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Questions related to specific materials, methods, and services will be addressed at the conclusion of this presentation.



# Course Description

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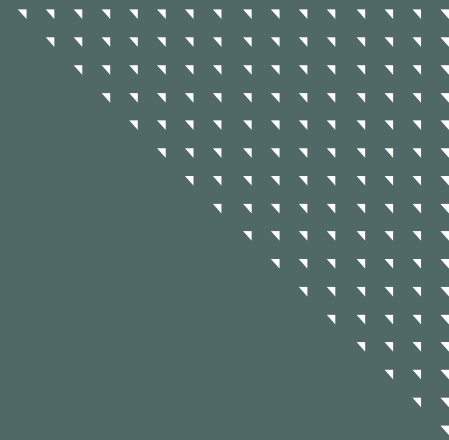
This webinar will feature two leading construction industry economists presenting their 2025 forecast and market expectations for key commercial, institutional, and multi-family building sectors. Topics covered will include challenges related to regionality, population trends, capital acquisition, and current political and economic climates contributing to new construction—on projects ranging from schools and offices to data centers and warehouses.

The session will also include an in-depth analysis of new, multi-family construction, including expectations for capital acquisition, increasing costs, and the impacts of affordable housing needs.

# Learning Objectives

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1. Review the 2025 construction market forecast for commercial office, data centers, distribution, healthcare, K-12 schools, higher education, hospitality, retail, and multi-family.
2. Discuss the market drivers for growth and major obstacles for key building sectors, as well as the overall construction market.
3. Gain insights into population trends, technology driven growth, and new design/construction expectations driving demand in various sectors.
4. Understand the 2025 expectations for capital acquisition, increasing costs, and impacts on U.S. multi-family construction markets specific to affordability.



# U.S. Nonresidential Construction 2025 Outlook

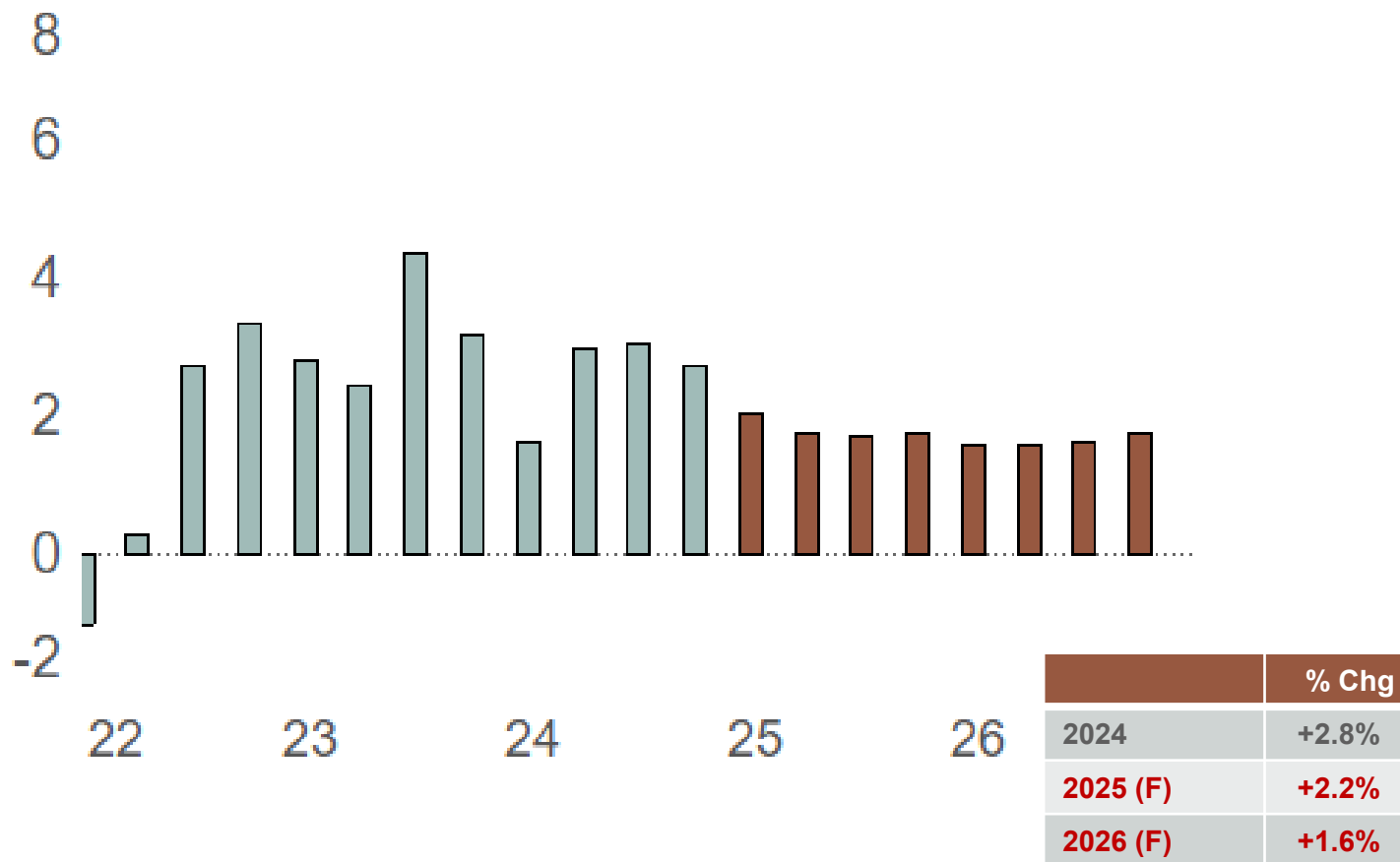
**Sarah Martin**

Associate Forecasting Director

Dodge Construction Network

# U.S. economy is holding its own

U.S. Gross Domestic Product  
(Annualized Quarterly Percent Change)



## Positives:

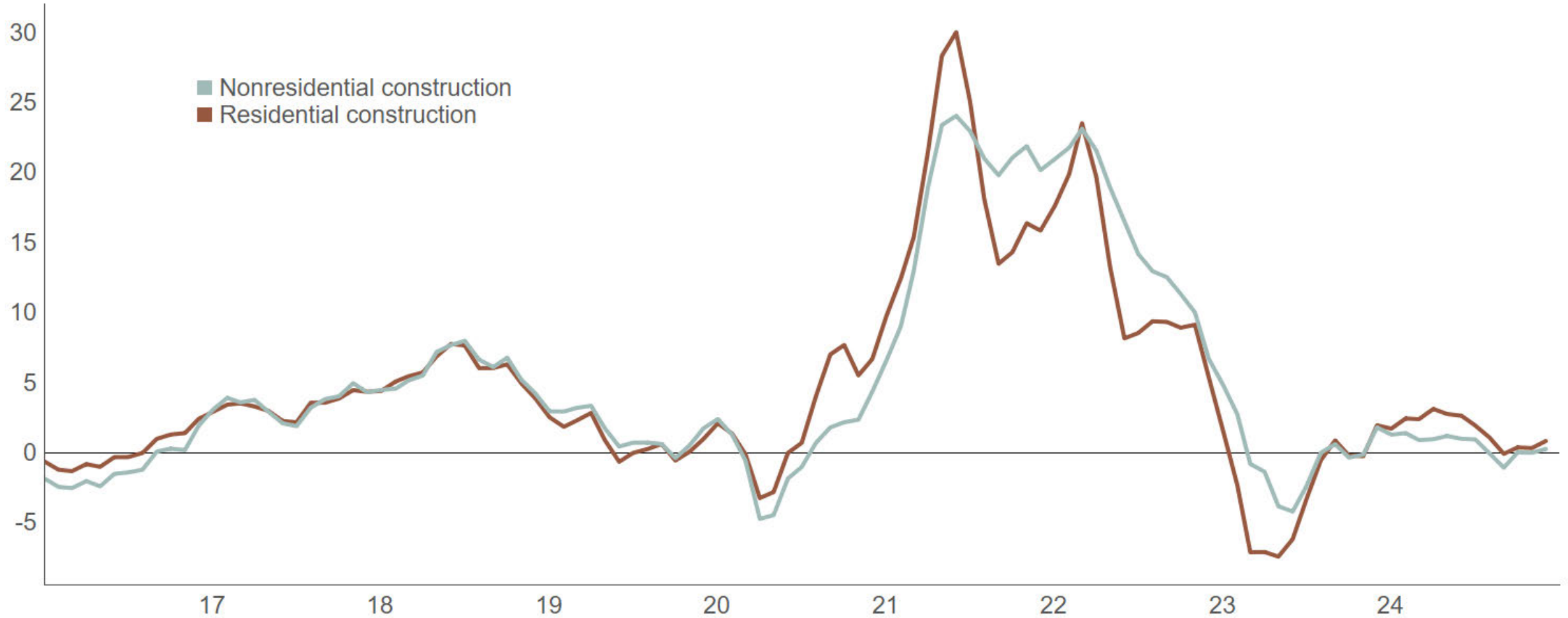
- Public funds for manufacturing and infrastructure
- Resilient consumer spending
- Easing monetary policy

## Negatives:

- Tight credit
- Economy wide labor shortages
- Geopolitical tensions
- Federal appropriations
- Fiscal policy changes (i.e. tariffs)

# New construction costs moving sideways

Inputs to New Construction  
Y/Y Percent Change

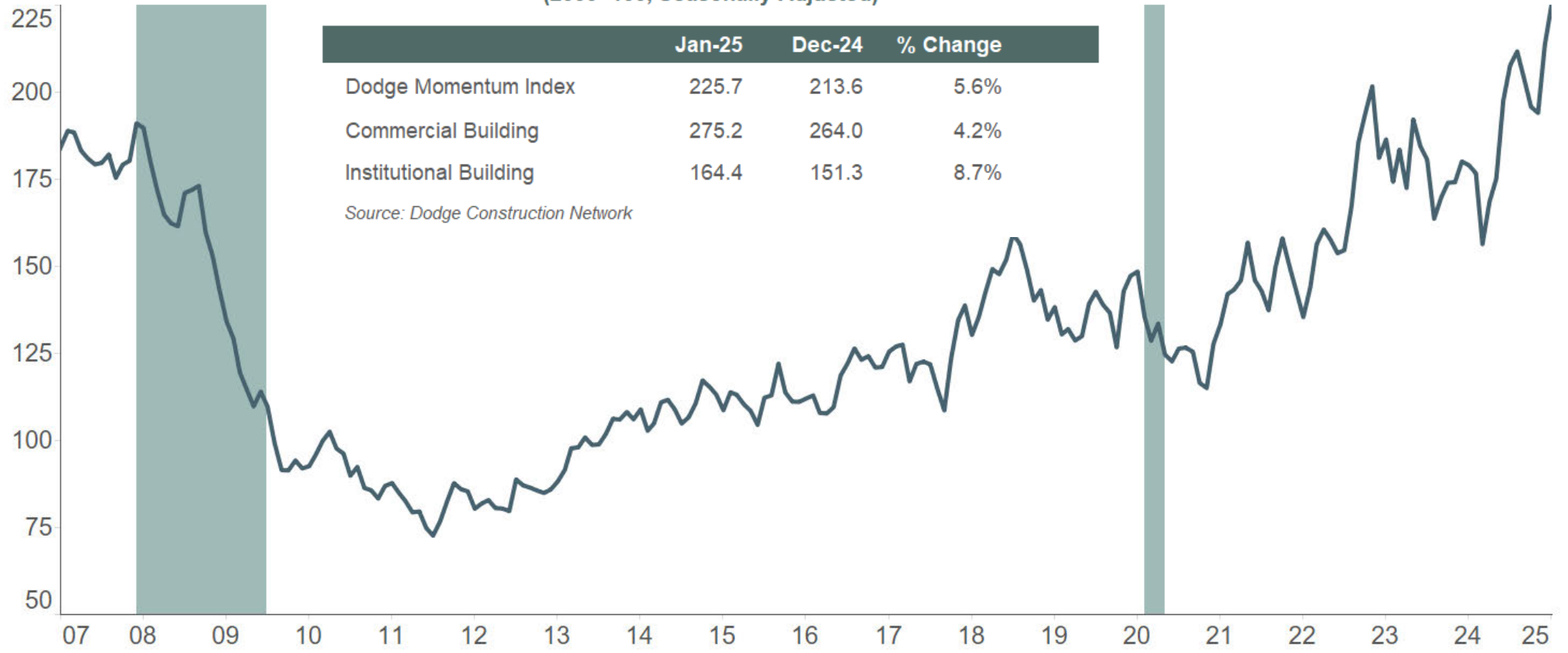


Source: Bureau of Labor Statistics

# Dollar value of projects stabilizing

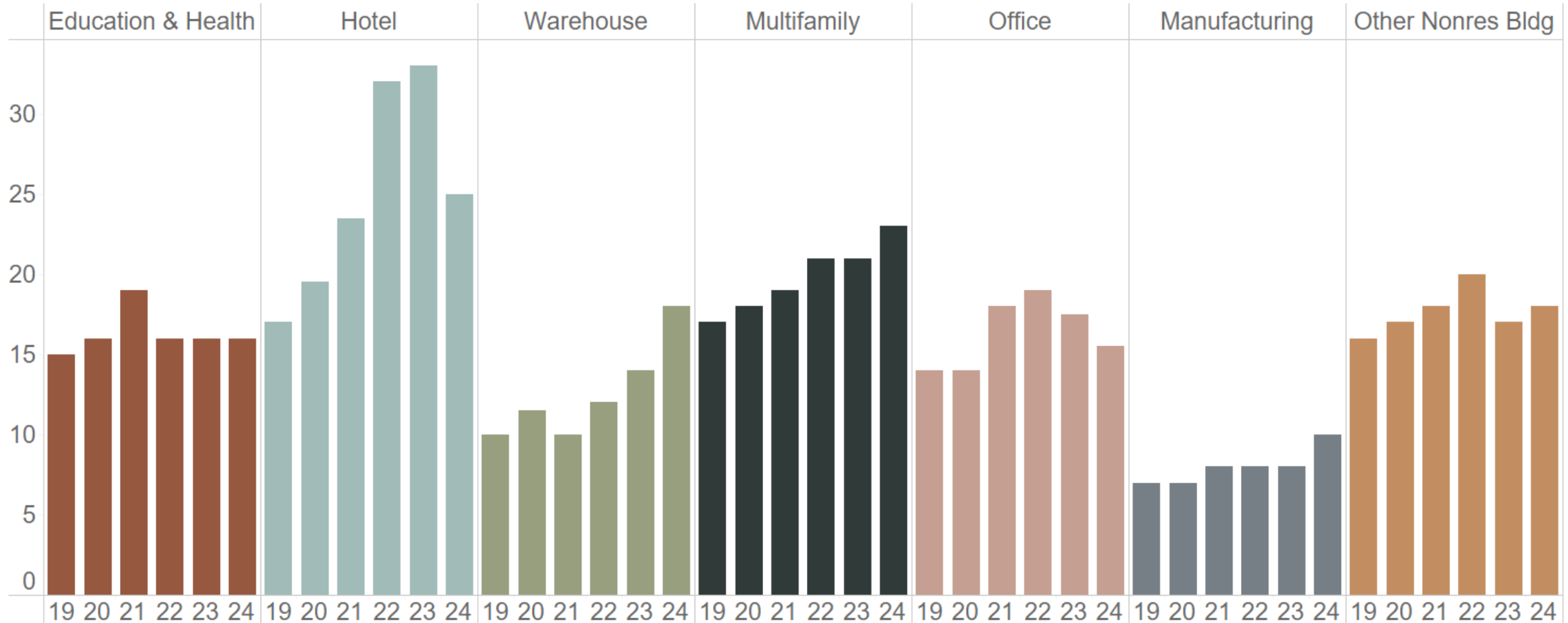
## DODGE MOMENTUM INDEX

(2000=100, Seasonally Adjusted)



