

Market Intelligence

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ACEC MA

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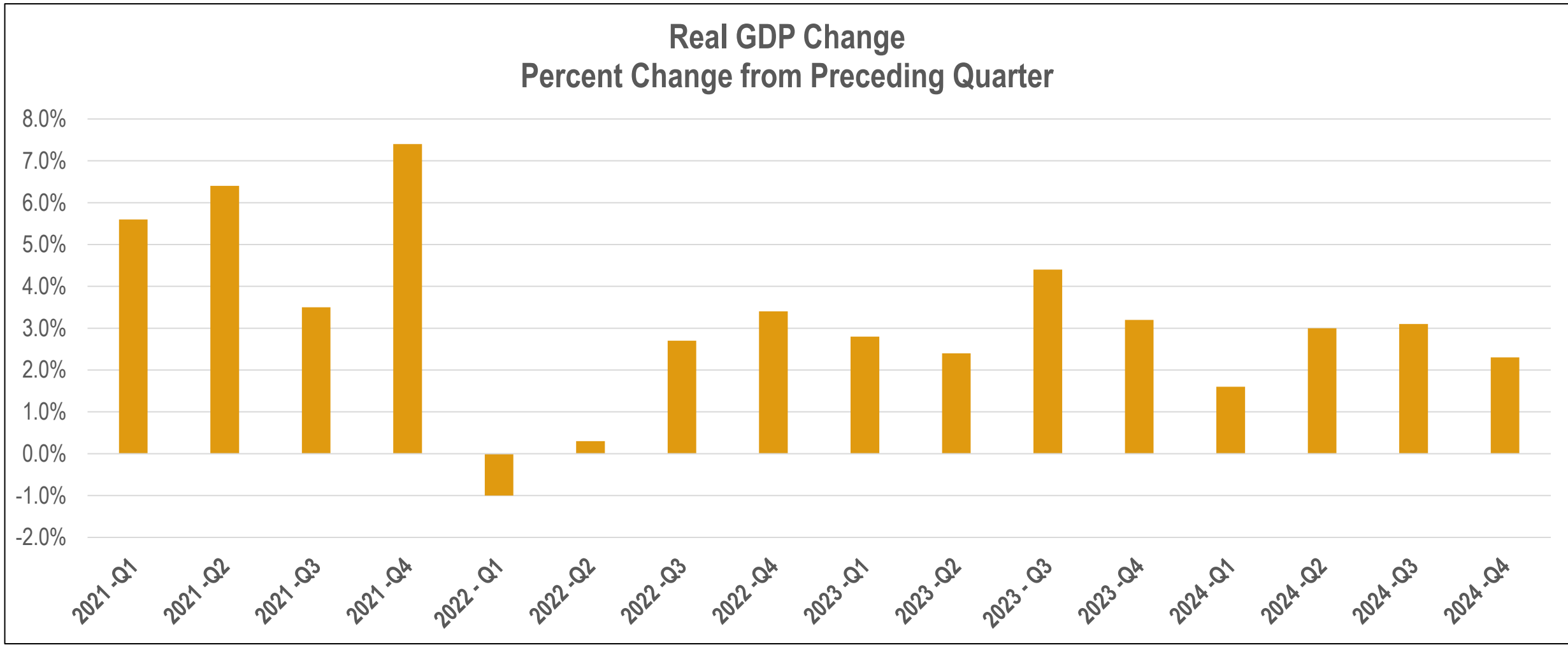
February 25, 2025



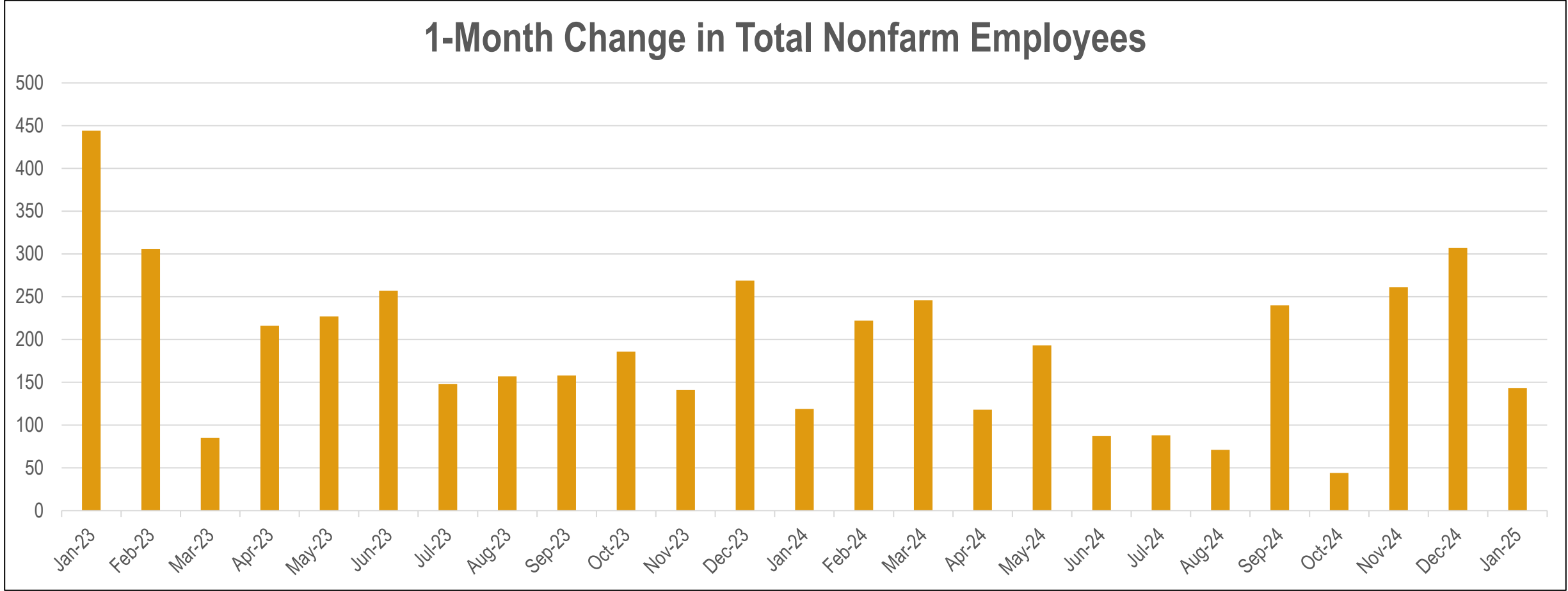
Agenda

1. Overview of US Economy & Engineering Industry Outlook
2. Market Trends & Insights
3. Transportation and Infrastructure Programs

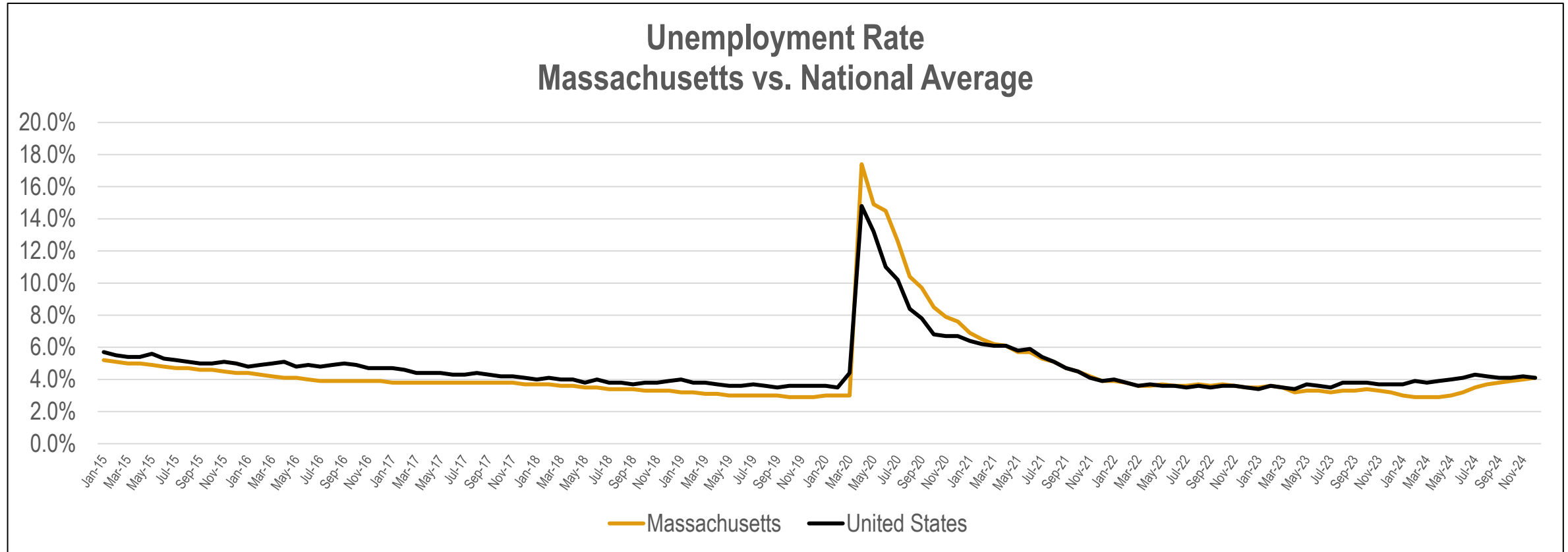
How is the US Economy?



