692	11,302	12,002	11,468	12,494	13,422	14,305	14,721	15,088	14,794
Commercial	14,834	15,583	20,821	20,506	20,689	19,387	19,927	20,783	22,073	23,001	23,146
Health Care	5,756	6,311	7,163	7,996	10,127	11,173	12,021	12,235	12,614	13,040	13,409
Educational	6,938	8,004	8,332	8,785	9,555	10,948	11,029	11,343	11,263	11,362	11,468
Religious	415	318	312	361	442	520	477	456	418	411	408
Public Safety	1,753	1,605	1,697	1,802	1,722	1,876	1,947	2,013	2,060	2,061	1,993
Amusement and Recreation	4,352	3,983	4,814	5,909	7,572	8,389	8,429	8,640	9,030	9,313	9,446
Transportation	16,436	18,077	18,685	19,679	23,217	25,109	26,370	27,577	28,482	29,782	31,771
Communication	7,035	7,450	7,485	8,569	7,379	7,854	8,093	8,350	8,411	8,567	8,690
Manufacturing	20,883	22,013	27,747	35,269	36,860	36,246	34,969	36,258	37,397	39,240	40,842
<b>Total Nonresidential Buildings</b>	<b>92,824</b>	<b>96,481</b>	<b>110,840</b>	<b>123,543</b>	<b>132,177</b>	<b>136,844</b>	<b>139,818</b>	<b>145,185</b>	<b>149,789</b>	<b>155,401</b>	<b>159,569</b>
<b>NONBUILDING STRUCTURES</b>											
Power	45,348	51,359	67,459	72,081	73,432	76,978	83,670	87,928	92,217	97,178	101,056
Highway and Street	19,027	18,940	21,092	24,794	26,108	29,081	30,890	33,213	35,684	35,443	36,752
Sewage and Waste Disposal	4,846	4,784	4,715	5,327	5,680	6,315	6,724	6,818	7,193	7,594	7,723
Water Supply	3,214	3,047	3,823	4,040	4,381	4,875	5,200	5,499	5,598	5,737	5,775
Conservation and Development	81	49	83	85	163	177	236	367	315	315	315
<b>Total Nonbuilding Structures</b>	<b>72,516</b>	<b>78,179</b>	<b>97,172</b>	<b>106,327</b>	<b>109,764</b>	<b>117,427</b>	<b>126,720</b>	<b>133,825</b>	<b>141,009</b>	<b>146,266</b>	<b>151,621</b>
<b>Total Put in Place</b>	<b>\$290,690</b>	<b>\$336,500</b>	<b>\$382,694</b>	<b>\$393,923</b>	<b>\$410,803</b>	<b>\$436,956</b>	<b>\$465,277</b>	<b>\$483,786</b>	<b>\$504,405</b>	<b>\$524,766</b>	<b>\$543,669</b>

## Construction Put in Place Estimated for Canada

Change From Prior Year — Current Canadian Dollars

2nd Quarter 2026 Forecast, Based on 4th Quarter 2025 Actuals and 1st Quarter 2026 Assumptions