# Project delays remain an issue

Median # of Months - Planning to Start  
Projects \$20-\$500 million

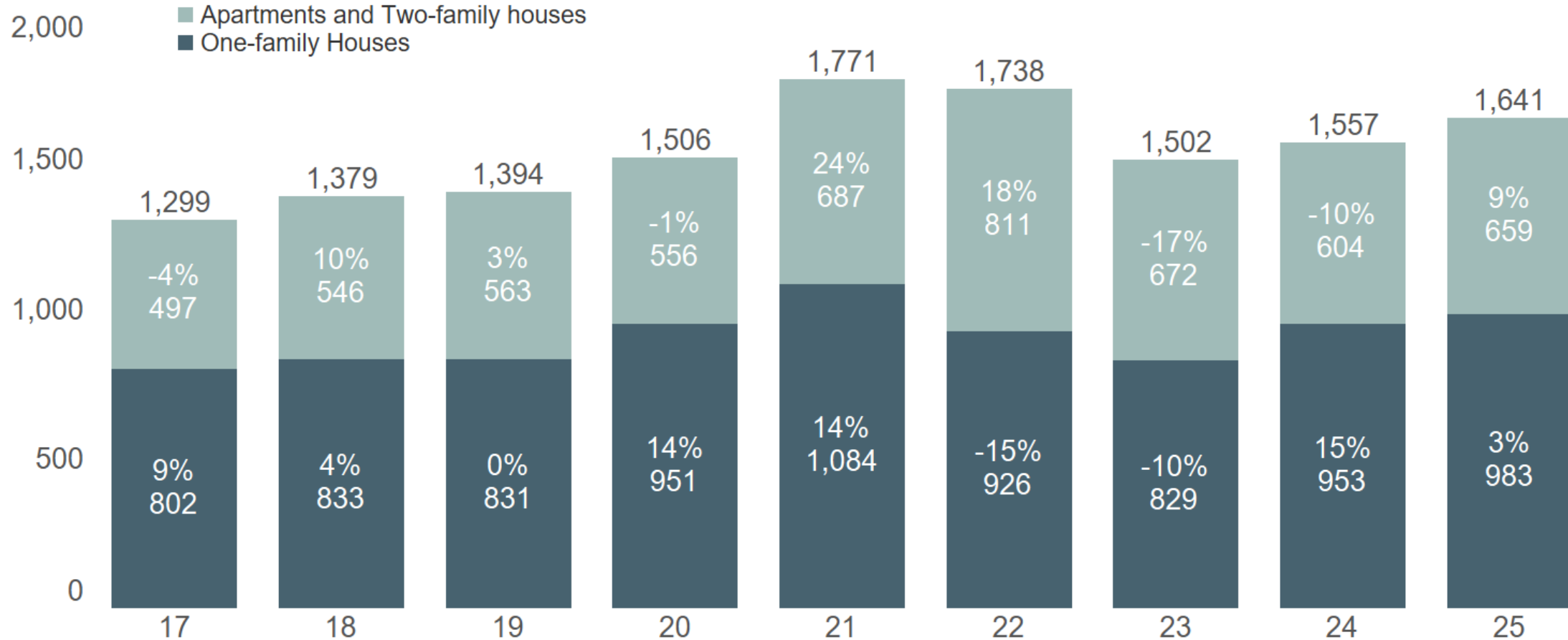


Source: Dodge Construction Network



# Residential starts will re-accelerate in 2025

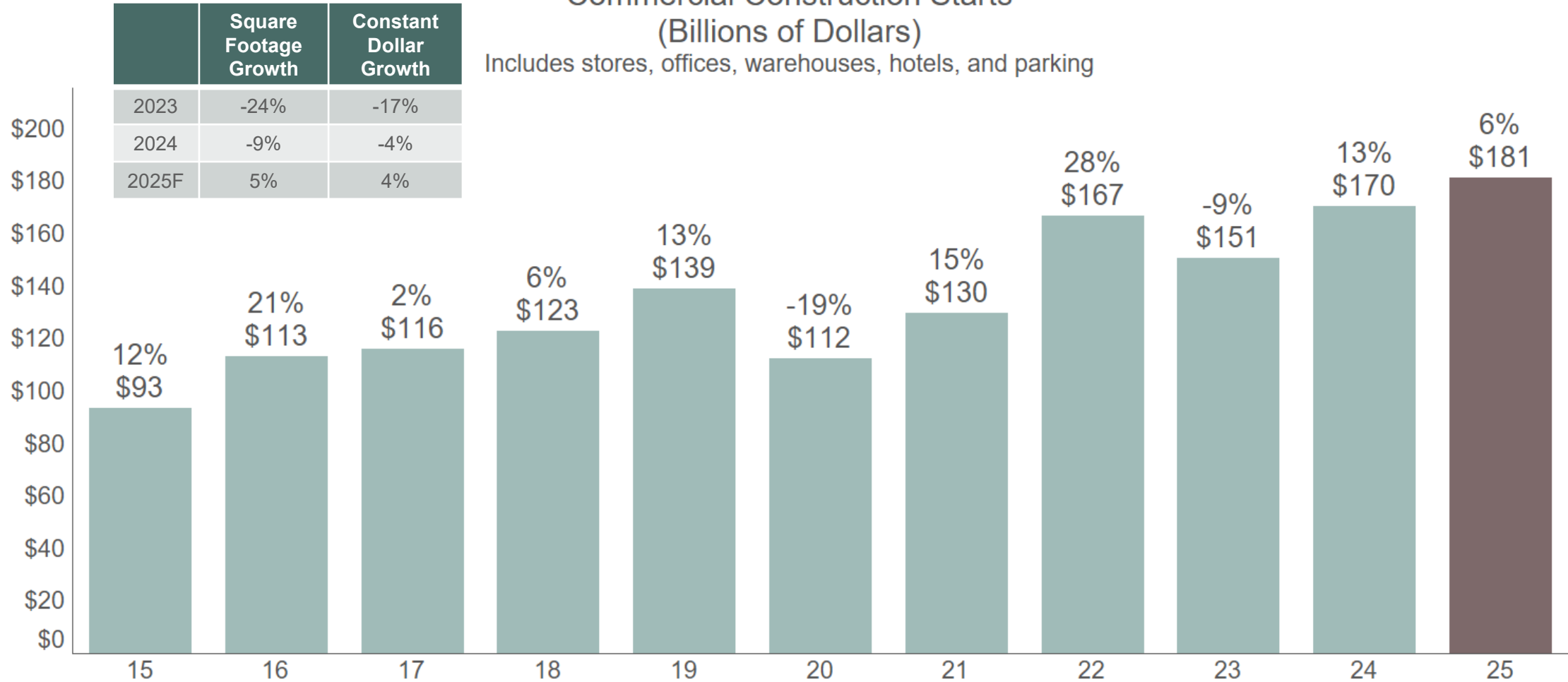
Residential Construction Starts  
(Units, Thousands)



# Hotels & data centers will drive 2025 growth

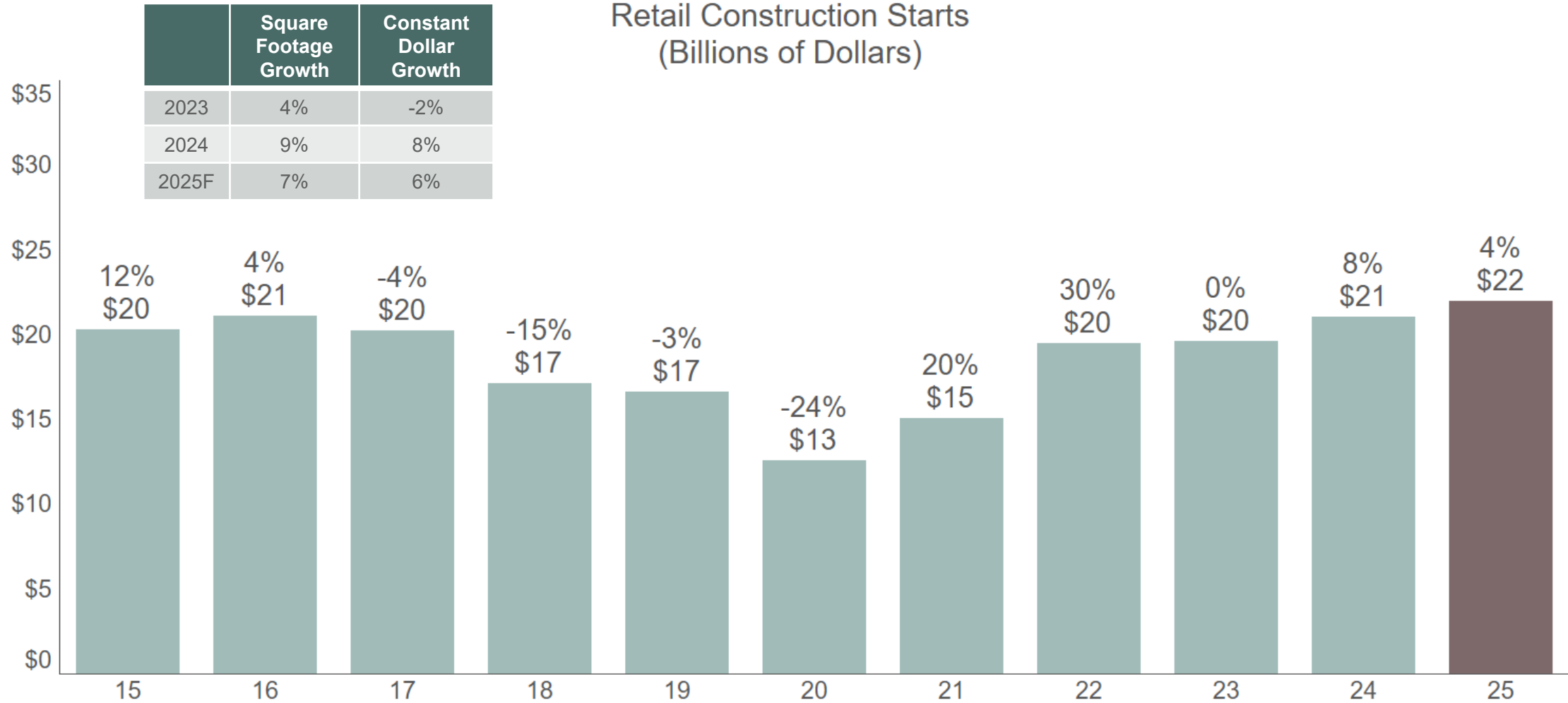
Commercial Construction Starts  
(Billions of Dollars)

Includes stores, offices, warehouses, hotels, and parking



# Retail starts remain on road to recovery

Retail Construction Starts  
(Billions of Dollars)



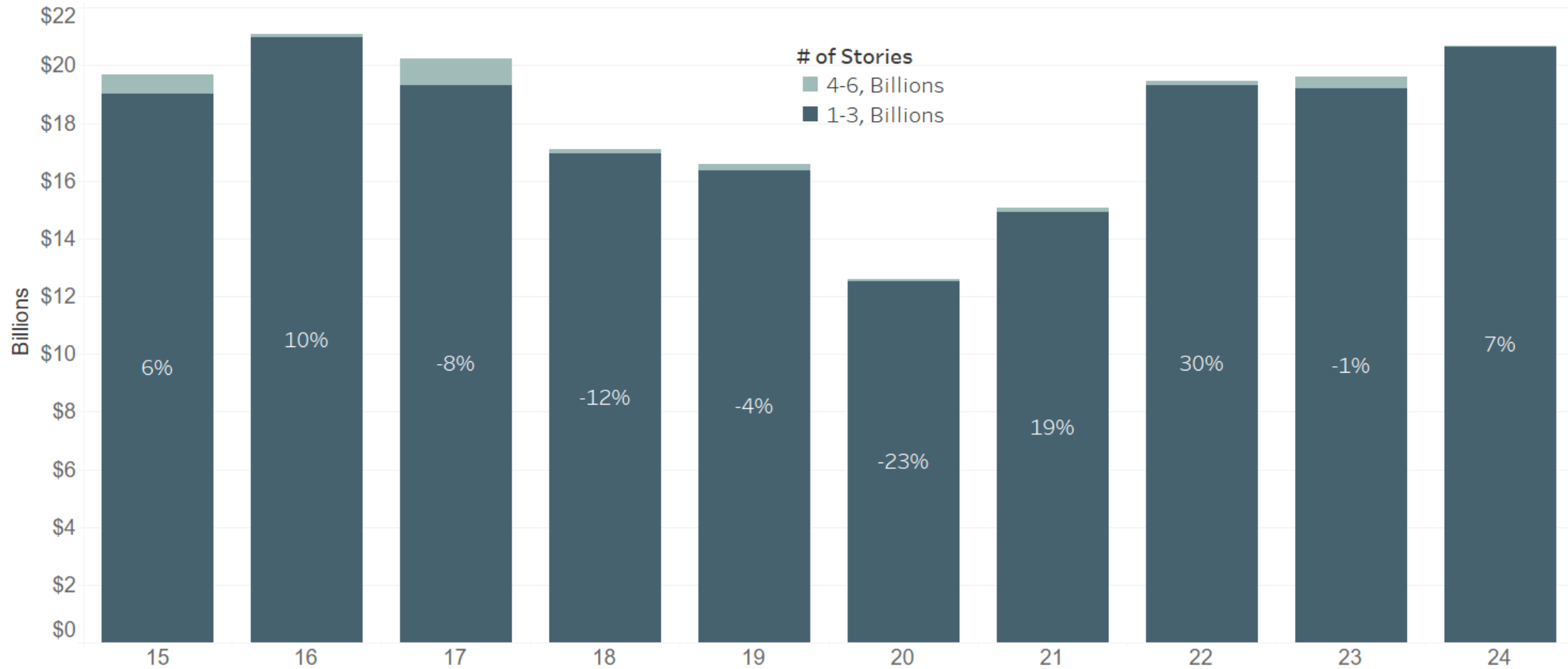
# Top retail chain starts through December of each year

Rank	Retail Chains	2022	2023	2024
1	Walmart	\$1,961 42%	\$1,651 -16%	\$1,383 -16%
2	Publix Super Market	\$307 -15%	\$304 -1%	\$350 15%
3	HEB Grocery Store	\$184 69%	\$204 11%	\$333 63%
4	Starbucks	\$151 16%	\$199 32%	\$294 48%
5	Costco Warehouse Store	\$204 -28%	\$300 47%	\$282 -6%
6	Target	\$380 50%	\$172 -55%	\$270 57%
7	Kroger Grocery Store	\$103 -10%	\$210 103%	\$262 25%
8	Chick Fil A Restaurant	\$118 21%	\$159 35%	\$199 25%
9	Home Depot	\$50 251%	\$120 141%	\$190 59%
10	Aldi Food Store	\$168 -25%	\$159 -6%	\$188 18%

Rank	Retail Chains	2022	2023	2024
11	AutoZone Auto Parts Store	\$111 12%	\$114 3%	\$149 31%
12	Dollar Tree	\$89 -40%	\$148 65%	\$132 -10%
13	McDonald's Restaurant	\$91 -9%	\$110 21%	\$130 18%
14	Dollar General	\$192 -15%	\$177 -8%	\$128 -28%
15	Tractor Supply Store	\$121 -21%	\$97 -20%	\$115 18%
16	Harbor Freight Tools	\$253 4%	\$76 -70%	\$106 39%
17	Lowe's Home Center	\$55 -5%	\$46 -16%	\$106 128%
18	Dick's Sporting Goods	\$49 -5%	\$57 15%	\$104 83%
19	Burlington Coat Factory	\$65 1%	\$32 -51%	\$82 157%
20	Taco Bell Restaurant	\$69 11%	\$73 5%	\$82 12%

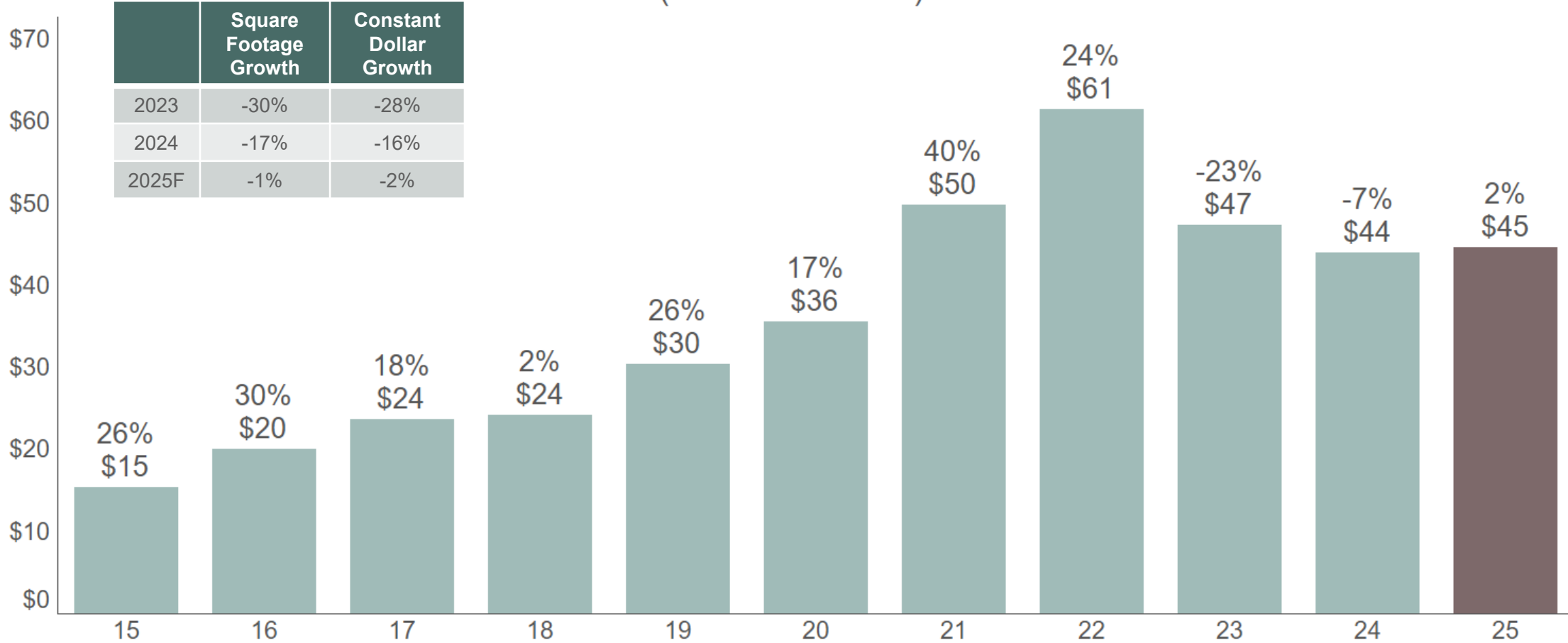
# Most of the retail market falls into 1-3 stories