Employment Remains Steady

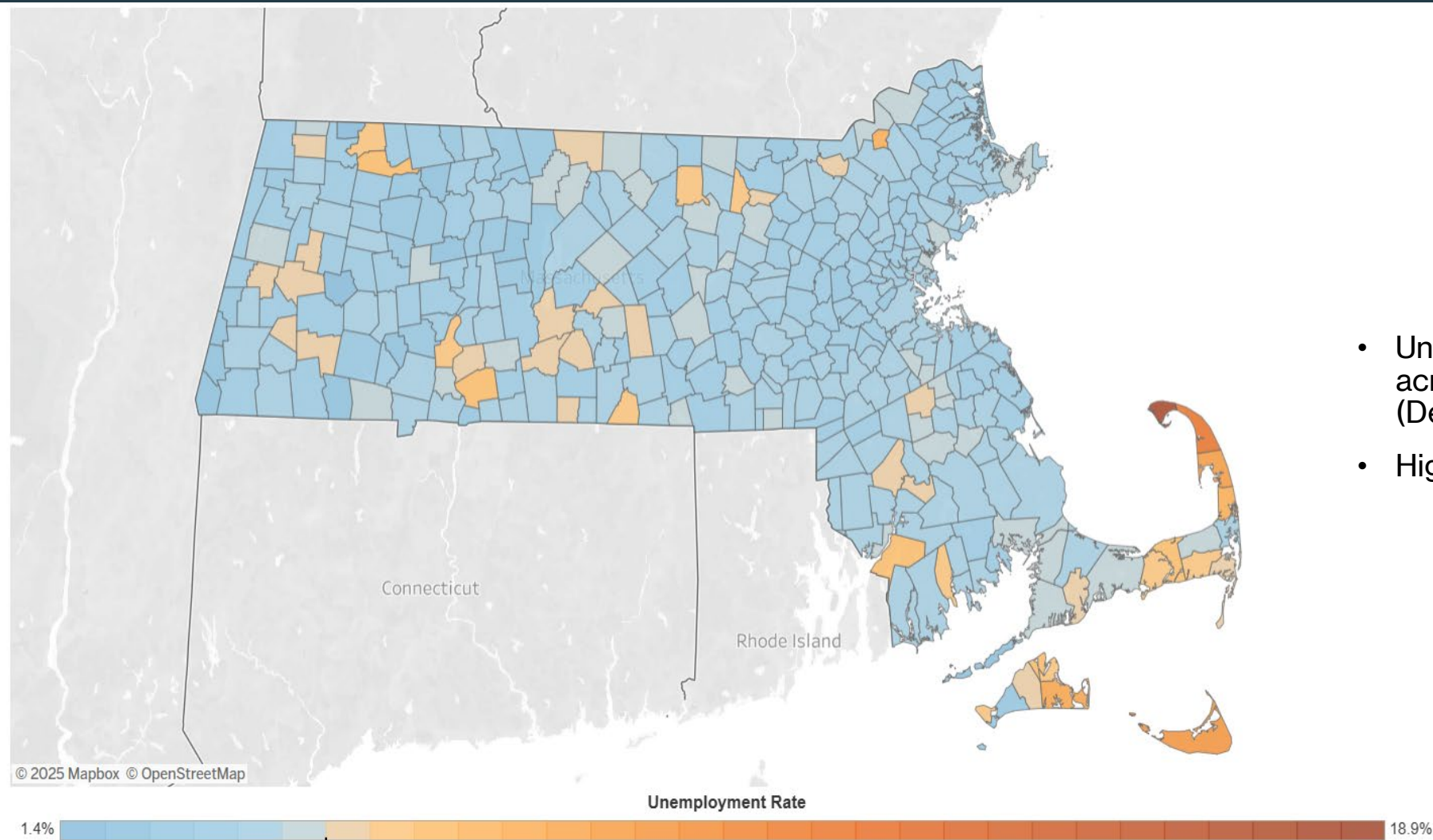


Unemployment Ticks Up Slightly



- Compared to US, Massachusetts has same unemployment rate (4.1% as of December, 2024)
- Though not evenly distributed across the state...

Employment continued..

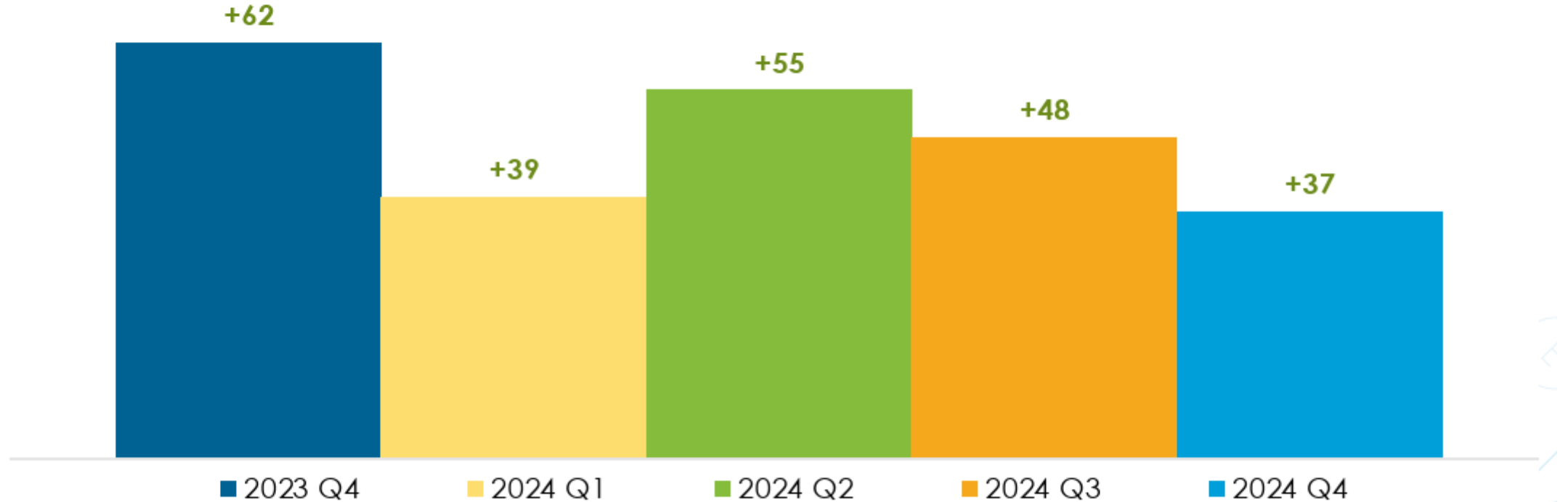


- Unemployment rate ranges from 1.4 – 18.9% across the state by City and Town (December 2024).
- High levels in Cape/Islands due to seasonality