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
<b>RESIDENTIAL BUILDINGS</b>											
Single-family	4%	45%	4%	-19%	0%	-1%	3%	-2%	3%	4%	6%
Multifamily	8%	21%	9%	4%	8%	11%	9%	5%	6%	4%	2%
Improvements*	3%	28%	9%	-6%	1%	10%	10%	3%	4%	5%	5%
<b>Total Residential</b>	<b>5%</b>	<b>29%</b>	<b>8%</b>	<b>-6%</b>	<b>3%</b>	<b>8%</b>	<b>9%</b>	<b>3%</b>	<b>4%</b>	<b>4%</b>	<b>4%</b>
<b>NONRESIDENTIAL BUILDINGS</b>											
Lodging	-9%	-11%	1%	7%	18%	-9%	10%	3%	3%	6%	2%
Office	3%	-8%	6%	6%	-4%	9%	7%	7%	3%	2%	-2%
Commercial	-6%	5%	34%	-2%	1%	-6%	3%	4%	6%	4%	1%
Health Care	8%	10%	14%	12%	27%	10%	8%	2%	3%	3%	3%
Educational	3%	15%	4%	5%	9%	15%	1%	3%	-1%	1%	1%
Religious	-7%	-24%	-2%	15%	22%	18%	-8%	-5%	-8%	-2%	-1%
Public Safety	3%	-8%	6%	6%	-4%	9%	4%	3%	2%	0%	-3%
Amusement and Recreation	6%	-8%	21%	23%	28%	11%	0%	3%	5%	3%	1%
Transportation	3%	10%	3%	5%	18%	8%	5%	5%	3%	5%	7%
Communication	16%	6%	0%	14%	-14%	6%	3%	3%	1%	2%	1%
Manufacturing	-10%	5%	26%	27%	5%	-2%	-4%	4%	3%	5%	4%
<b>Total Nonresidential Buildings</b>	<b>-1%</b>	<b>4%</b>	<b>15%</b>	<b>11%</b>	<b>7%</b>	<b>4%</b>	<b>2%</b>	<b>4%</b>	<b>3%</b>	<b>4%</b>	<b>3%</b>
<b>NONBUILDING STRUCTURES</b>											
Power	-16%	13%	31%	7%	2%	5%	9%	5%	5%	5%	4%
Highway and Street	3%	0%	11%	18%	5%	11%	6%	8%	7%	-1%	4%
Sewage and Waste Disposal	5%	-1%	-1%	13%	7%	11%	6%	1%	6%	6%	2%
Water Supply	-7%	-5%	25%	6%	8%	11%	7%	6%	2%	2%	1%
Conservation and Development	-45%	-40%	69%	2%	92%	9%	33%	56%	-14%	0%	0%
<b>Total Nonbuilding Structures</b>	<b>-10%</b>	<b>8%</b>	<b>24%</b>	<b>9%</b>	<b>3%</b>	<b>7%</b>	<b>8%</b>	<b>6%</b>	<b>5%</b>	<b>4%</b>	<b>4%</b>
<b>Total Put in Place</b>	<b>-1%</b>	<b>16%</b>	<b>14%</b>	<b>3%</b>	<b>4%</b>	<b>6%</b>	<b>6%</b>	<b>4%</b>	<b>4%</b>	<b>4%</b>	<b>4%</b>

\*Improvements includes additions, alterations and major replacements. It does not include maintenance and repairs.

# U.S. Economic and Policy Considerations Assumed in Our Forecast

Our base-case Q2 2026 forecast assumes the U.S. economy avoids recession this year but remains in a low-growth environment. Expansion in data centers, power and water infrastructure offsets continued weakness in residential, commercial and manufacturing. GDP growth stays modest, labor markets soften gradually and inflation holds higher than the Federal Reserve's 2% target through much of the year, limiting the pace of future rate policy adjustments.

The Iran war is the central macro-driver in the near term. Disruptions to global oil supply have pushed energy prices higher and increased inflation expectations. This is already moving through diesel, asphalt and freight costs, and is contributing to higher Treasury yields and tighter financial conditions. The base case assumes elevated energy prices through 2026, and some moderation in 2027. The effects of the conflict appear across segments, from mortgage rates constraining single family demand to diesel and asphalt costs compressing highway margins. A prolonged disruption would further raise costs and extend rate pressure across the industry.

Trade policy persists as a cost factor and source of uncertainty. Section 232 tariffs on steel, aluminum and other key inputs are still in place, and the broader tariff framework is unsettled ahead of midterm elections. The policy path for tariffs is increasingly tied to political outcomes, with potential for either expansion or rollback depending on election results. This uncertainty is extending procurement timelines, compressing margins and slowing later-phase commitments on projects already underway.

Federal policy timing is concentrated this year. The IJIA surface transportation authorization expires September 30, and no reauthorization bill has been introduced. The base case assumes continued funding through interim measures. The partial government shutdown has already affected agency timing, causing delays in approvals and grant awards that hike project costs and extend schedules. Midterm election positioning is also influencing federal spending priorities and may delay clarity on both infrastructure funding and program-level allocations.

Electricity demand is structurally higher than in the prior decade, and is a central driver of the forecast. Data centers, industrial expansion and electrification are increasing load requirements, which motivates investment in generation, transmission and distribution. The primary constraints on execution are interconnection timelines, transformer availability, controls and labor.

Public and regulated segments retain the strongest visibility. Private markets remain selective through tighter underwriting and slower decision-making. Projects with funding, contracts or regulatory requirements move forward, while speculative and discretionary construction remain limited.



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