Retail Construction Starts: 1-3 & 4-6 Stories



# Warehouse starts will begin to re-accelerate in 2025

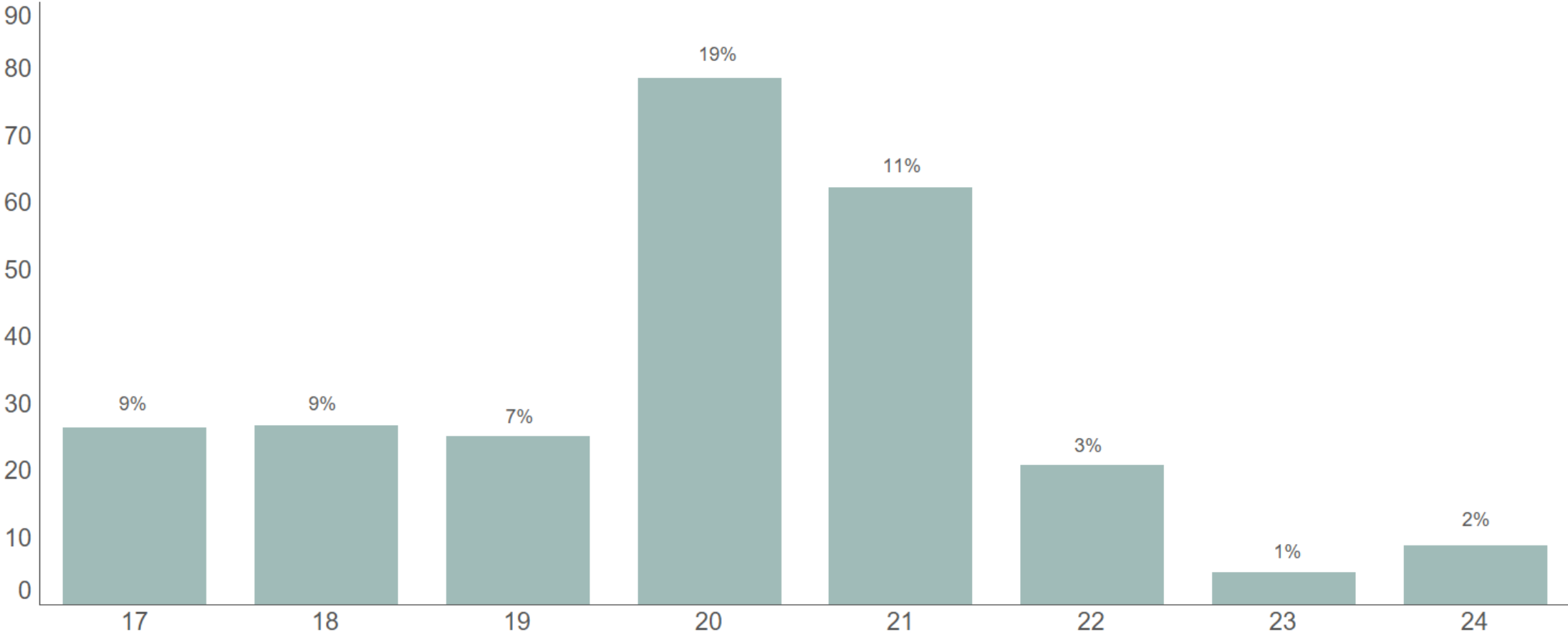
Warehouse Construction Starts  
(Billions of Dollars)



# Amazon starts are making a slow return

Amazon Construction Starts

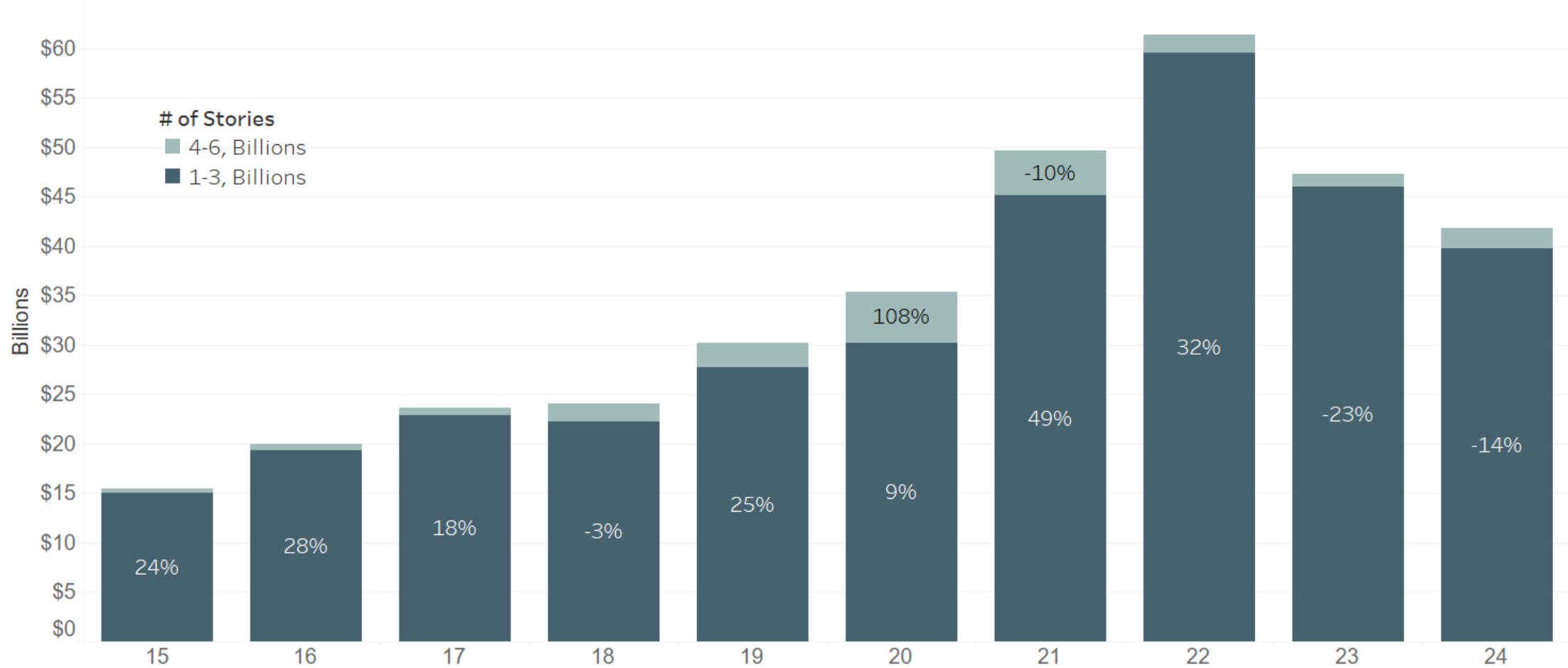
(Includes Projects Where Amazon Is Listed As Co-Owner, Million Square Feet, % Share of Warehouse Starts)



Source: Dodge Construction Network

# More weakness in 1-3 stories than national trend

Warehouse Construction Starts: 1-3 & 4-6 Stories

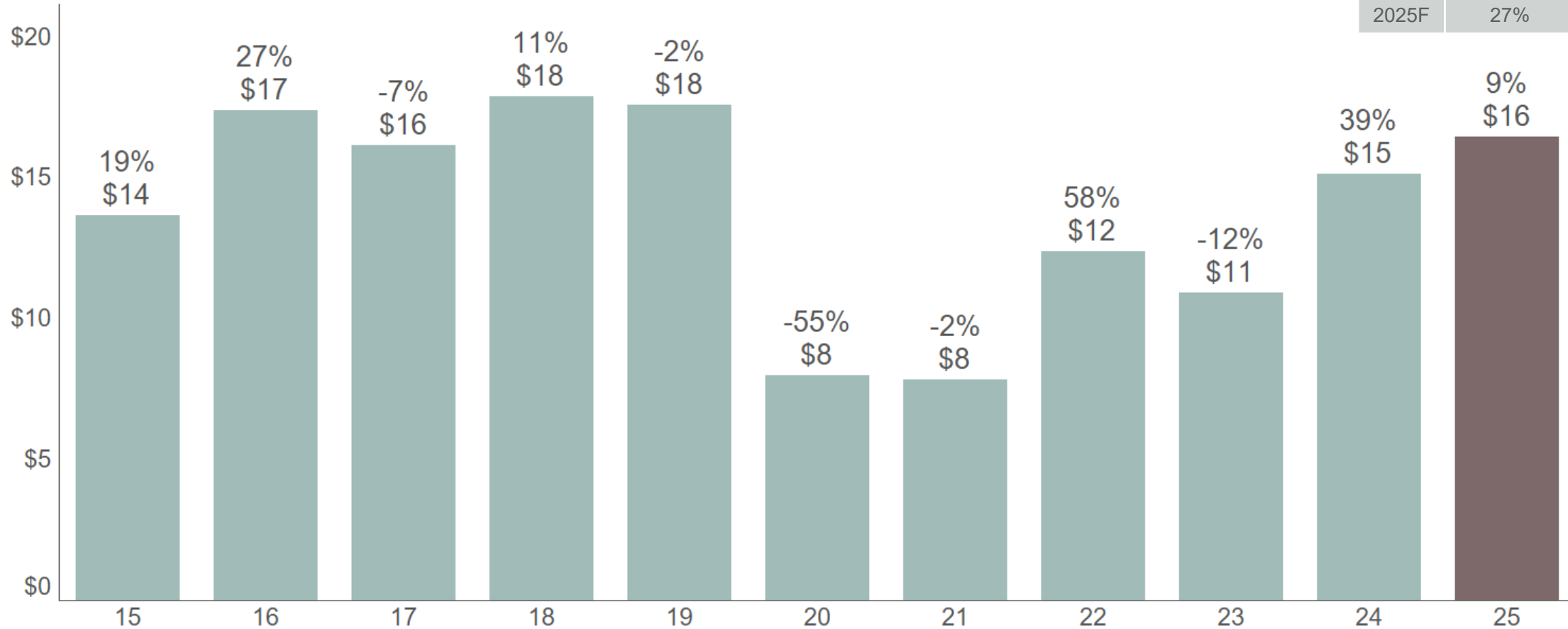




# Upgrade cycle for hotel continues in 2025

	Square Footage Growth	Constant Dollar Growth
2023	-7%	-1%
2024	8%	12%
2025F	27%	14%

Hotel Construction Starts  
(Billions of Dollars)

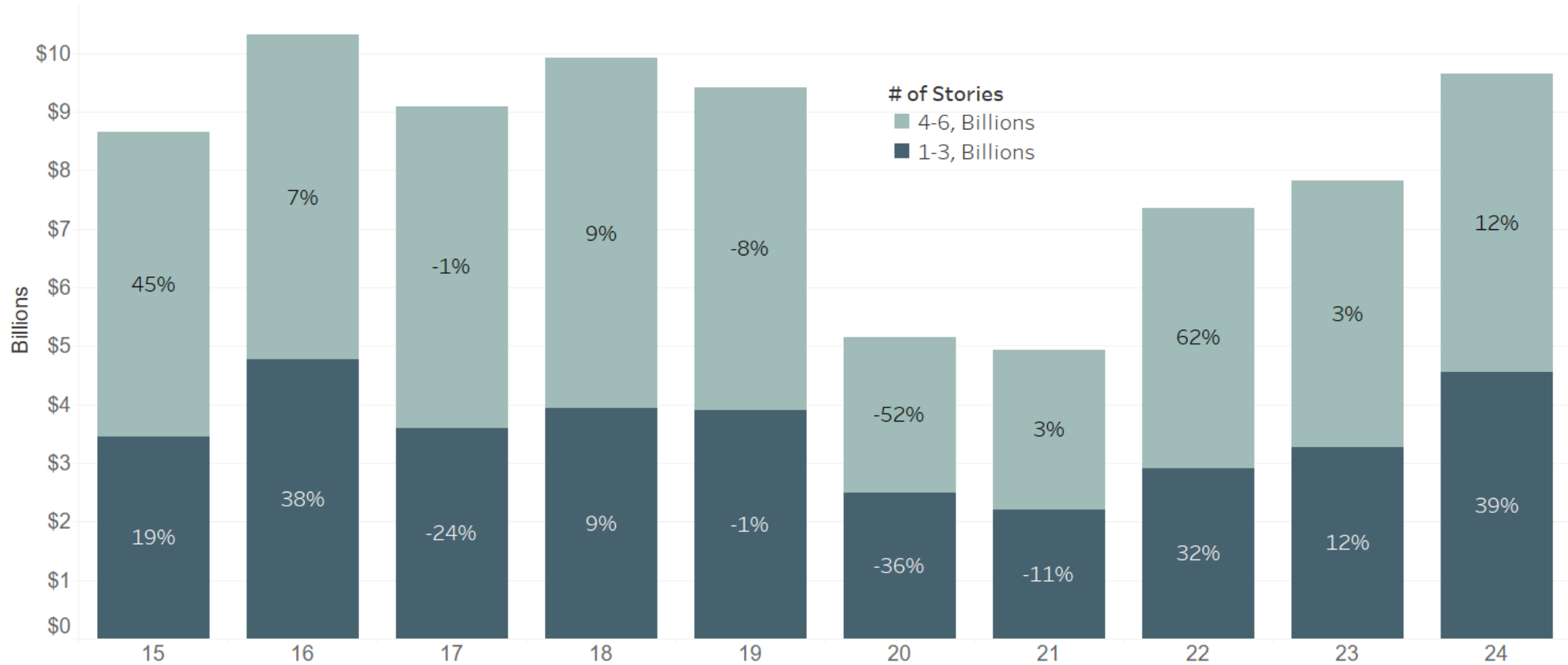


# Hotel classes by stage of activity

	Pre-Planning	Planning	Final Planning	Underway
Luxury	37%	25%	16%	19%
Upscale	10%	11%	7%	7%
Casino/Theme Park	7%	4%	2%	6%
Mid-market with Food	6%	4%	4%	4%
Extended Stay	24%	36%	47%	44%
Mid-market w/o Food	16%	18%	23%	20%
Economy	1%	2%	1%	1%

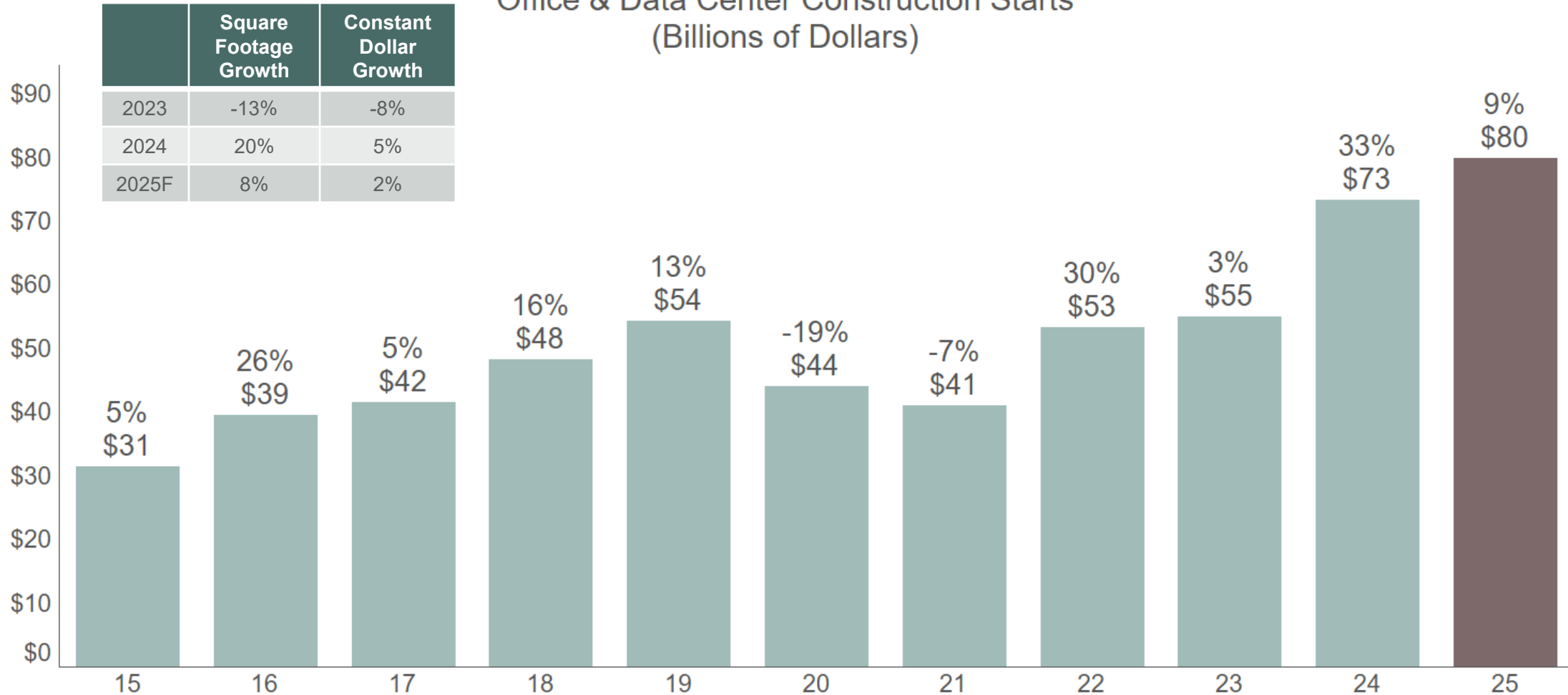
# More variation in story height for hotels