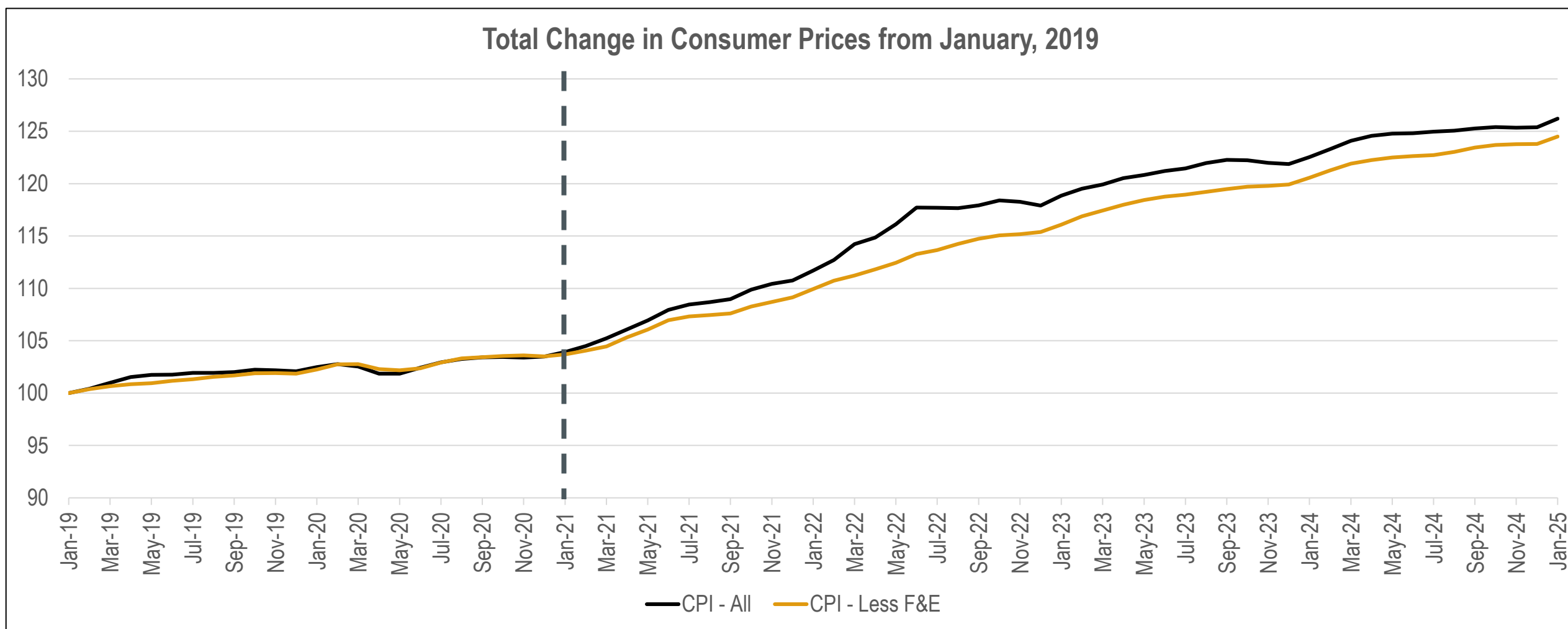
Inflation Remains a Less Elevated Concern in the Industry...

Figure 23: Inflation Concerns vs. Previous Quarters

I am extremely concerned about the impact inflation will have on my firm in the coming year.