Hotel Construction Starts: 1-3 & 4-6 Stories



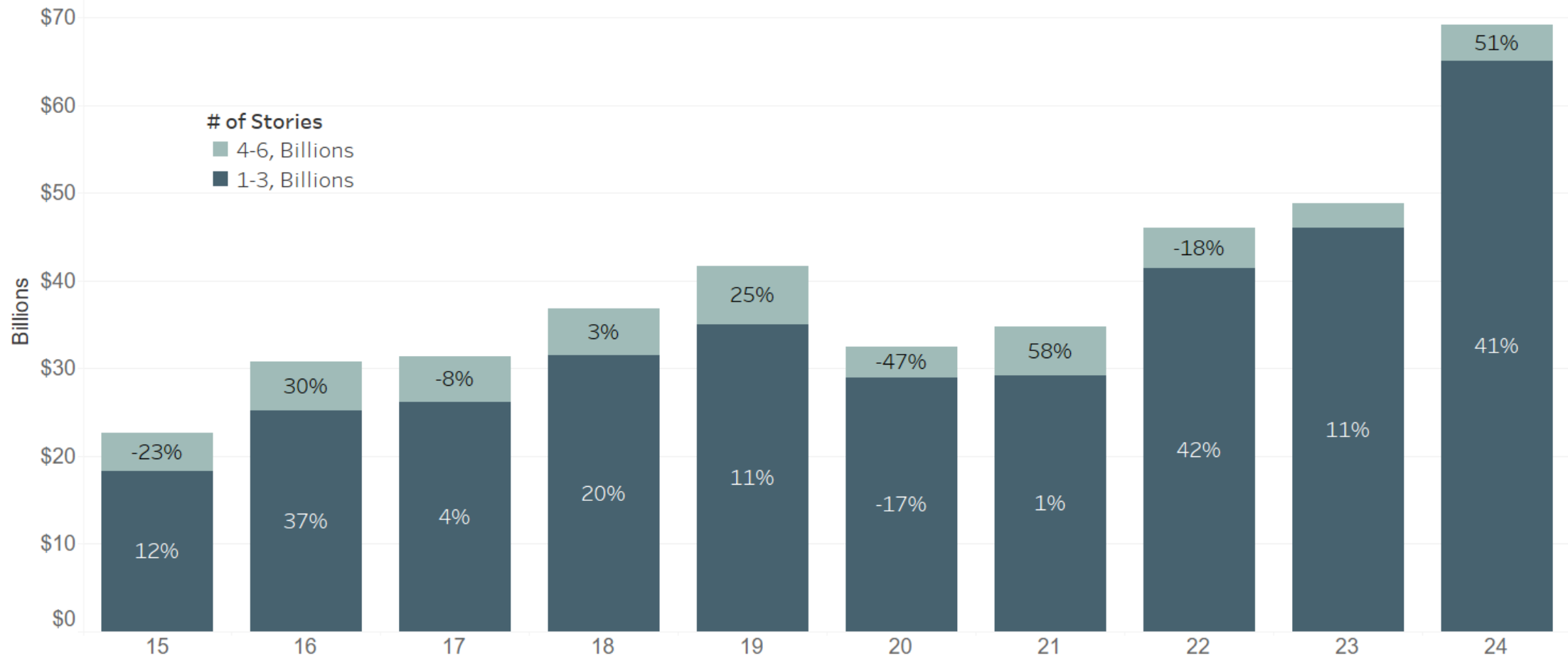
# Data center growth is behind 2024 & 2025 expansion

Office & Data Center Construction Starts  
(Billions of Dollars)



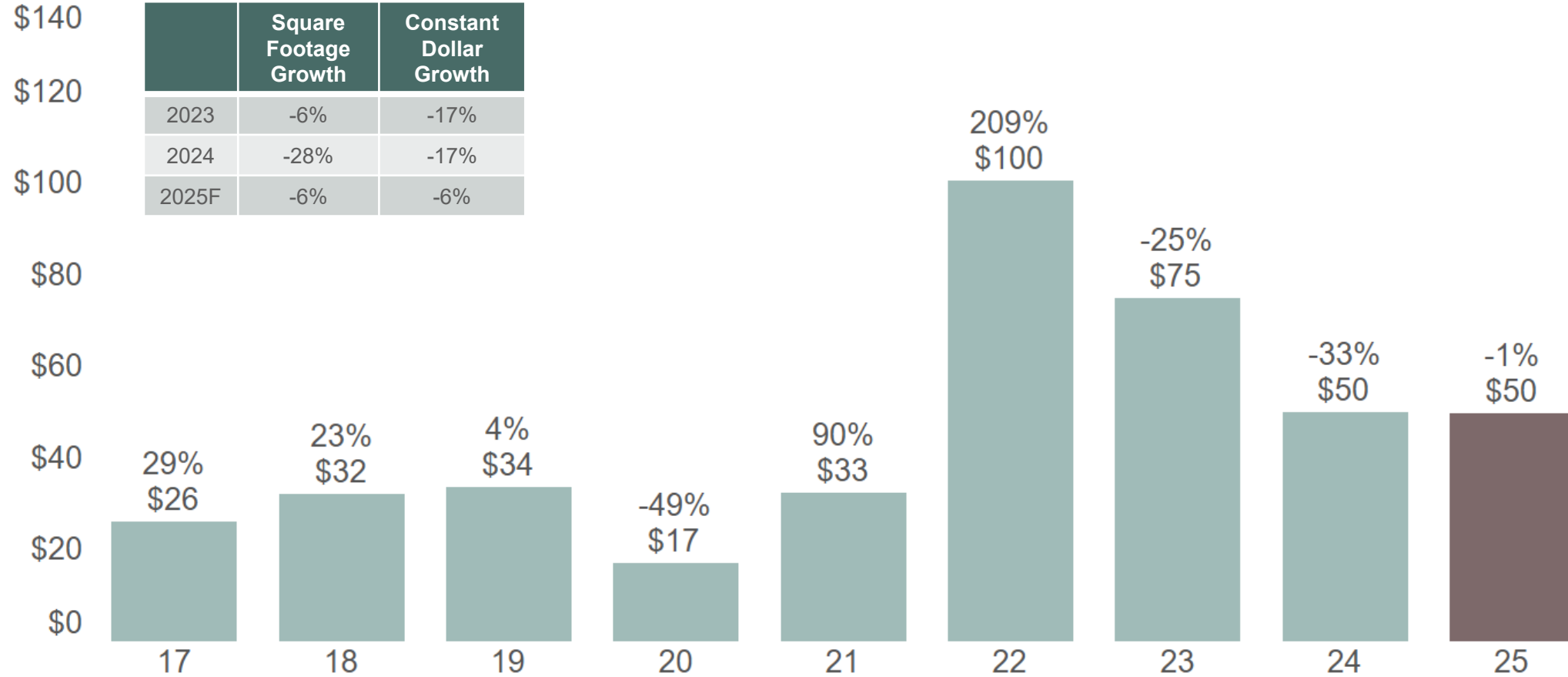
# Data centers are driving strength in 1-3 stories

Office & Data Center Construction Starts: 1-3 & 4-6 Stories



# Delayed projects/slow EV sales impacting manufacturing outlook

Manufacturing Construction Starts  
(Billions of Dollars)



Source: Dodge Construction Network

# But still many megaprojects slated for 2025

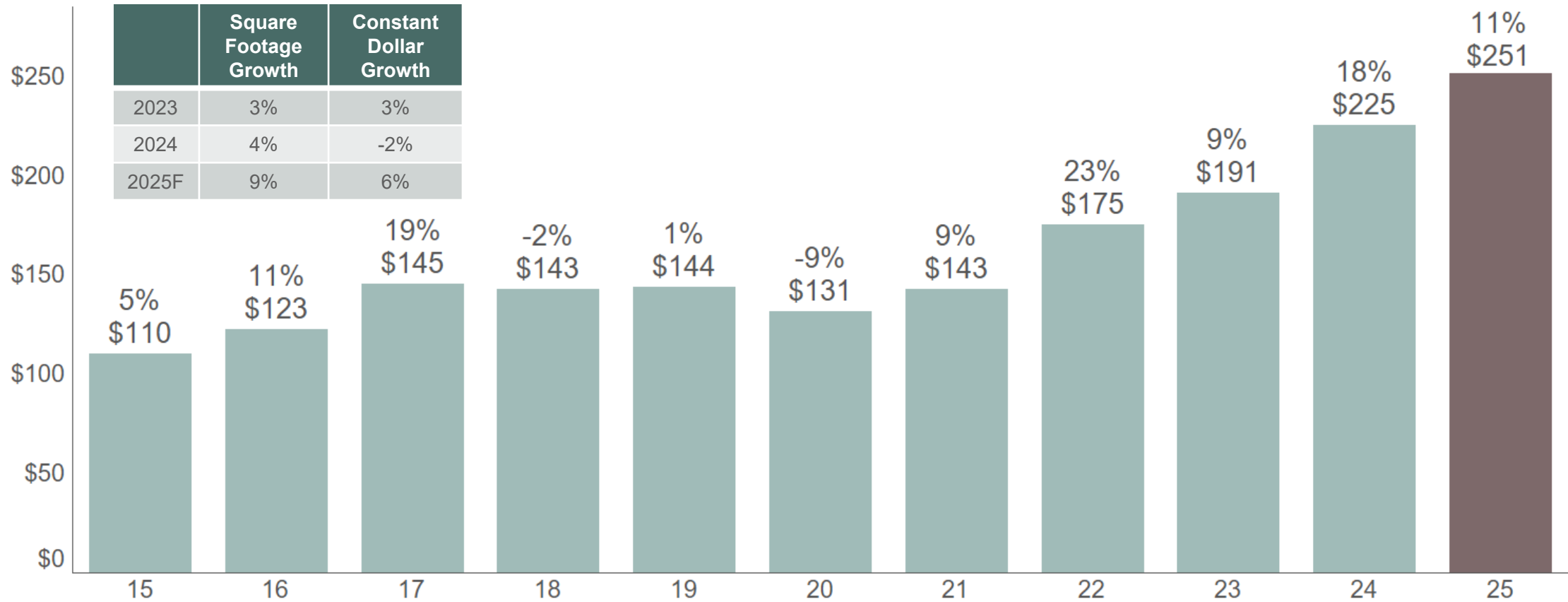
Top Manufacturing Projects Awaiting Start  
(Dollars, Millions)

Intel D1X Semiconductor Manufacturing Expansion	18,000
Micron Semiconductor Mega-Factory Fab 1	10,000
Project Factory One Semiconductor Manufacturing Plant	8,500
Sustainable Aviation Fuel Manufacturing Facility-Solar Farm	3,960
GlobalFoundries Next Generation Manufacturing Plant Fab 8.2	3,750
Lithium Processing Facility	1,645
Tesla Semi- Truck Facility & Battery Plant	1,000
Integra Technologies Semiconductor Manufacturing	900
GSK MAPS & Vaccine Packaging Facility	800
Toyota Motor Manufacturing Indiana Electric SUV Renovation	750

# Institutional building will continue to grow in 2025

## Institutional Construction Starts (Billions of Dollars)

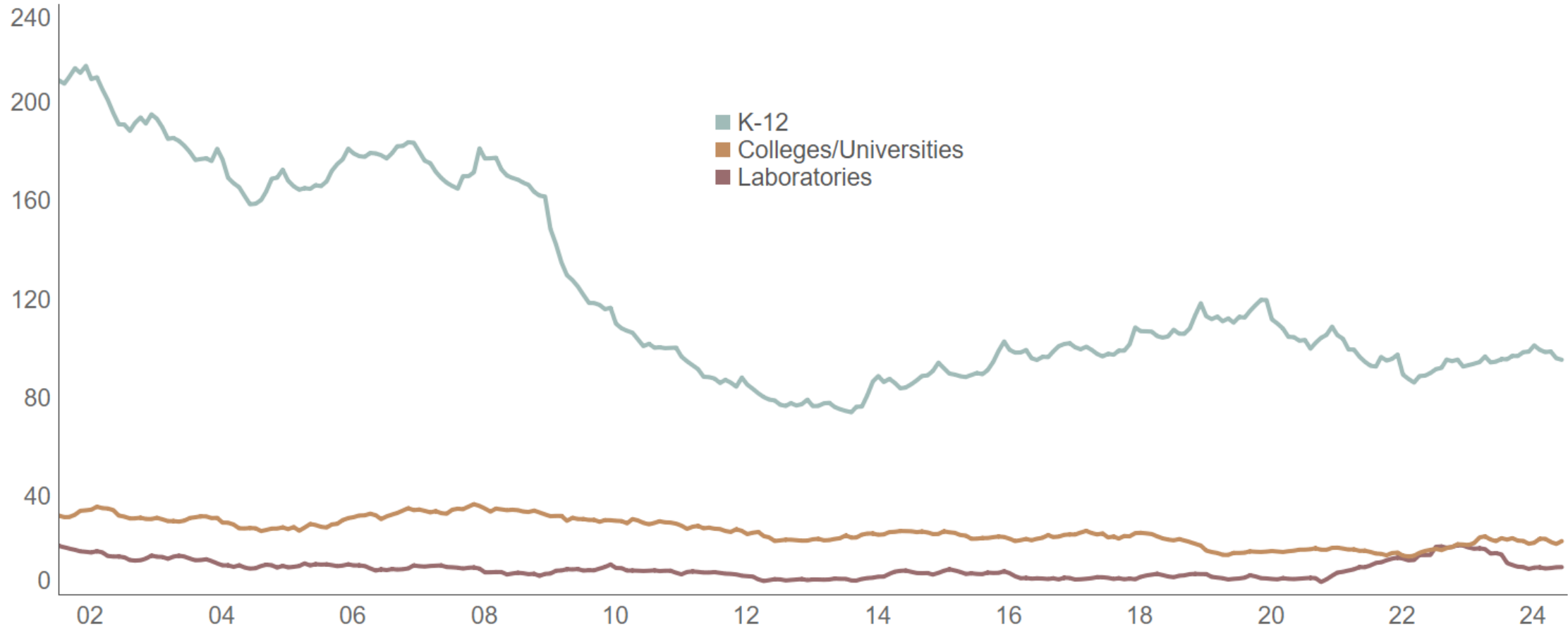
Includes education, healthcare, public, recreation, transportation





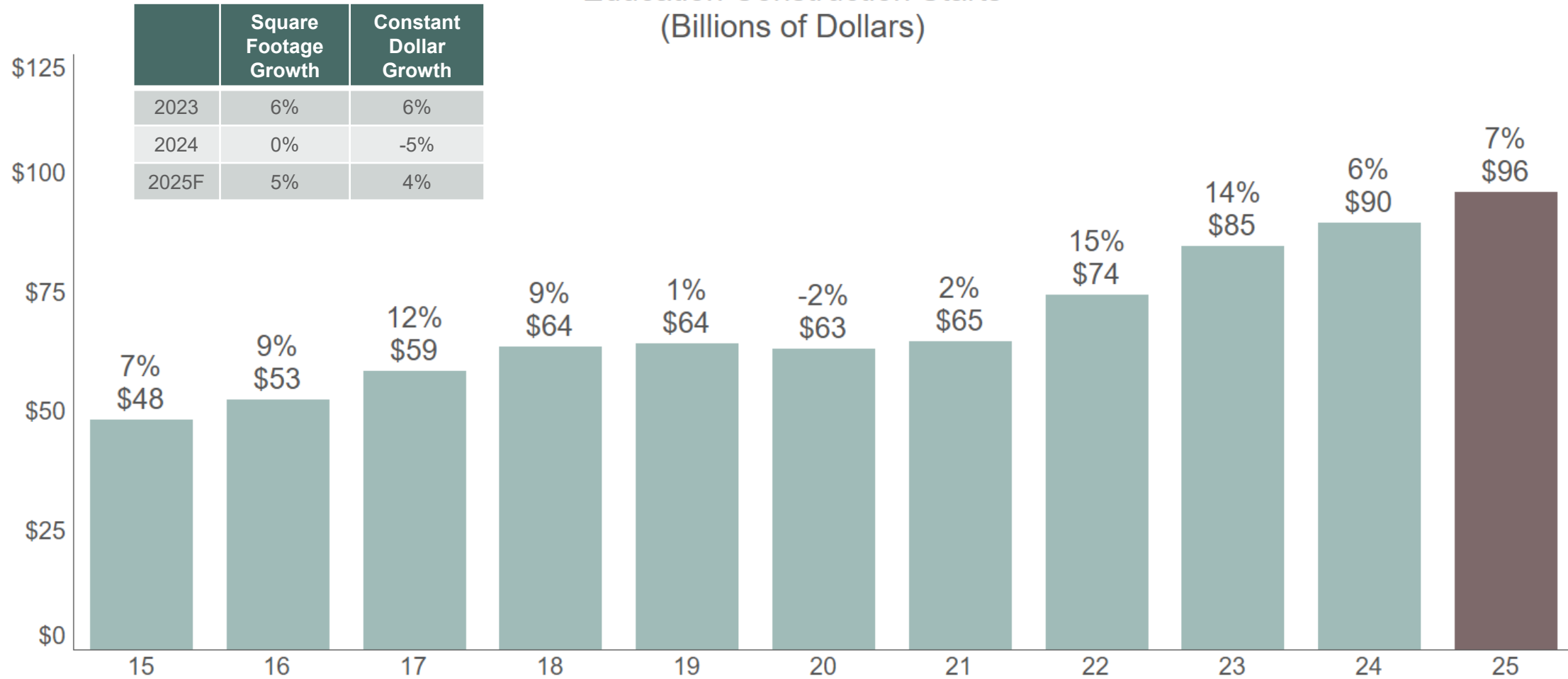
# K-12 starts larger, but more volatile than university

Educational Buildings - Segments  
(Millions of Square Feet - 12 month rolling total)



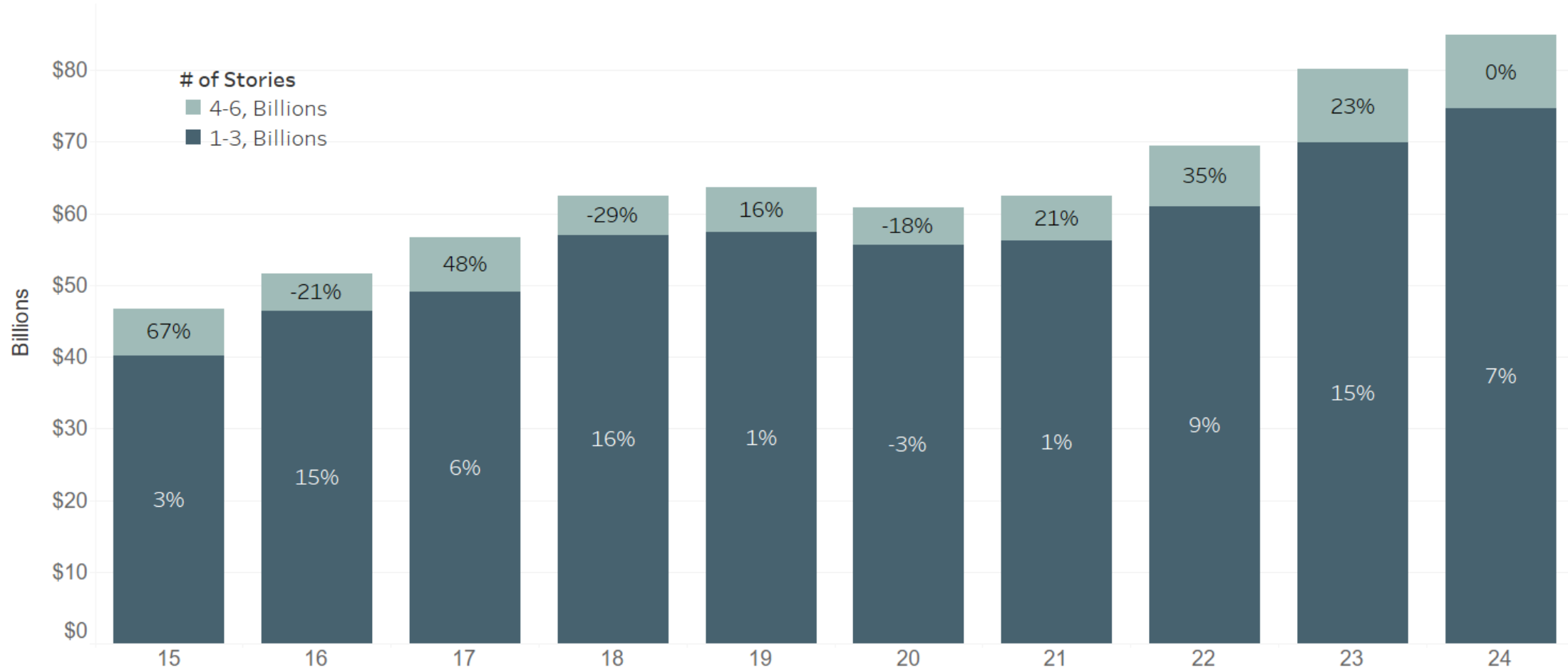
# K-12 & college starts will drive growth in 2025

Education Construction Starts  
(Billions of Dollars)



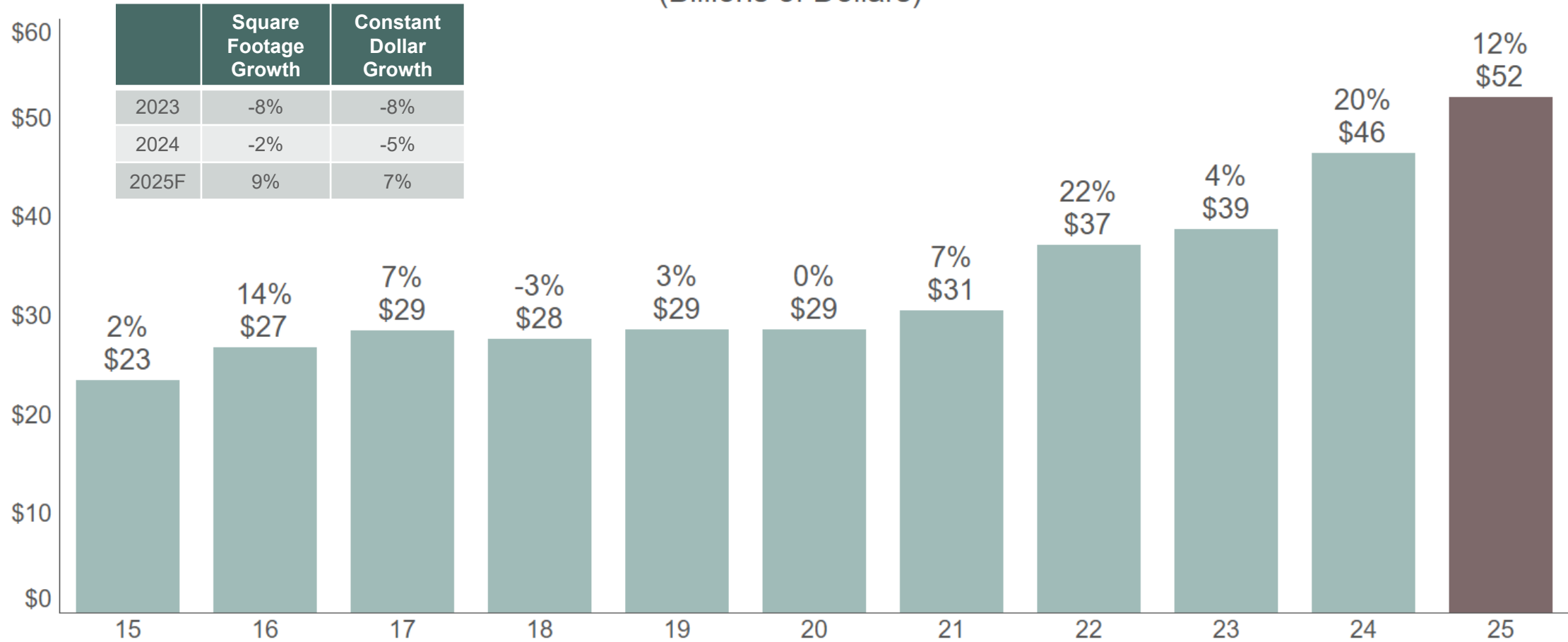
# 1-3 Stories Returned to Expansion in 2023 & 2024

Education Construction Starts: 1-3 & 4-6 Stories



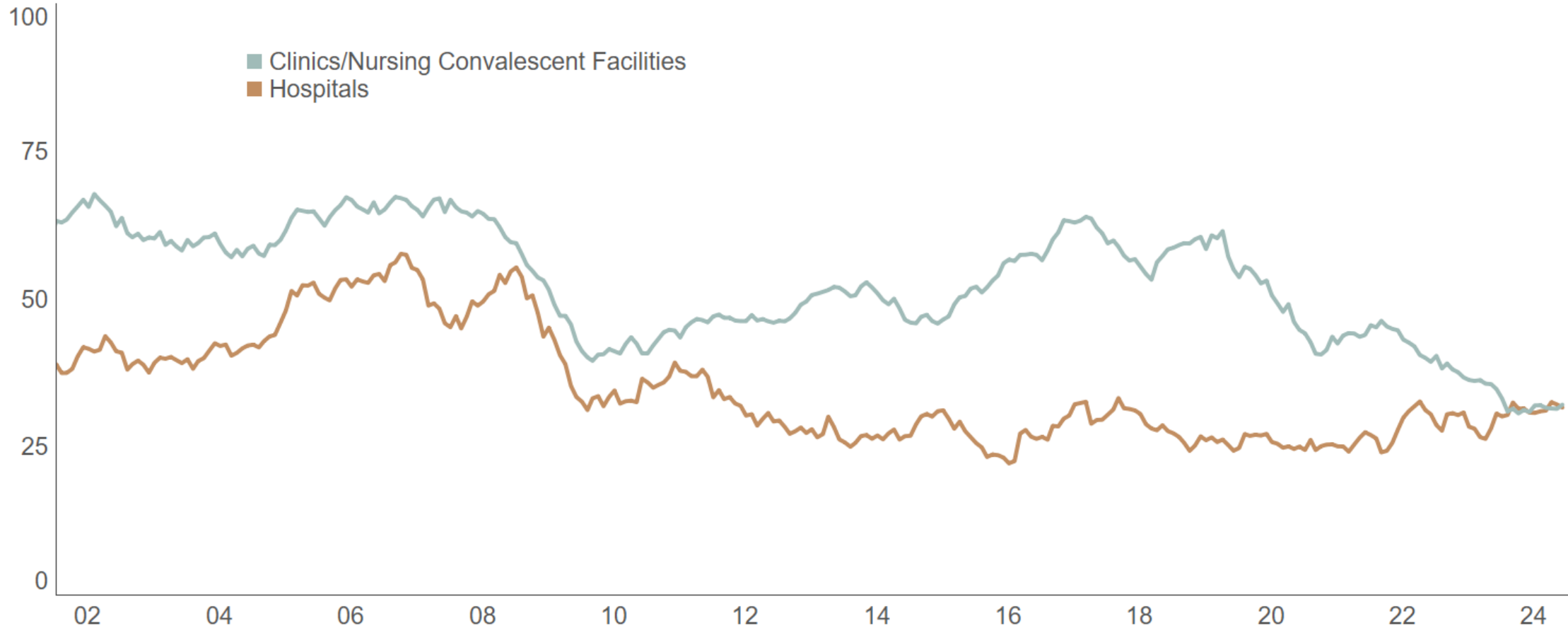
# Healthcare starts poised for growth

Healthcare Construction Starts  
(Billions of Dollars)



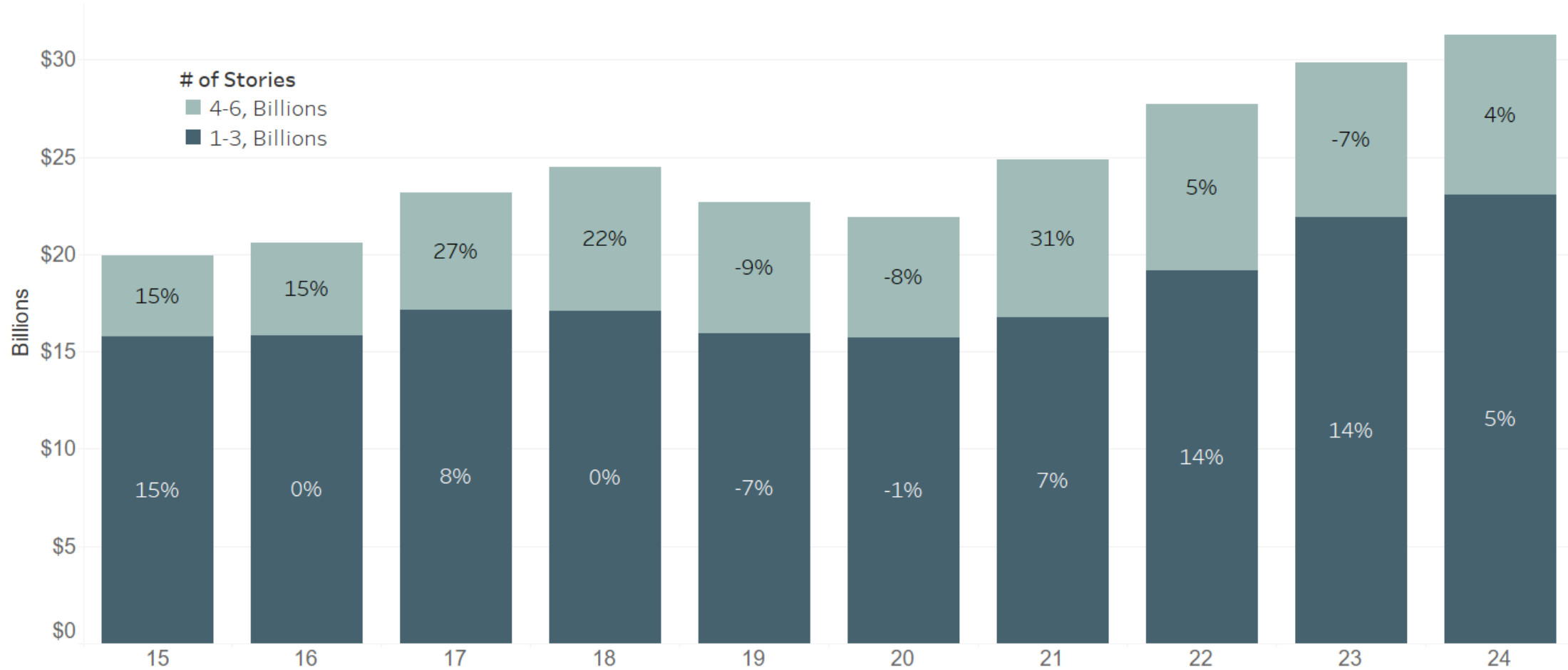
# Hospitals gaining share; clinics slowly coming back

Healthcare Buildings - Segments  
(Millions of Square Feet - 12 month rolling total)



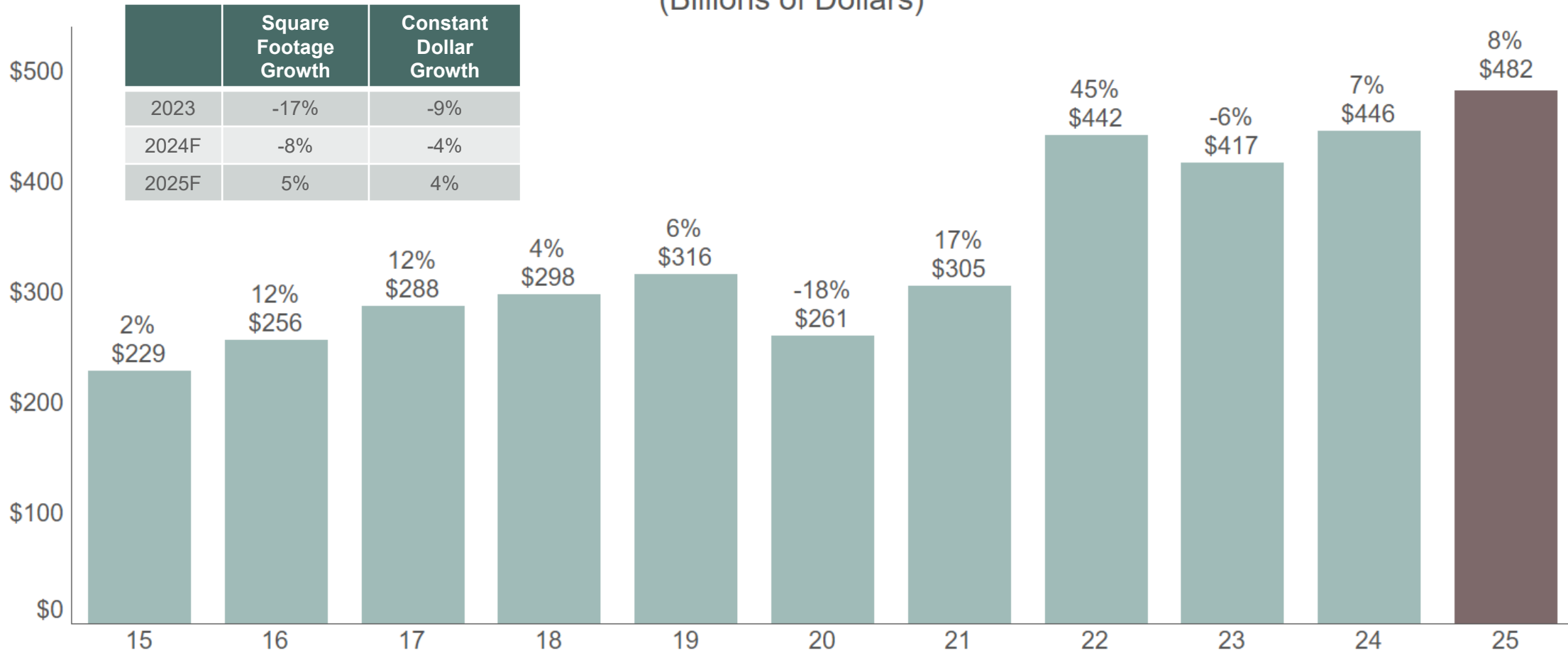
# 1-3 Stories Largest Share; 11-15 Driving Growth

Healthcare Construction Starts: 1-3 & 4-6 Stories



# Total nonresidential building starts to grow in '25

Total Nonresidential Building Construction Starts  
(Billions of Dollars)





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# **DODGE CONSTRUCTION NETWORK**

**THE CATALYST FOR MODERN CONSTRUCTION**



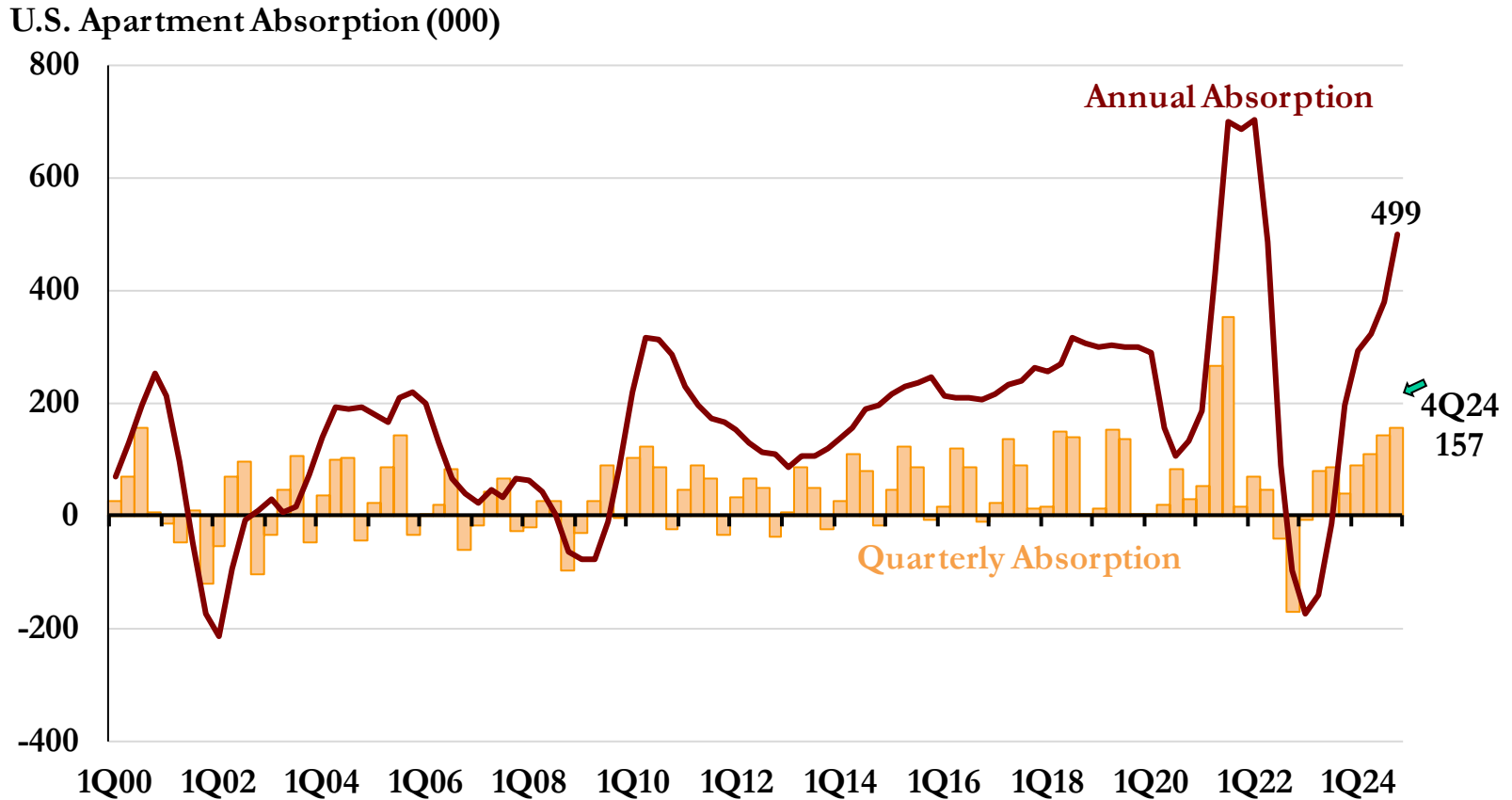
# **U.S. Apartment Markets Update and Outlook**

## **WoodWorks Webinar**

Disclaimer: This presentation was developed by a third party and is not funded by WoodWorks or the Softwood Lumber Board.