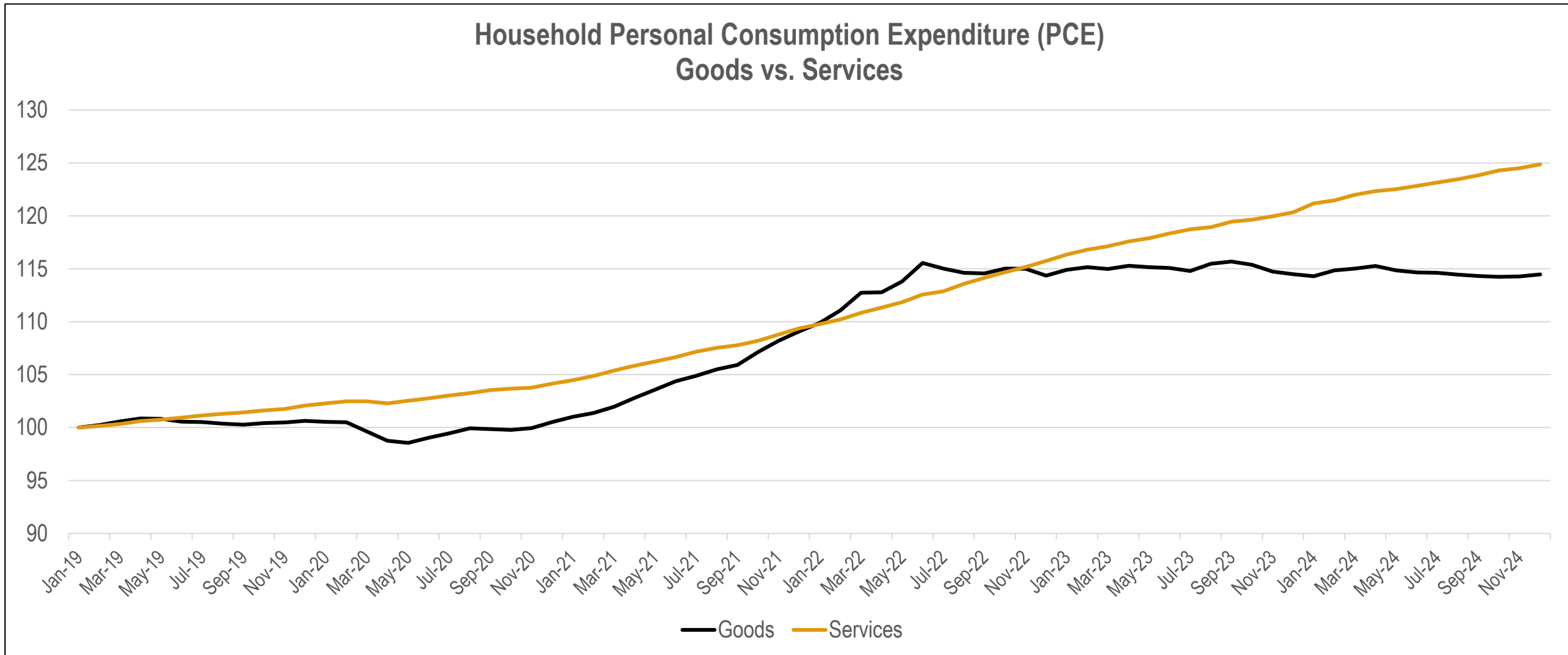


Though it Persists Throughout the Economy

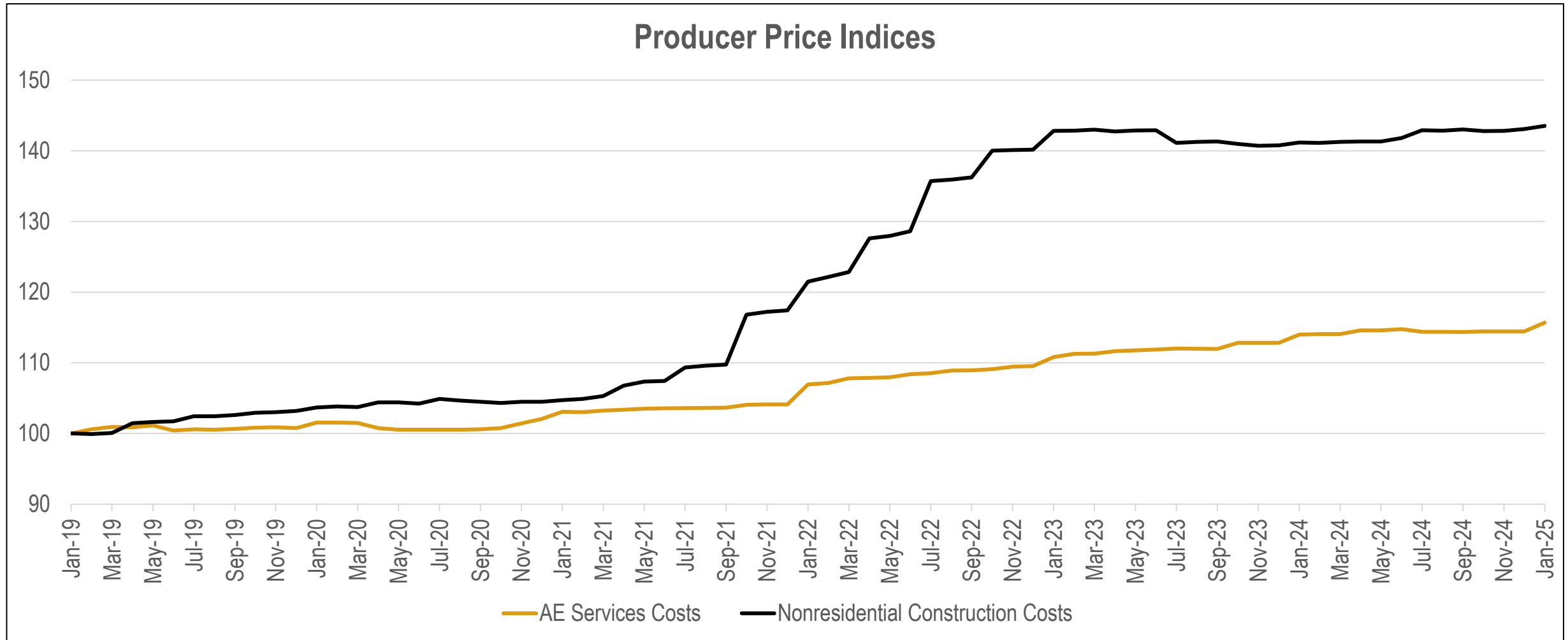


Source: US Bureau of Labor Statistics, Consumer Price Indices, January 2025

Interest Rate Increases Have Dampened but Not Eliminated Inflation

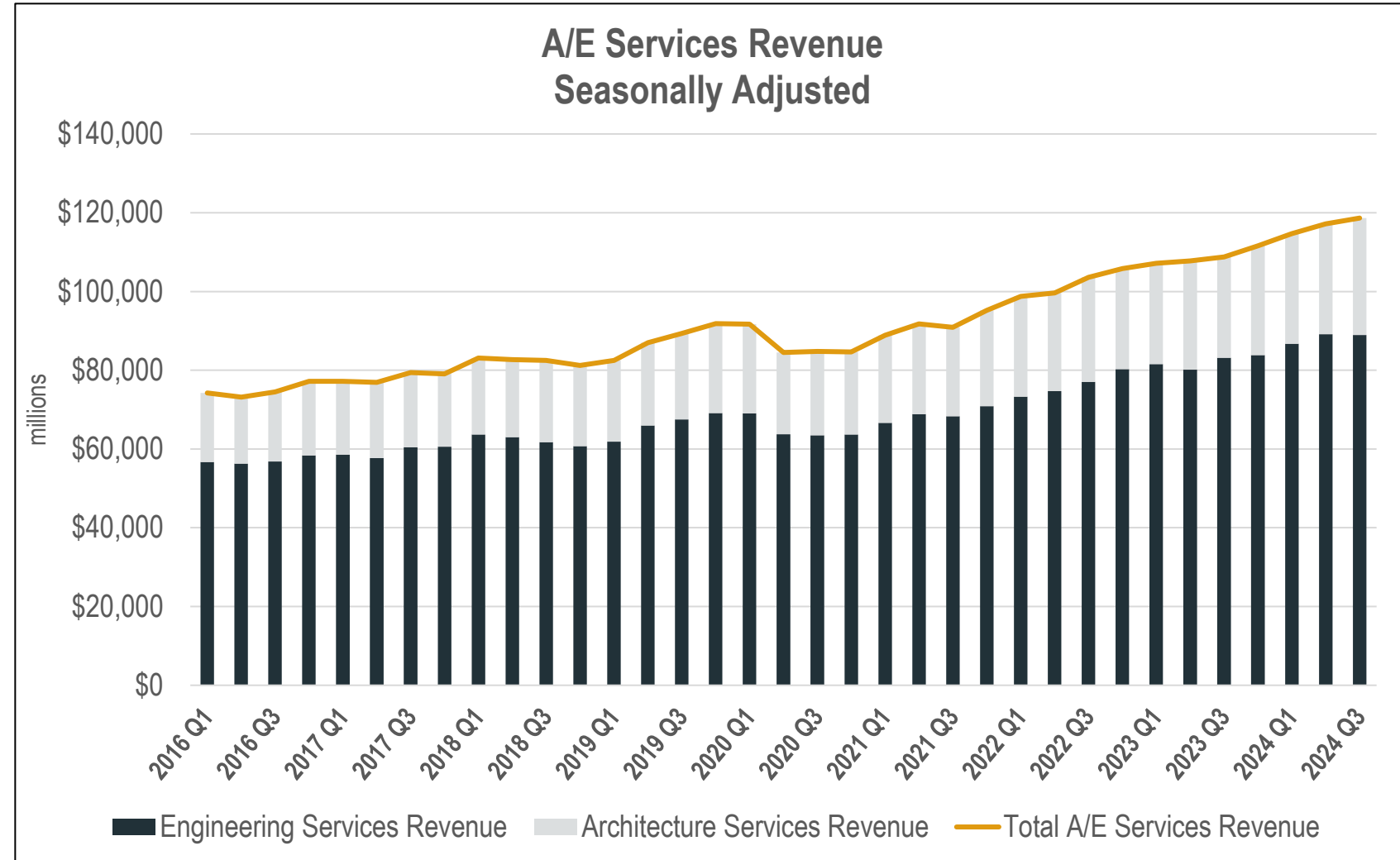


Wholesale prices also remain a concern: infrastructure costs vary significantly by component



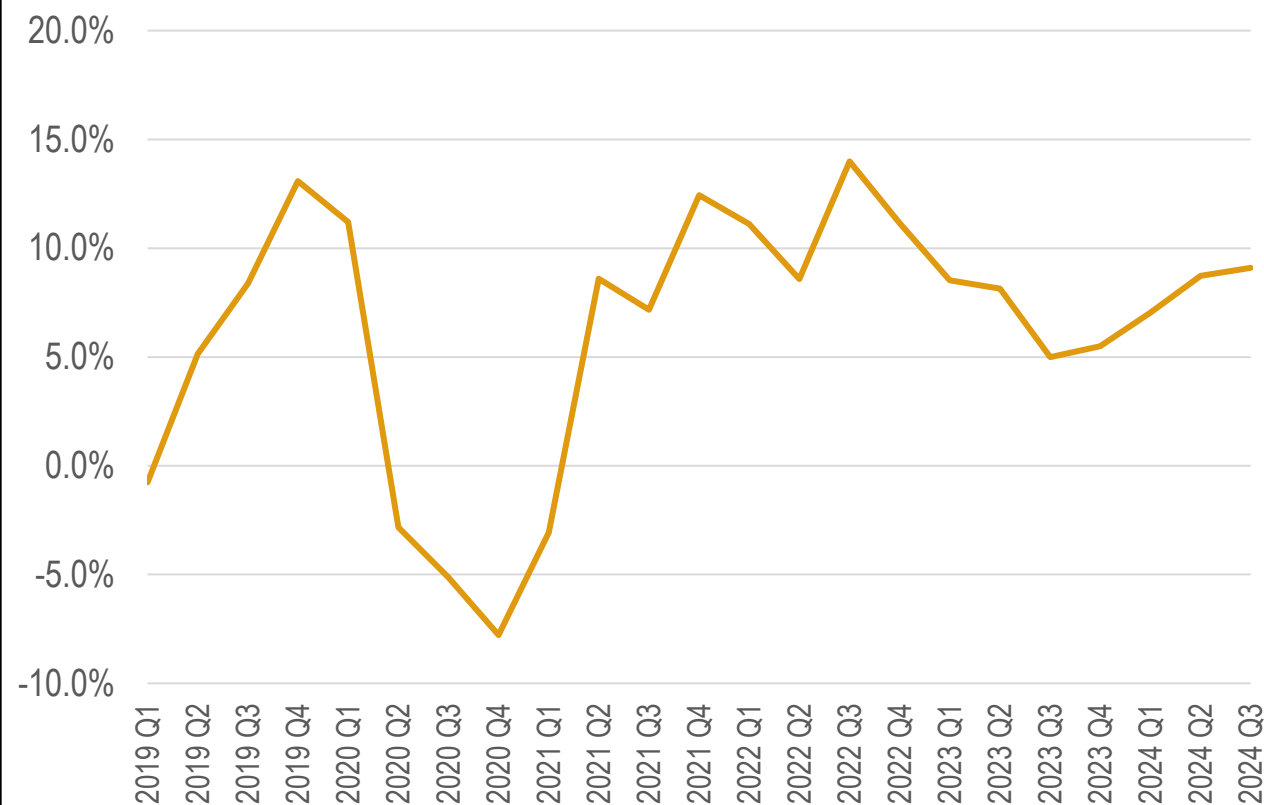
2024 Q3 A/E Revenues Continue to Reach New (Nominal) Highs

- A/E Total Services Revenue = \$118.6B for 2024 Q3
- Total revenues up 1.2% compared to Q2 2024
- Total revenues up 9.1% YoY