# Market Update

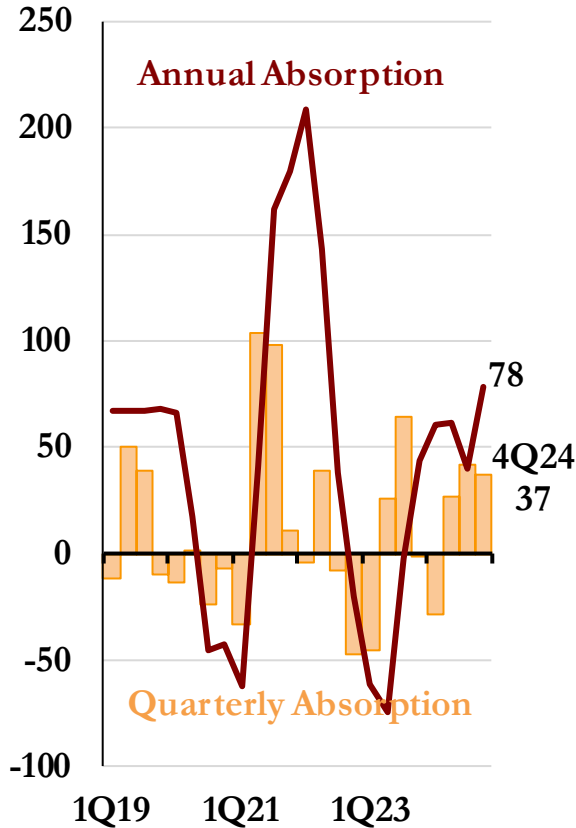
Almost 160k move-ins in 4Q24 (best 4<sup>th</sup> quarter on record),  
annual total near 500k units (approaching Covid-boostered totals)



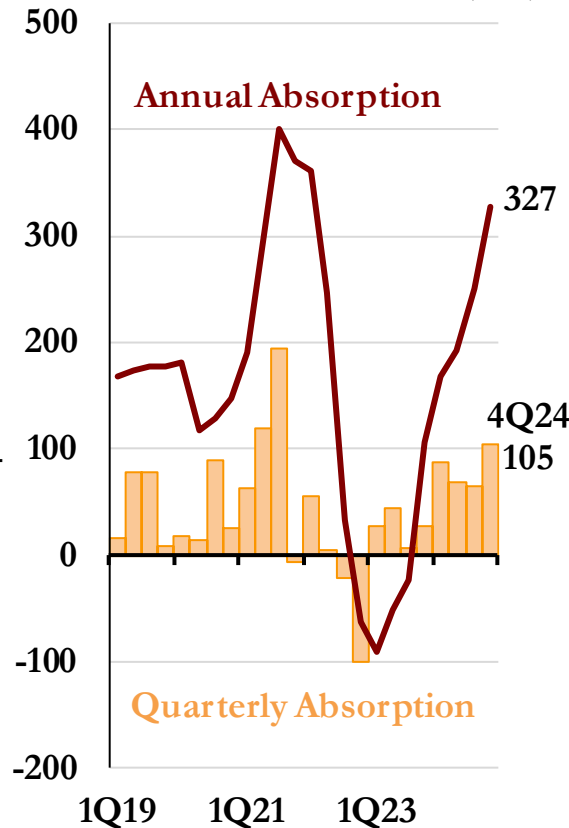
Source: Witten Advisors

## Demand in Major Non-Gateway + Smaller markets ramped up with completions; Gateway metros back to pre-2020 levels

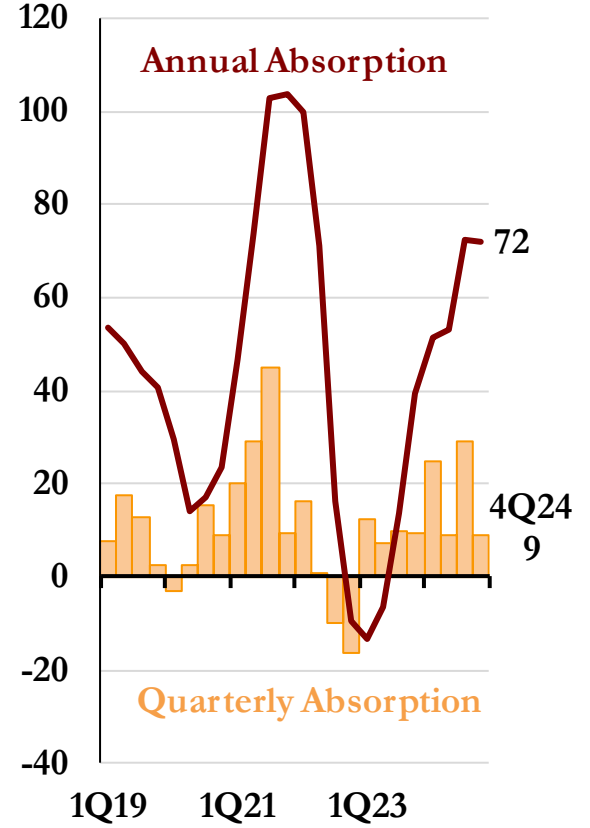
Gateway Markets  
Apartment Absorption (000)



Major Non-Gateway Markets  
Apartment Absorption (000)



Smaller Markets  
Apartment Absorption (000)



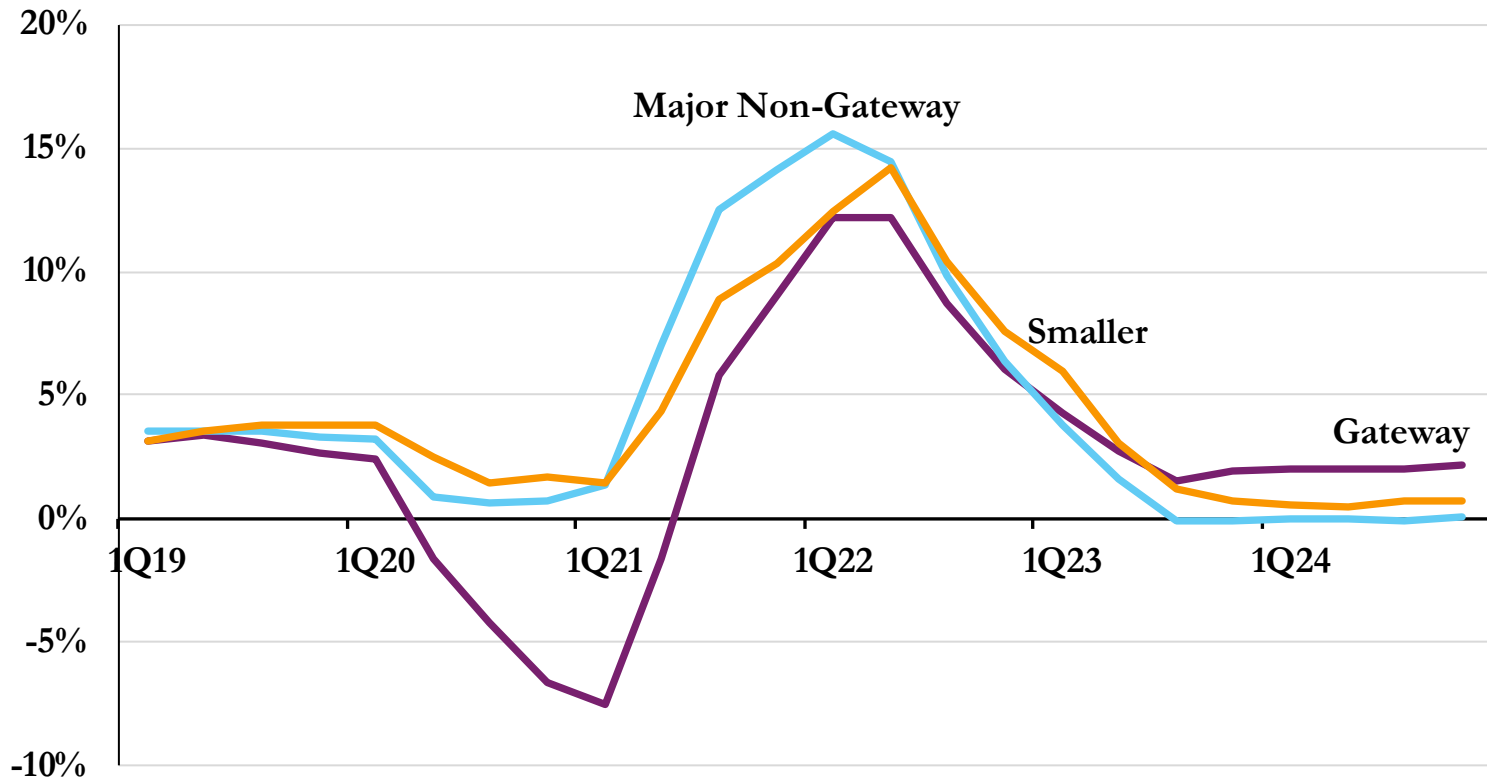
Gateway markets: metro Boston, New York, Washington DC, Chicago, San Francisco and Los Angeles

Major Non-Gateway > 100k units; Smaller < 100k units

Source: Witten Advisors

## Pricing power currently greatest in Gateway metros; wave of deliveries weigh on many Major Non-Gateway

Rent Growth (Year-Year)



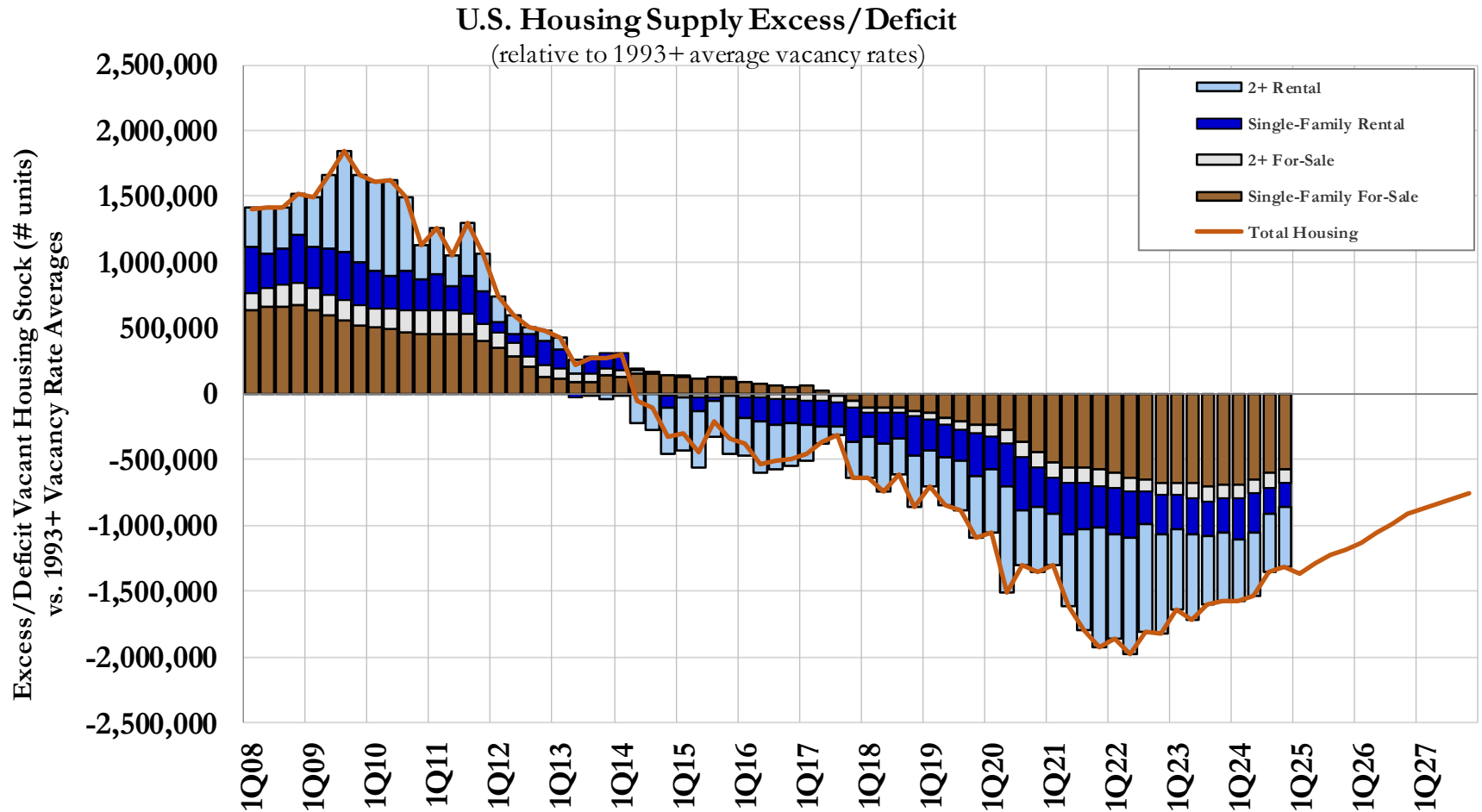
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Source: Witten Advisors

# Housing Market

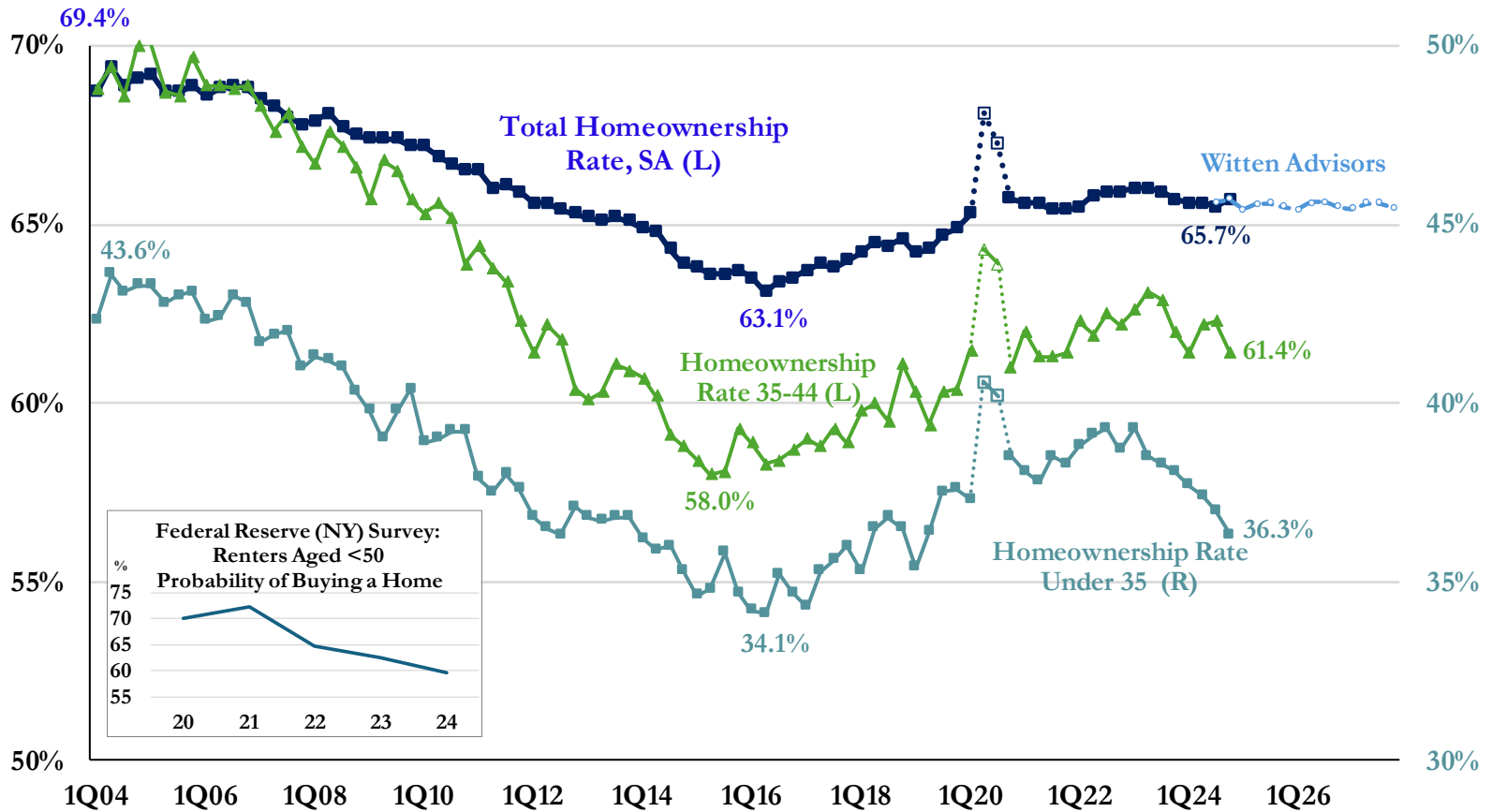
Housing shortage has eased (*especially in MF rentals*), should lessen further  
Slower demand, more supply eventually draw shortfall down to ~800k