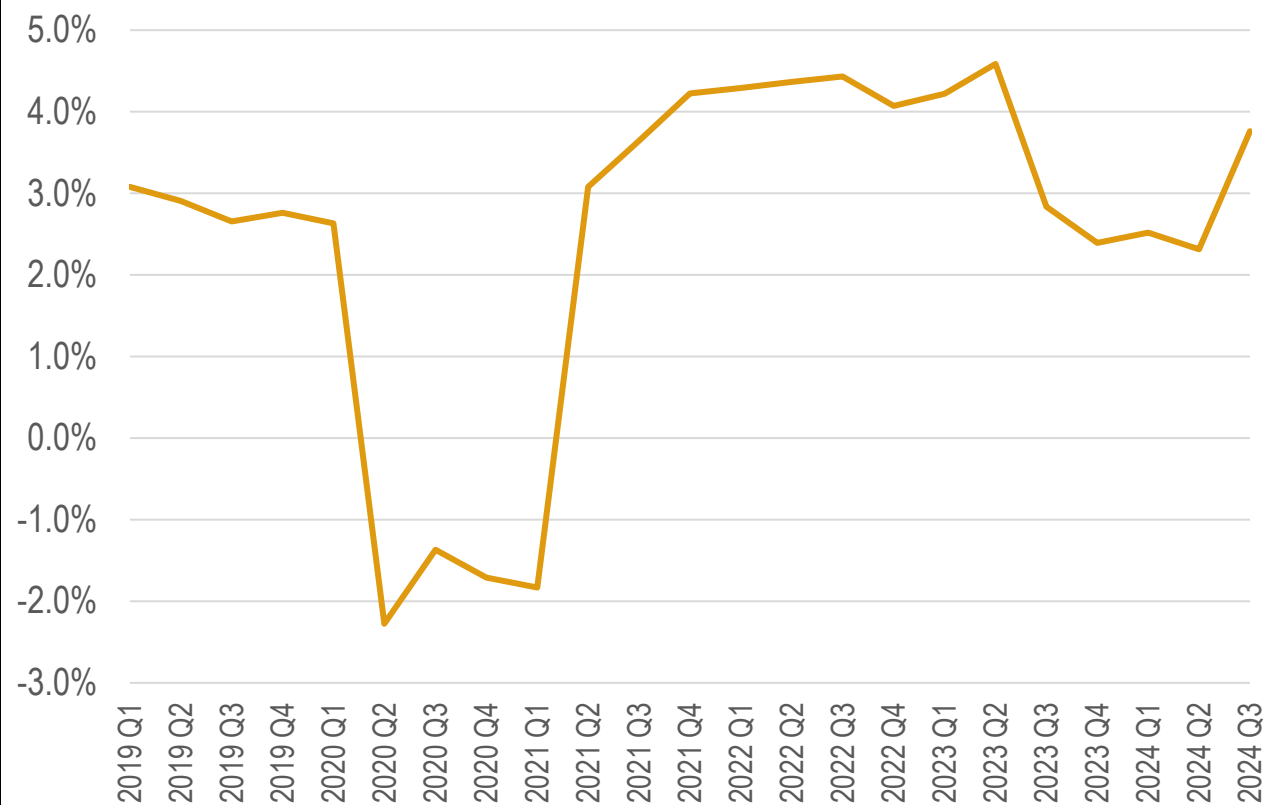


A/E Metrics Improve from Previous Year

YoY Change in A/E Services Revenues
Seasonally Adjusted



YoY Change in A/E Employment
Seasonally Adjusted

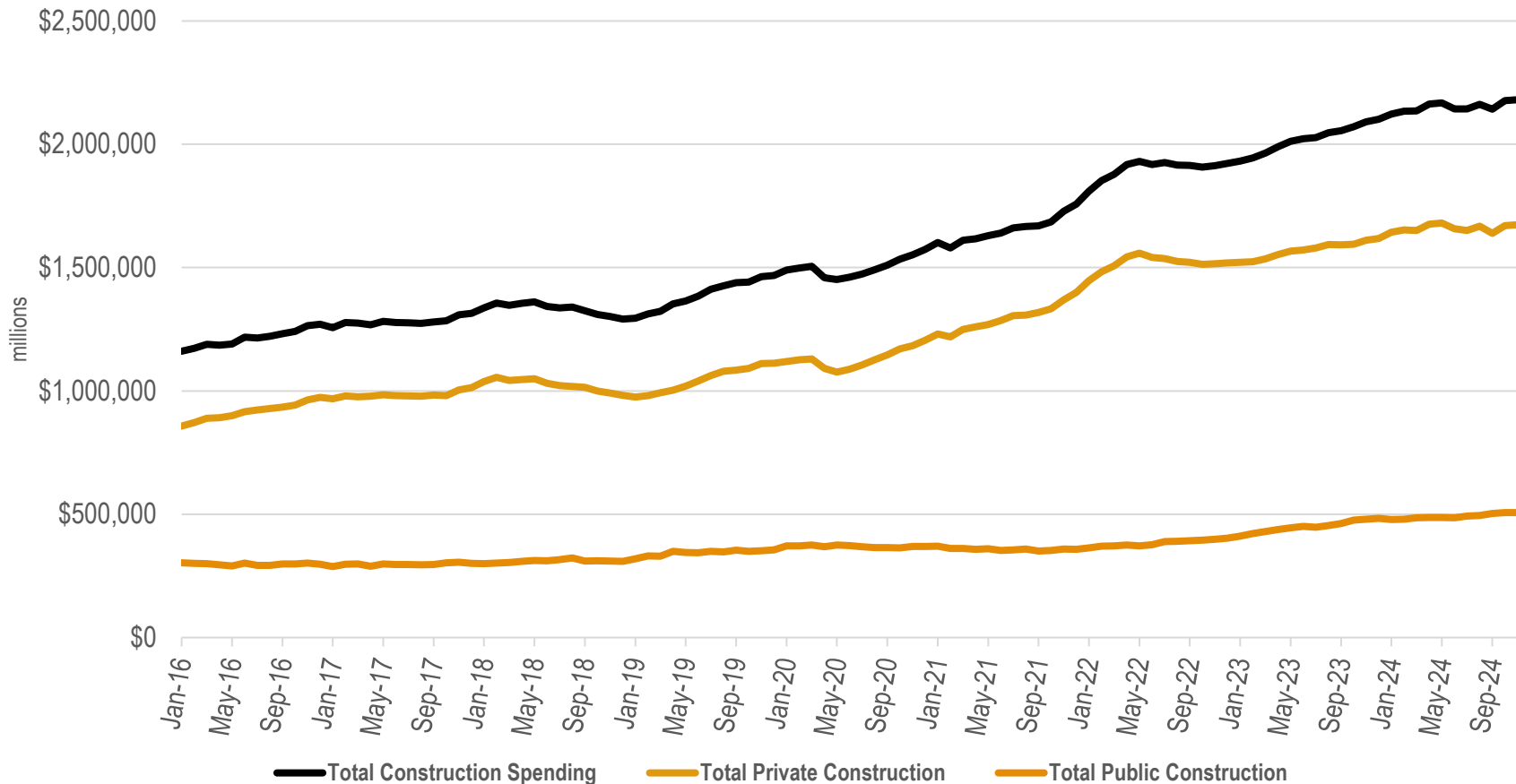


Source: U.S. Census Quarterly Services Survey, December 2024

Source: U.S. Bureau of Labor Statistics, Employees on nonfarm payrolls by industry sector and selected industry detail, January, 2025

Total Construction Spending Growth Slows

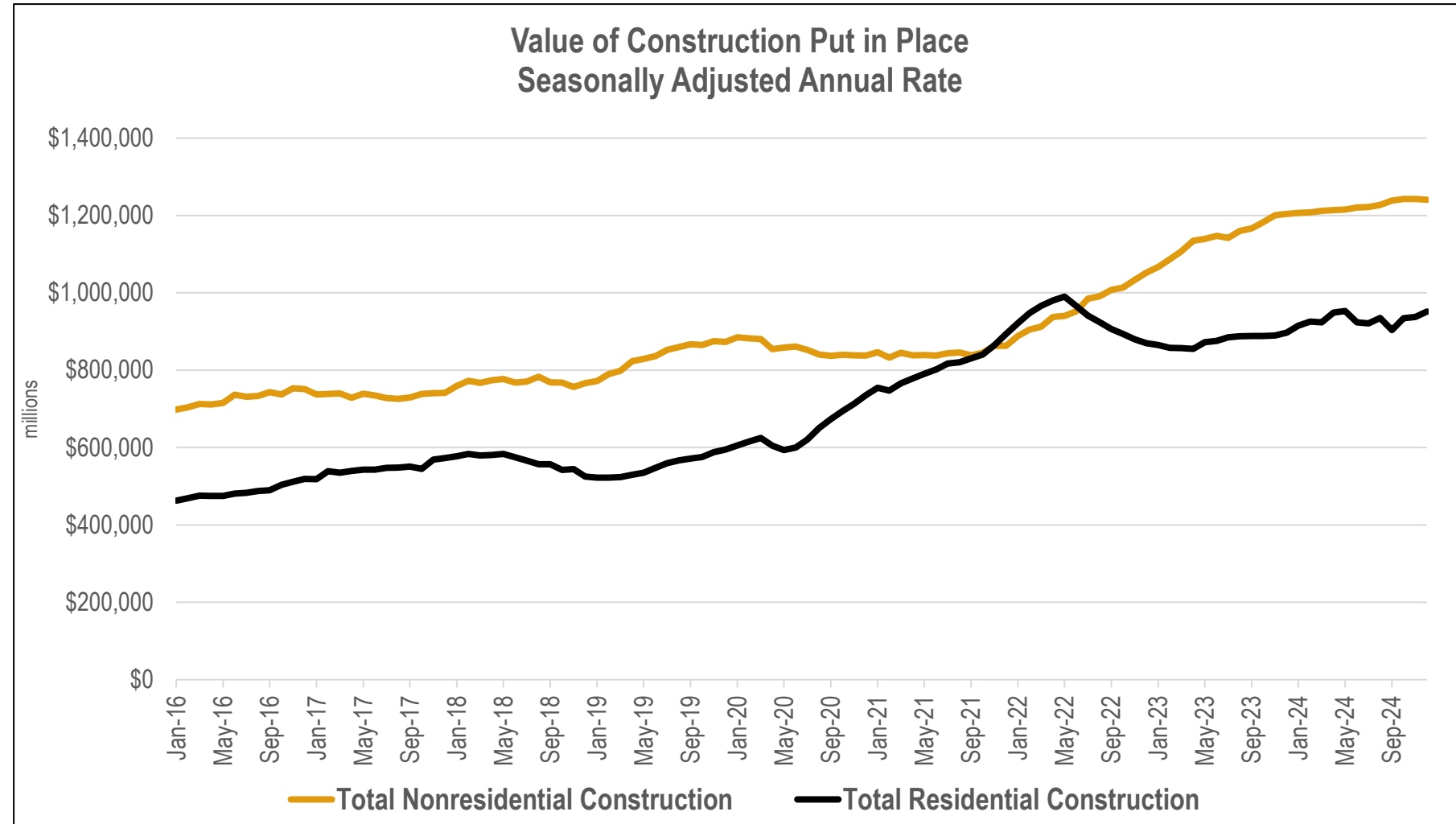
Value of Construction Put in Place
Seasonally Adjusted Annual Rate



- Total spending for 2024 is \$2.15 T (6.5% YoY)
- Private ~\$1.66 T (+5.6% YoY)
- Public ~\$492 B (9.3% MoM)

Value by Funding Source Stay Consistent for 2024

- Residential offsets last year's decline with positive growth (5.9% vs. -5.9%)
- Nonresidential growth slows compared to recent double digit growth (6.4% vs. 18.9%)



Source: US Census Value of Construction Put in Place Survey, February, 2025, release

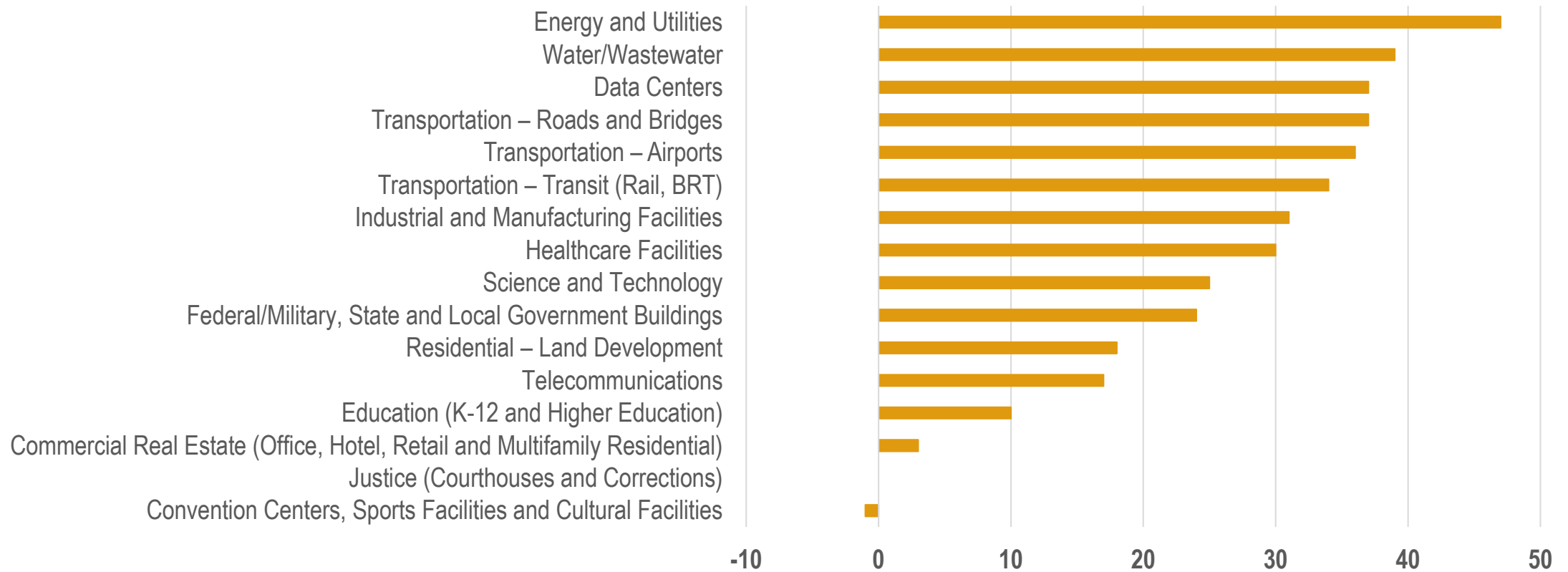
2024 Construction Spending By Sector (Public & Private)

Project Classification	2023 Spending (millions)	2024 Spending (millions)	Percent Change	Absolute Change (millions)
Public safety	\$14,395	\$18,855	30.98%	\$4,460
Manufacturing	\$193,630	\$233,227	20.45%	\$39,597
Water supply	\$27,999	\$32,966	17.74%	\$4,967
Amusement and recreation	\$36,203	\$40,183	10.99%	\$3,980
Power	\$134,010	\$147,584	10.13%	\$13,574
Sewage and waste disposal	\$41,912	\$45,849	9.39%	\$3,937
Religious	\$3,801	\$4,155	9.31%	\$354
Educational	\$120,226	\$130,307	8.39%	\$10,081
Residential	\$877,596	\$929,629	5.93%	\$52,033
Health care	\$65,429	\$68,622	4.88%	\$3,193
Transportation	\$65,246	\$68,148	4.45%	\$2,902
Highway and street	\$138,060	\$143,741	4.11%	\$5,681
Office	\$98,989	\$101,118	2.15%	\$2,129
Communication	\$28,004	\$28,603	2.14%	\$599
Conservation and development	\$11,719	\$11,591	-1.09%	(\$128)
Lodging	\$24,740	\$23,361	-5.57%	(\$1,379)
Commercial	\$141,702	\$126,504	-10.73%	(\$15,198)

- Interest rates impact commercial
- Office only positive due to inclusion of data center spending
- Fiscal policy that helped manufacturing past two years faces uncertainty