Sources: Witten Advisors, U.S. Census Bureau

# Housing Market

Overall home ownership rate edged higher in 4Q but flat y-y  
 More and more young adult households opting to rent

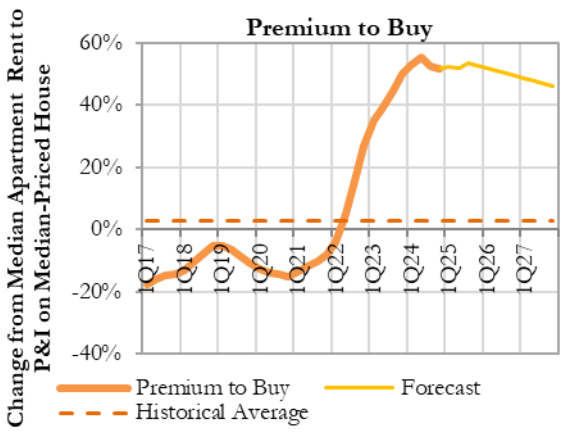
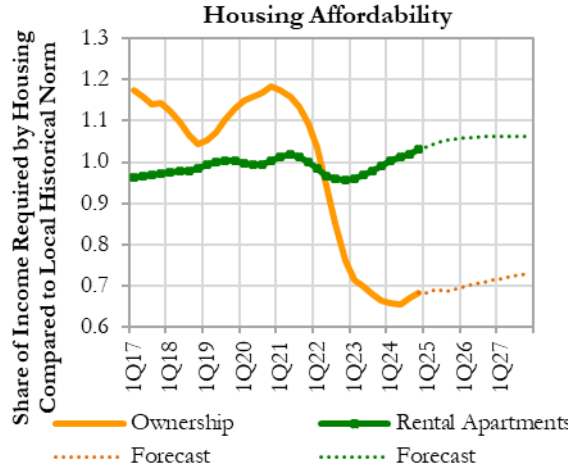
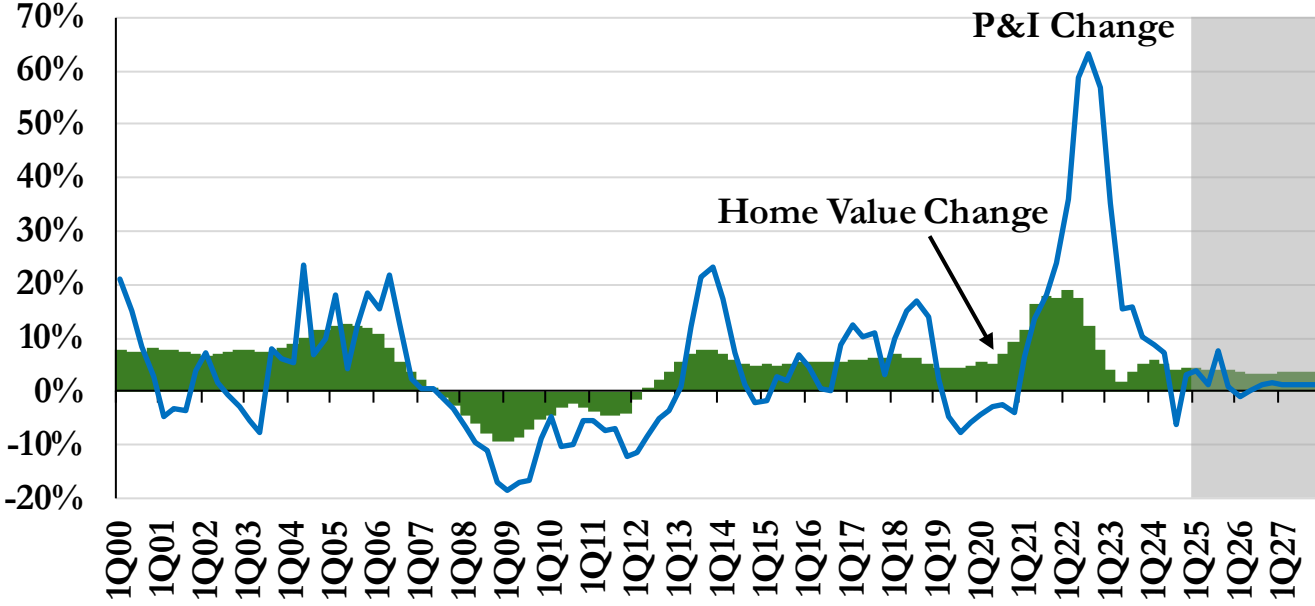


Source: U.S. Census Bureau, Witten Advisors

# Housing Market

Home values climb ~3-4%; mortgage rates decline but P&I firms, owner affordability compromised; premium to buy remains near 50%

Home Value, Principal & Interest (Year-Year Change)



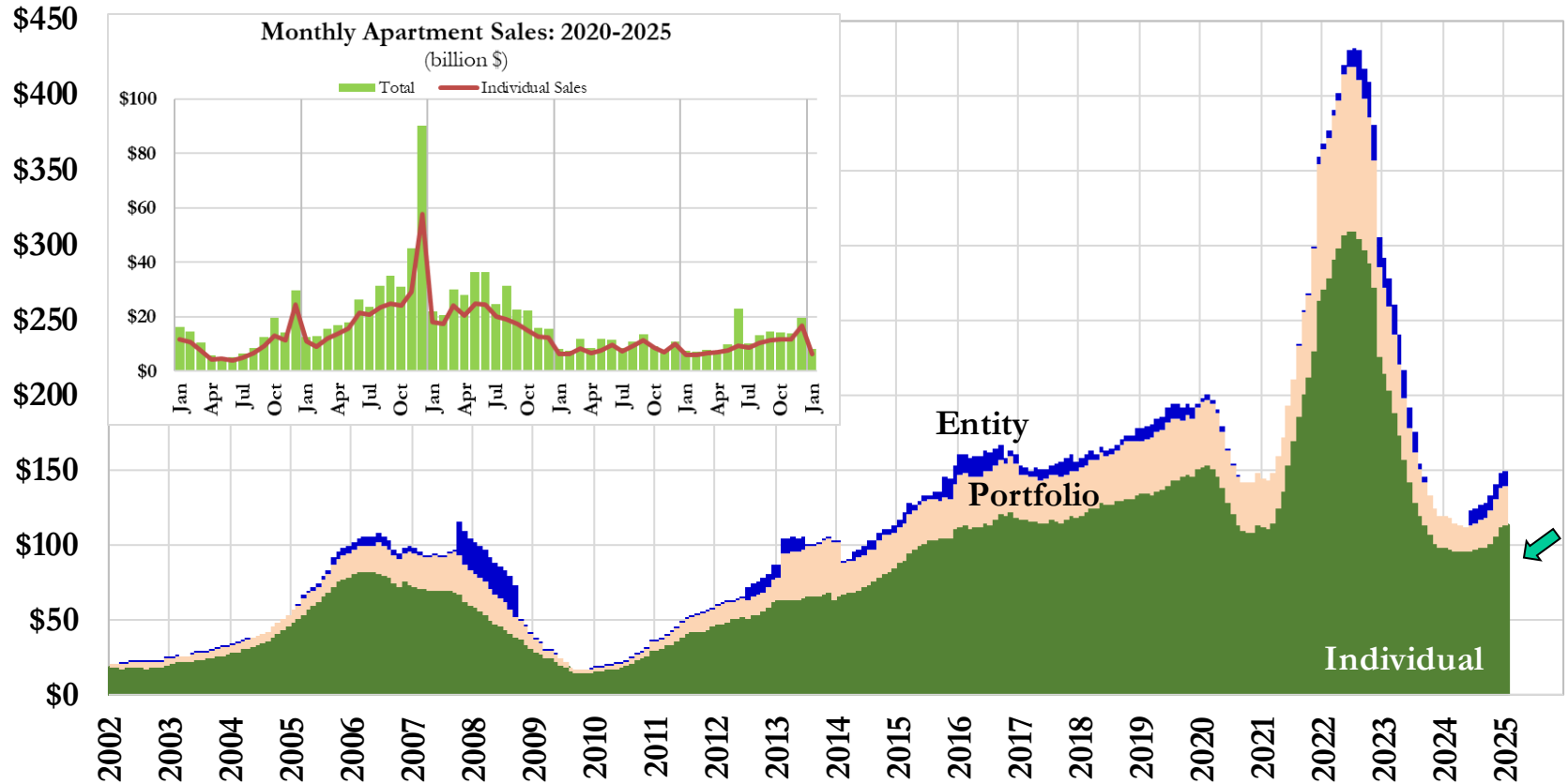
Sources: Consensus Forecast for Mortgage Rates, Witten Advisors

# Investment Market

Jan25 annual sales ~\$150b (includes BX/AIR)

One-off transactions firmed above \$110b, bottomed in early '24

U.S. Apartment Sales, T12, \$billion

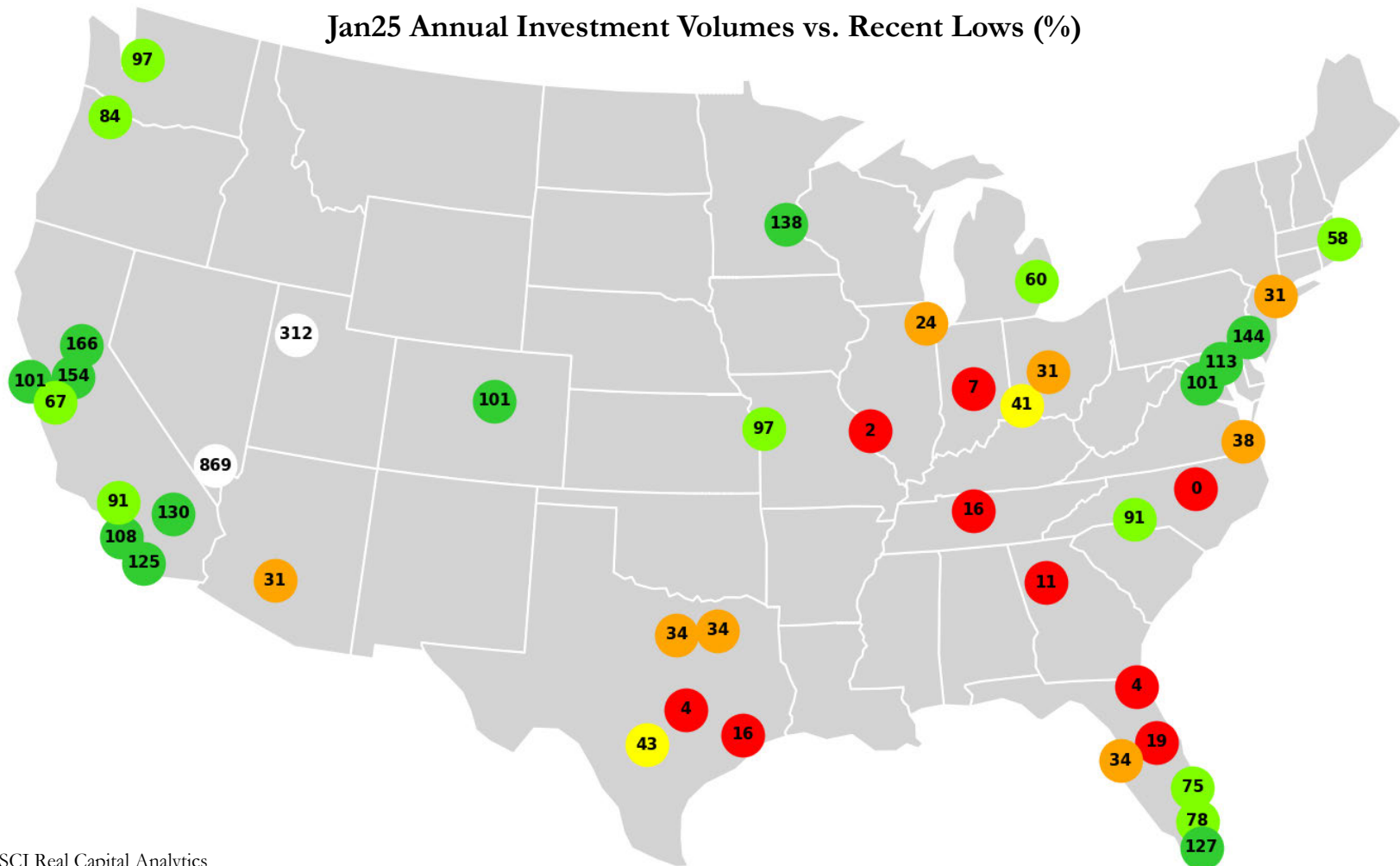


Source: MSCI Real Capital Analytics



## U.S. investment volumes 34% above early '24 low; activity sharply higher in LV, SLC; still near troughs in high-supply markets

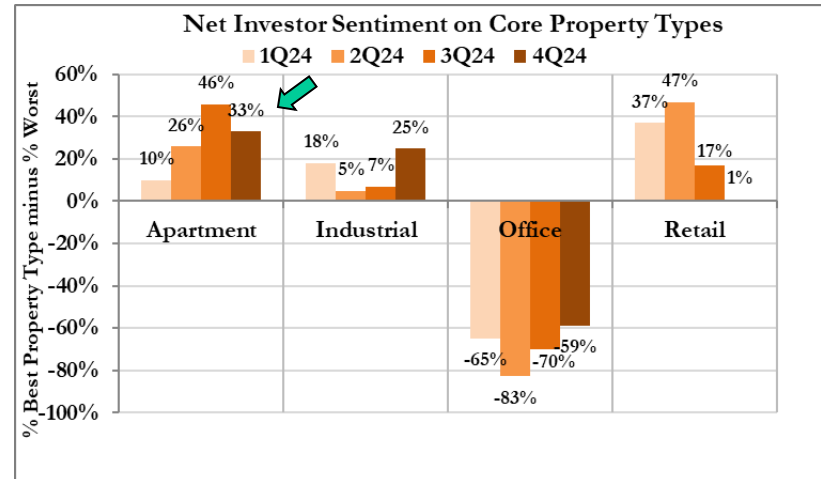
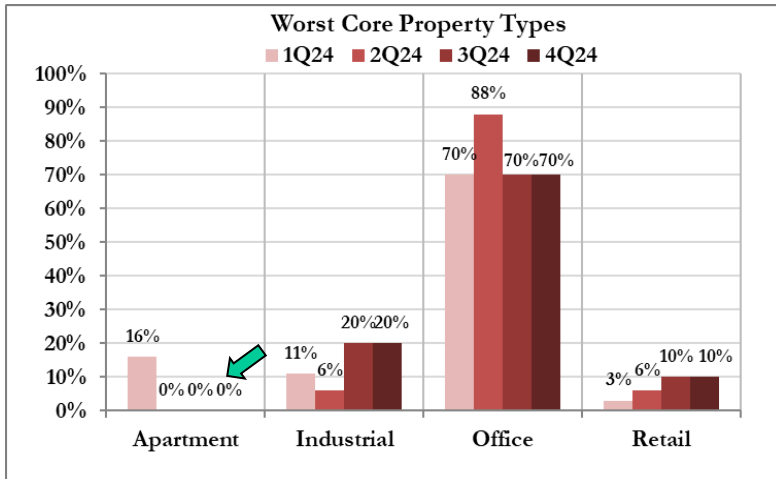
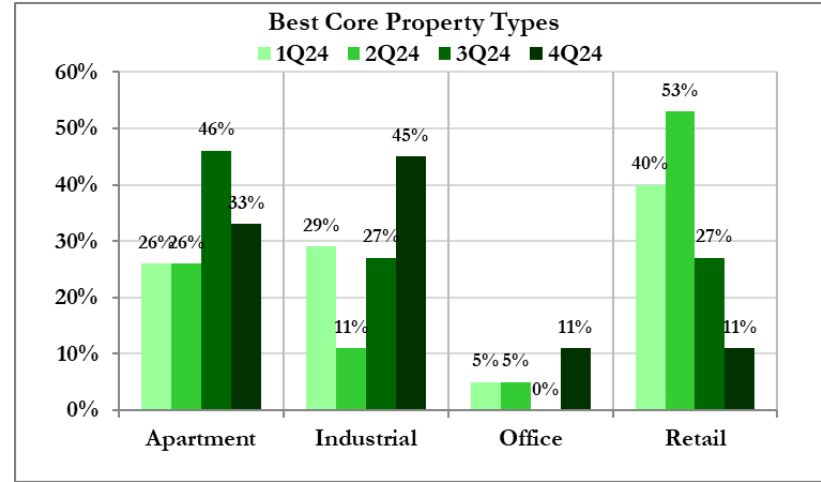
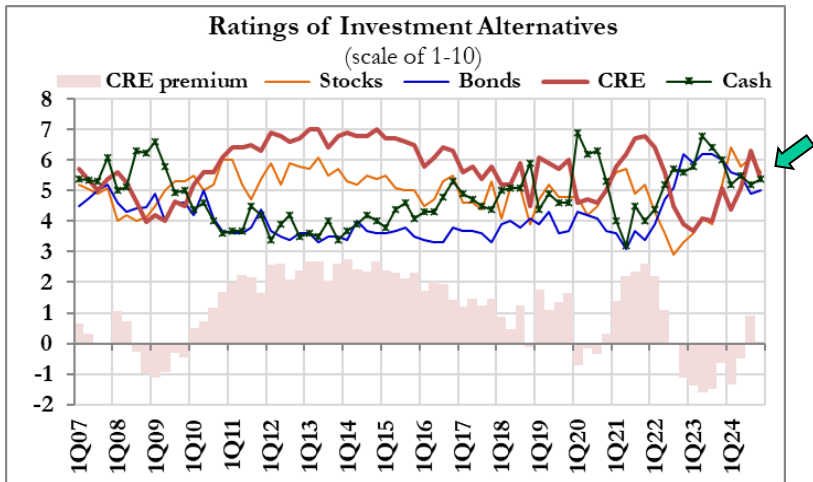
Jan25 Annual Investment Volumes vs. Recent Lows (%)