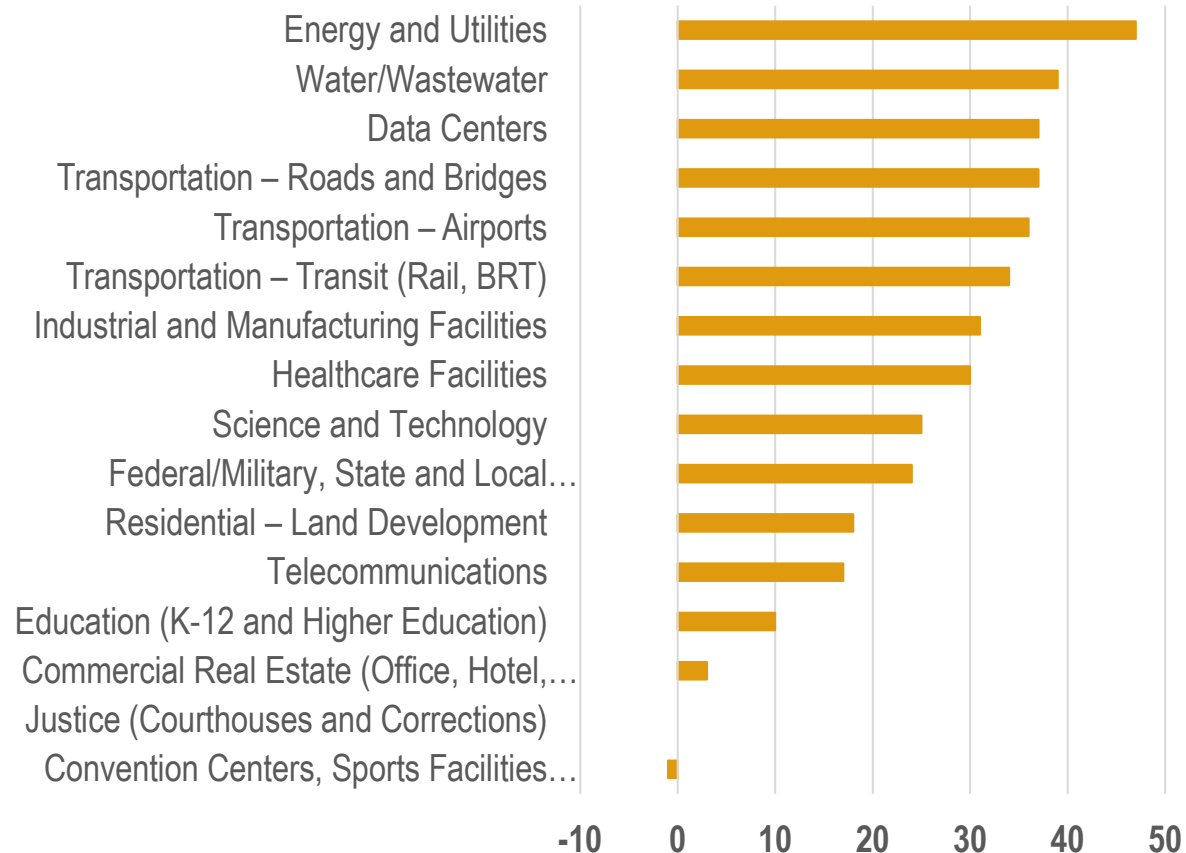
Looking Forward

ACEC Industry Sentiment by Sector 12 Months from Now November 2024



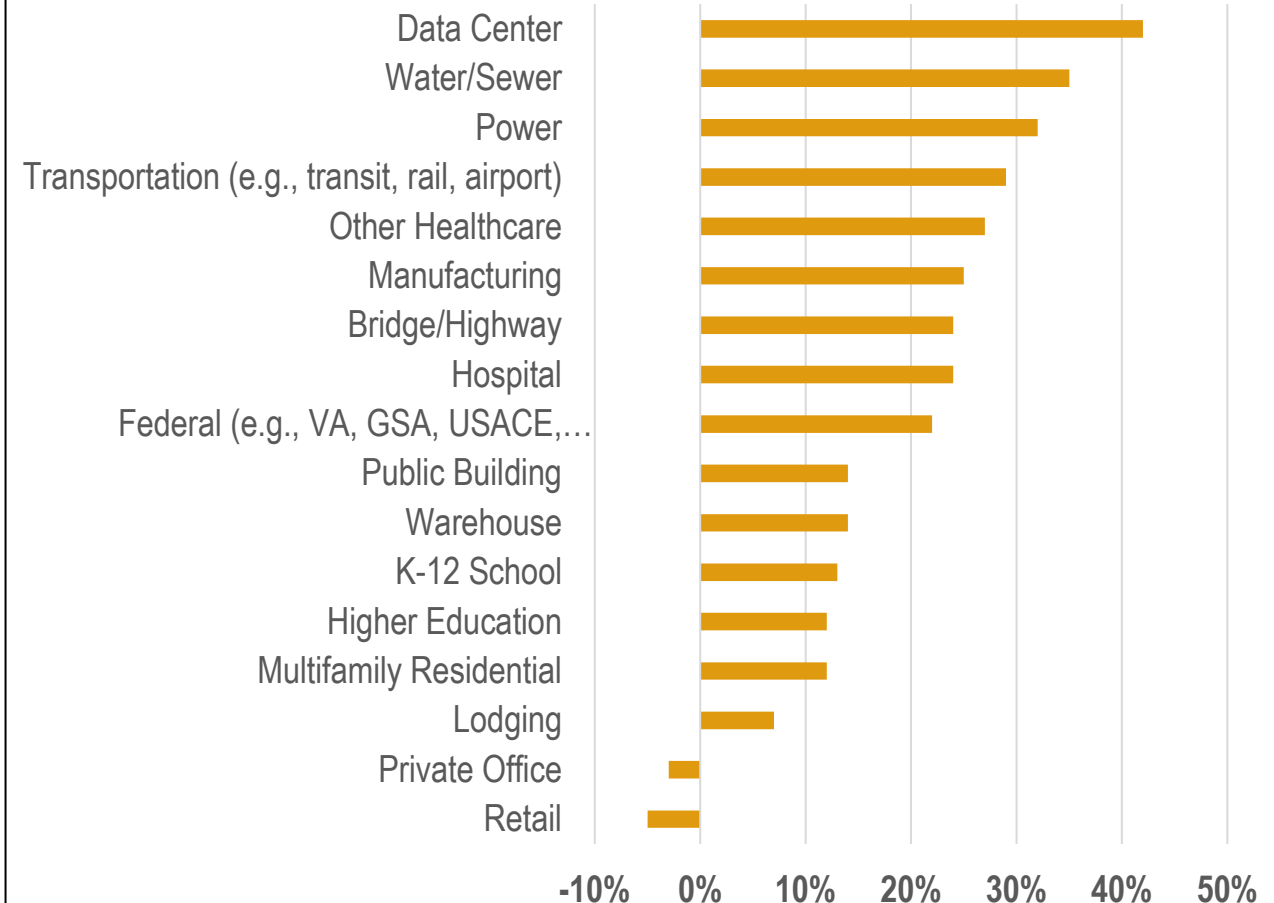
General Industry Agreement for Sector Optimism

**ACEC Industry Sentiment by Sector 12 Months from Now
November 2024**



Source: ACEC Research Institute Engineering Business Sentiment-Q4 2024

**AGC/Sage Industry Sentiment
Net % Higher Project Revenue 2025**



Source: AGC/Sage 2025 Construction Industry Outlook Survey

Diana O'Lare

- Director, Market Intelligence, ACEC National
- Joined ACEC April 2021
- 13+ Years in AEC Industry
- BSBA Marketing, UNC Charlotte
- Certified Professional Services Marketer (CPSM)
- Certificate in Economic Measurement, NABE
- Lead the Business Development & Marketing Forum
- Staff Liaison to the Market Intelligence Committee (MIC)



Commercial & Residential Real Estate

Construction Put in Place <i>Forecast by market segment</i>	2024e	2025f	2026f	2027f	2028f	Change 2024e- 2028f
Commercial	\$125 B	\$114 B	\$116 B	\$123 B	\$135 B	8%
Office	\$101 B	\$103 B	\$108 B	\$114 B	\$118 B	17%
Lodging	\$23 B	\$22 B	\$22 B	\$25 B	\$29 B	26%
Amusement & Recreation	\$41 B	\$44 B	\$43 B	\$42 B	\$43 B	5%
Residential (Single-Family)	\$424 B	\$440 B	\$457 B	\$481 B	\$509 B	20%
Residential (Multi-Family)	\$135 B	\$118 B	\$117 B	\$124 B	\$138 B	2%

Sources: U.S. Census Bureau, FMI Q1 2025

Key Drivers:

- Warehouse slowdown
- Inflationary pressures easing
- Retail bankruptcies
- Demand for hybrid works spaces
- Flight to quality
- Sports sub-market demand
- Economic weakness 2025-2026
- Unchanged borrowing rates
- Smaller home demand
- Affordability challenges
- Tariffs for construction materials

Commercial & Residential Real Estate

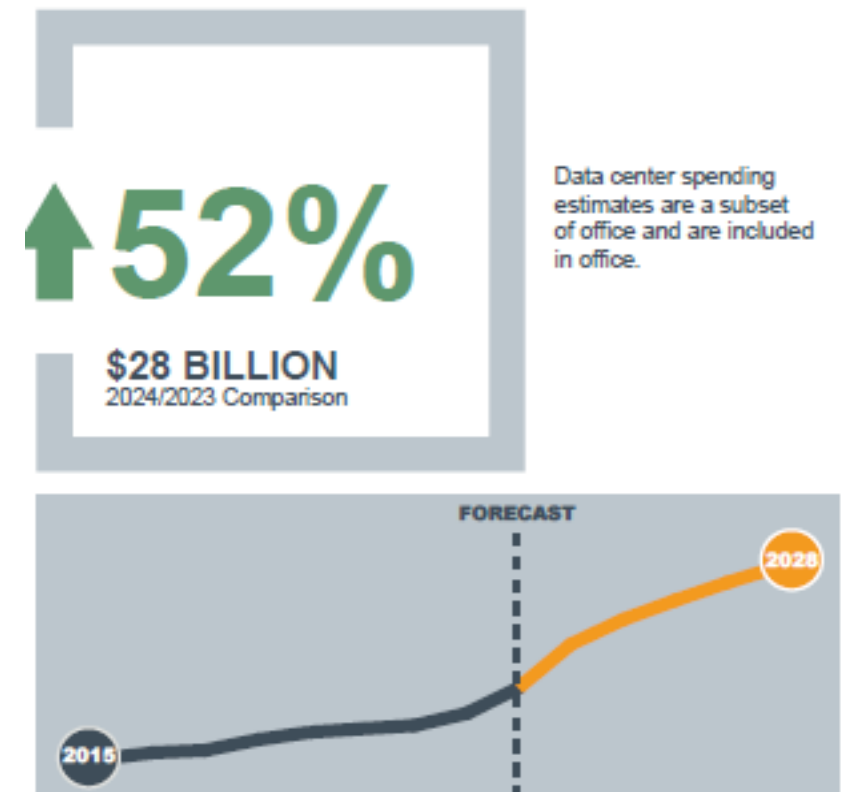
Construction Put in Place <i>Forecast by sub market of commercial</i>	2024e	2025f	2026f	2027f	2028f	Change 2024e-2028f
Warehouse	\$125 B	\$114 B	\$116 B	\$123 B	\$135 B	8%
Data Center	\$101 B	\$103 B	\$108 B	\$114 B	\$118 B	17%

Sources: U.S. Census Bureau, FMI Q1 2025

Key Drivers:

- E-Commerce Growth
- AI and Cloud Computing

SPECIALTY SUBSEGMENT: DATA CENTER



Educational Market Forecast

Construction Put in Place <i>Forecast by market segment</i>	2024e	2025f	2026f	2027f	2028f	Change 2024e- 2028f
Educational	\$130 B	\$134 B	\$138 B	\$142 B	\$147B	13%

Sources: U.S. Census Bureau, FMI Q1 2025

Key Drivers:

- Concentrated investment in K-12
- Local bond measures
- IRA upgrades
- Enrollment cliff of 2025

Educational - Trends

Rank	University, (City, State) - NIH Recipient	FY2023 NIH Funding
1	Johns Hopkins University, (Baltimore, MD)	\$842,956,584
2	University of California, (San Francisco, CA)	\$789,196,651
3	University of Pennsylvania, (Philadelphia, PA)	\$703,217,343
4	Duke University, (Durham, NC)	\$701,940,461
5	University of Michigan, (Ann Arbor, MI)	\$698,264,076
6	University of Pittsburgh, (Pittsburgh, PA)	\$658,312,303
7	Washington University, (St. Louis, MO)	\$633,343,121
8	Columbia University Irving Medical Center, (New York, NY)	\$633,309,114
9	Stanford University, (Stanford, CA)	\$628,835,517
10	Yale University, (New Haven, CT)	\$622,499,969

Source: Blue Ridge Institute for Medical Research BRIMR

Rank	NIH Recipient	FY2024 NIH Funding
1	Johns Hopkins University	\$857,947,550
2	University of California, San Fran	\$814,929,934
3	University of Michigan, Ann Arbor	\$733,944,984
4	Washington University, St. Louis	\$732,416,824
5	University of PA – Philadelphia	\$691,186,108
6	University of PA – Pittsburgh	\$661,207,841
7	Massachusetts General Hospital	\$655,235,087
8	Yale University	\$645,860,184
9	Columbia University	\$639,122,474
10	Stanford University	\$613,087,148

Educational - Trends

Organization	City	State	Country	Awards	Funding
MASSACHUSETTS GENERAL HOSPITAL	BOSTON	MA	UNITED STATES	1,055	\$655,235,087

MASSACHUSETTS GENERAL HOSPITAL awards summary for Fiscal Year 2024

Funding Mechanism ▾	Dollar Amount	Awards
Other	\$53,647,692	8
Other Research-Related	\$65,331,952	258
R&D Contracts	\$1,957,005	5
Research Centers	\$34,545,028	23
RPGs - Non SBIR/STTR	\$488,443,724	724
Training - Individual	\$1,209,366	16
Training - Institutional	\$10,100,320	21
Total	\$655,235,087	1055

Health Care

Construction Put in Place Forecast by market segment	2024e	2025f	2026f	2027f	2028f	Change 2024e-2028f
Health Care	\$67 B	\$69 B	\$70 B	\$72 B	\$75 B	12%

Sources: U.S. Census Bureau, FMI Q1 2025

Key Drivers / Results:

- Aging U.S. population
- High vacancies
- Wave of hospital projects
- Hybrid medical office models

Energy & Utilities

Construction Put in Place <i>Forecast by market segment</i>	2024e	2025f	2026f	2027f	2028f	Change 2024e-2028f
Power	\$147 B	\$158 B	\$163 B	\$166 B	\$171 B	16%
Communication	\$29 B	\$29 B	\$31 B	\$32 B	\$33 B	14%
Sewage & Waste Disposal	\$46B	\$49 B	\$50 B	\$51 B	\$53 B	15%
Water Supply	\$35 B	\$38 B	\$40 B	\$40 B	\$41 B	17%

Sources: U.S. Census Bureau, FMI Q1 2025

Key Results / Drivers:

- Policy changes
- Data center and AI demand
- Underground communication networks
- Residential & manufacturing growth
- Migration trends
- Extreme weather events

Intermodal & Logistics

Construction Put in Place <i>Forecast by market segment</i>	2024e	2025f	2026f	2027f	2028f	Change 2024e-2028f
Manufacturing	\$236 B	\$249 B	\$250 B	\$242 B	\$227 B	4%
Transportation (buildings)	\$70 B	\$73 B	\$77 B	\$80 B	\$83 B	19%

Sources: U.S. Census Bureau, FMI Q1 2025

Key Results / Drivers:

- Semiconductor, EV, battery demand
- Talent shortages
- Digitization (AI)
- Labor strikes
- Demand in air construction

Market Intel Resources



- [Dashboard](#)
- [Market Specific Briefs](#)
- [Expert Podcasts](#)
- [Market Intelligence Committee \(MIC\)](#)
- [Sign up here](#)



Matt Reiffer

- Vice President, Infrastructure Programs
- Joined ACEC in April 2008
- Six years as legislative staff on Capitol Hill
- BA from Calvin University
- JD from Notre Dame Law School



Administration Actions - Infrastructure

Eliminate the “EV mandate” and “Green New Deal”–

Executive Order pauses funds for certain programs under IIJA, including NEVI program and some discretionary grants.

Focus on environmental permitting and other regulatory reforms –

Executive Order directs agencies to use emergency authorities to expedite permitting for energy projects.

Prioritize projects and programs with national or regional benefit –

Roads, bridges, ports preferred over “local” transit, rail, bike/ped trails.

Remove equity and justice considerations in grant awards –

Focus on more traditional selection criteria.

Administration Actions - Energy

Expand oil and gas development –

Executive Order calls for additional leasing on public lands; reopening LNG exports.

Pause on wind energy –

Ordered a temporary freeze on all offshore wind energy leases on the OCS; will review existing wind energy leases to determine whether any should be terminated or amended based on environmental, economic, and legal factors.

Repeal Biden climate initiatives –

Rescinded Biden orders directing agencies to confront climate change, including measuring the social cost of carbon; addressing climate-related financial risks; achieving carbon-free electricity by 2030; and implementing energy and infrastructure provisions of the Inflation Reduction Act.

Administration Actions - Environment

Expedited permitting –

Executive Order directs agencies to use emergency authorities to expedite permitting for traditional energy projects – excluding renewables.

Revoke NEPA implementing Regulations –

The White House Council on Environmental Quality (CEQ) has proposed removing its regulations implementing NEPA and issued guidance for each of the agencies to individually implement their own NEPA permitting procedures.

Pull back on proposed PFAS effluent standards–

President Trump has halted all proposed rules that were not finalized at the end of the Biden Administration. This includes a proposed rule that would limit discharges of PFAS in drinking water.

2025 Legislative Agenda

- Appropriations bill(s) for FY 2025
 - Current stopgap extension expires March 14.
 - Will need to be bipartisan, giving leverage to Democrats in negotiations.
- Debt limit increase
- Budget reconciliation – one bill or two?
 - Senate: start with energy, immigration and border security.
 - House: include tax reform.
 - Senate budget passed; House vote this week.

Thank You



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AMERICAN COUNCIL OF ENGINEERING COMPANIES