Source: MSCI Real Capital Analytics

# Investment Market

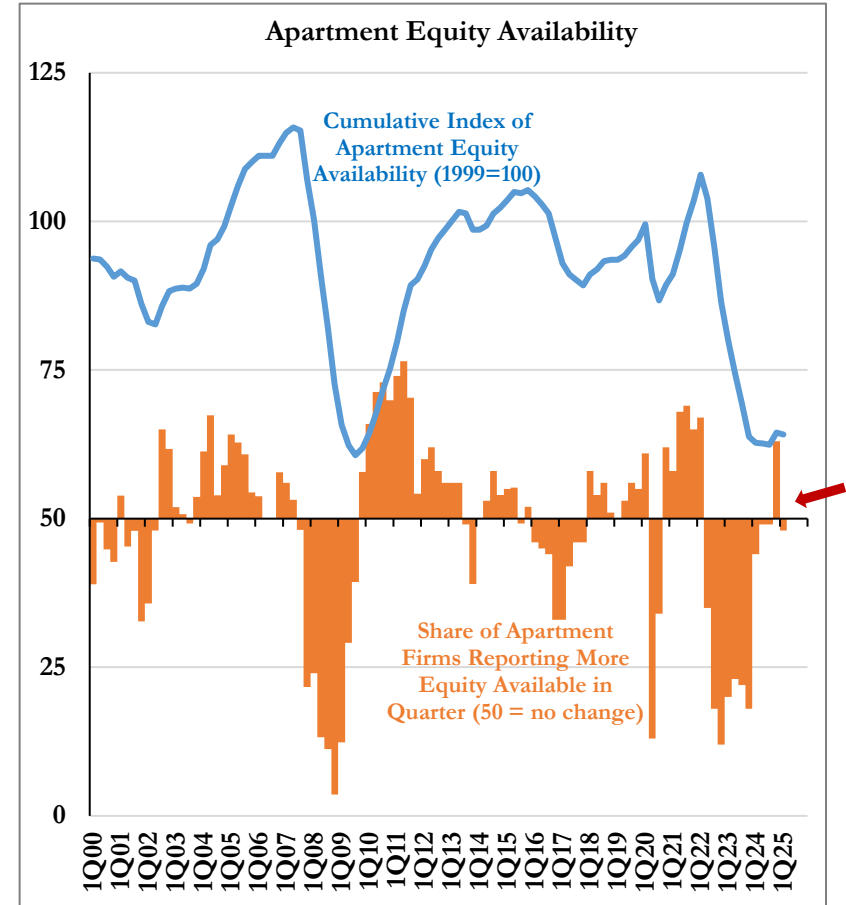
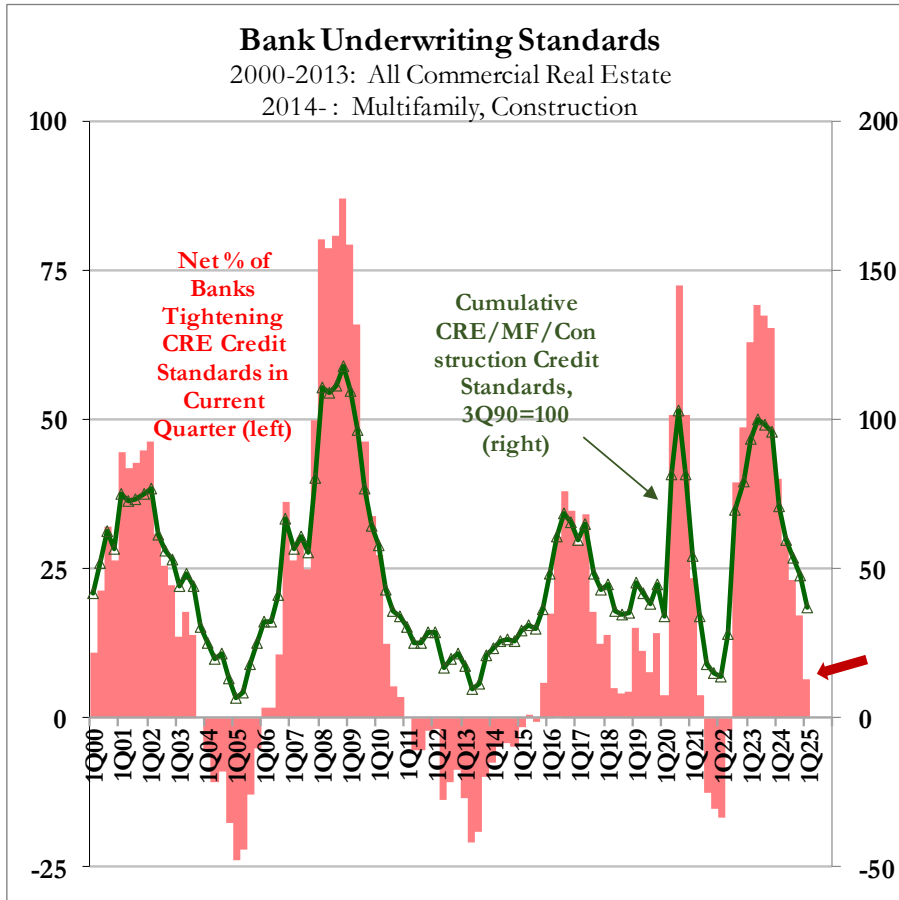
In 2H, investors keen on CRE; MF optimism grows, pessimism gone  
 Momentum shifts to apartments, industrial; now lukewarm on retail



Sources: Situs RERC, Witten Advisors

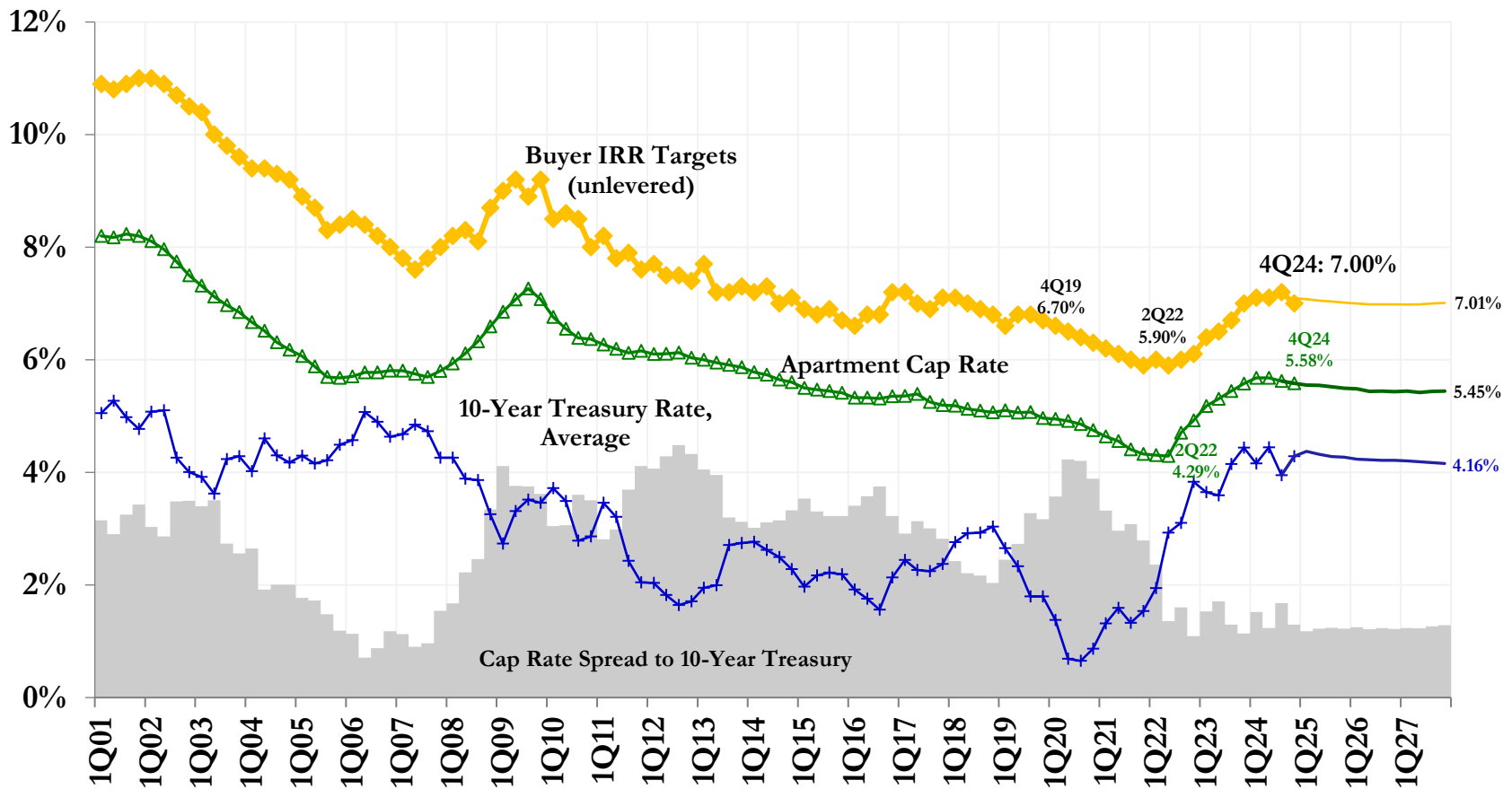
# Investment Market

In Q1, banks still tighten CRE underwriting, but less aggressively so  
Equity availability improved in late '24 then ~steady in Q1



Sources: Federal Reserve Board, NMHC, Witten Advisors

## Unlevered IRRs dipped 20bps to 7% in 4Q24 Return targets, cap rates, USTs edge lower

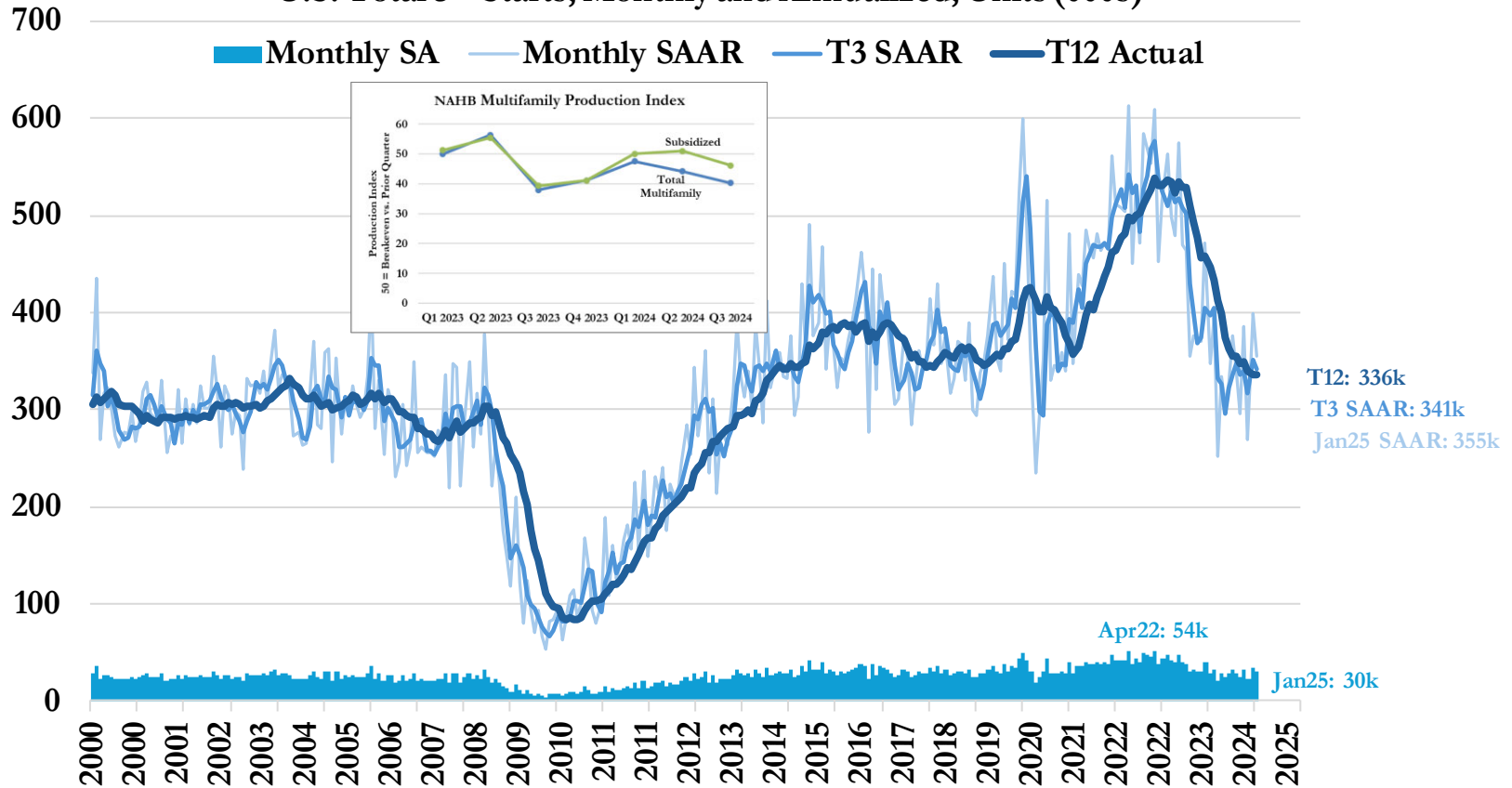


Sources: Real Capital Analytics, NCREIF, Situs RERC, NAREIT, Federal Reserve, Consensus, Witten Advisors

# 5+ Total Starts

5+ total starts averaged 28k per month 2024; Jan25 ~30k  
 TTM near 2014 levels; T3 monthly rate down 50% from high

U.S. Total 5+ Starts, Monthly and Annualized, Units (000s)

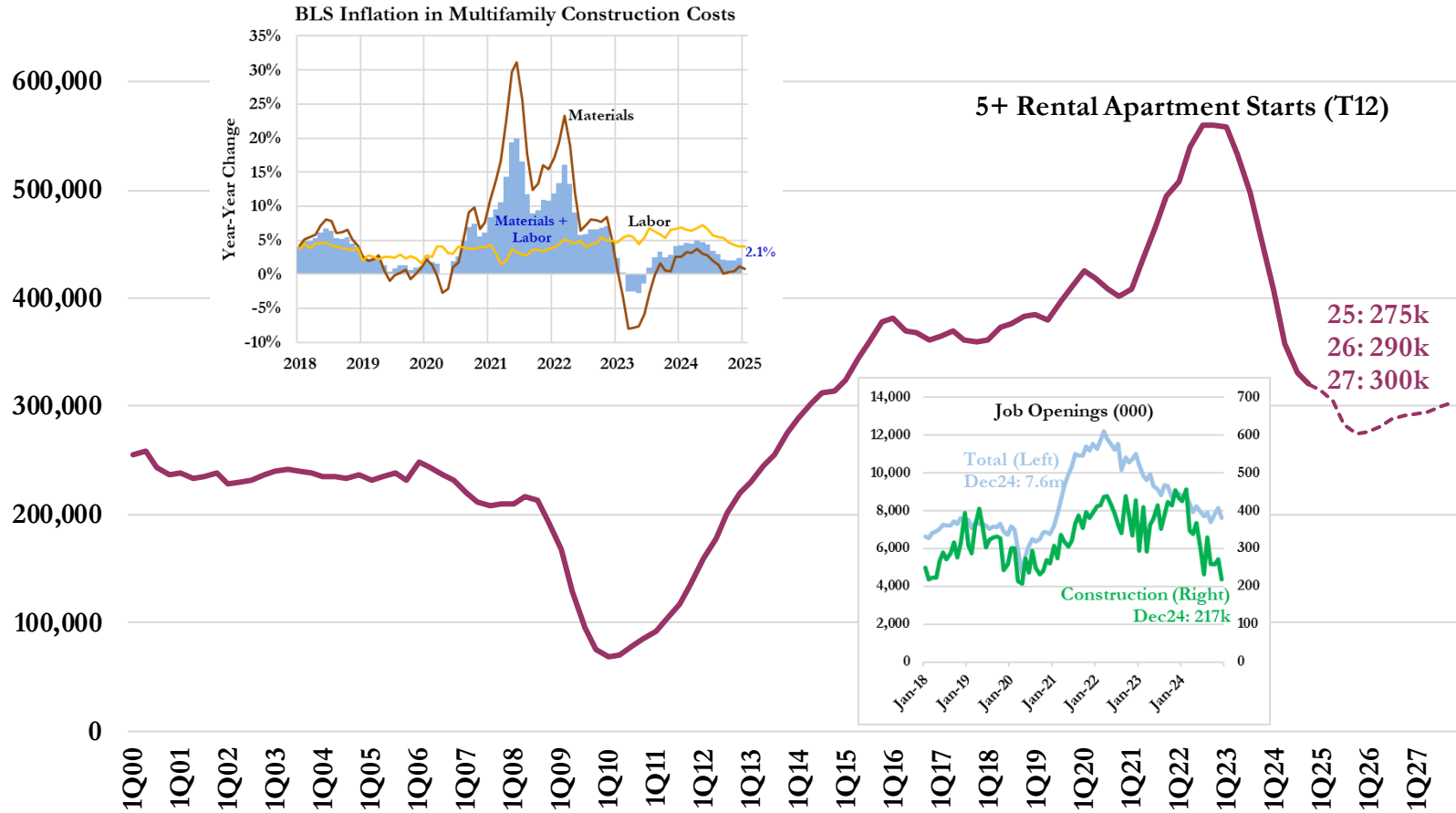


SAAR = Seasonally Adjusted Annual Rate

Source: U.S. Census Bureau, Witten Advisors

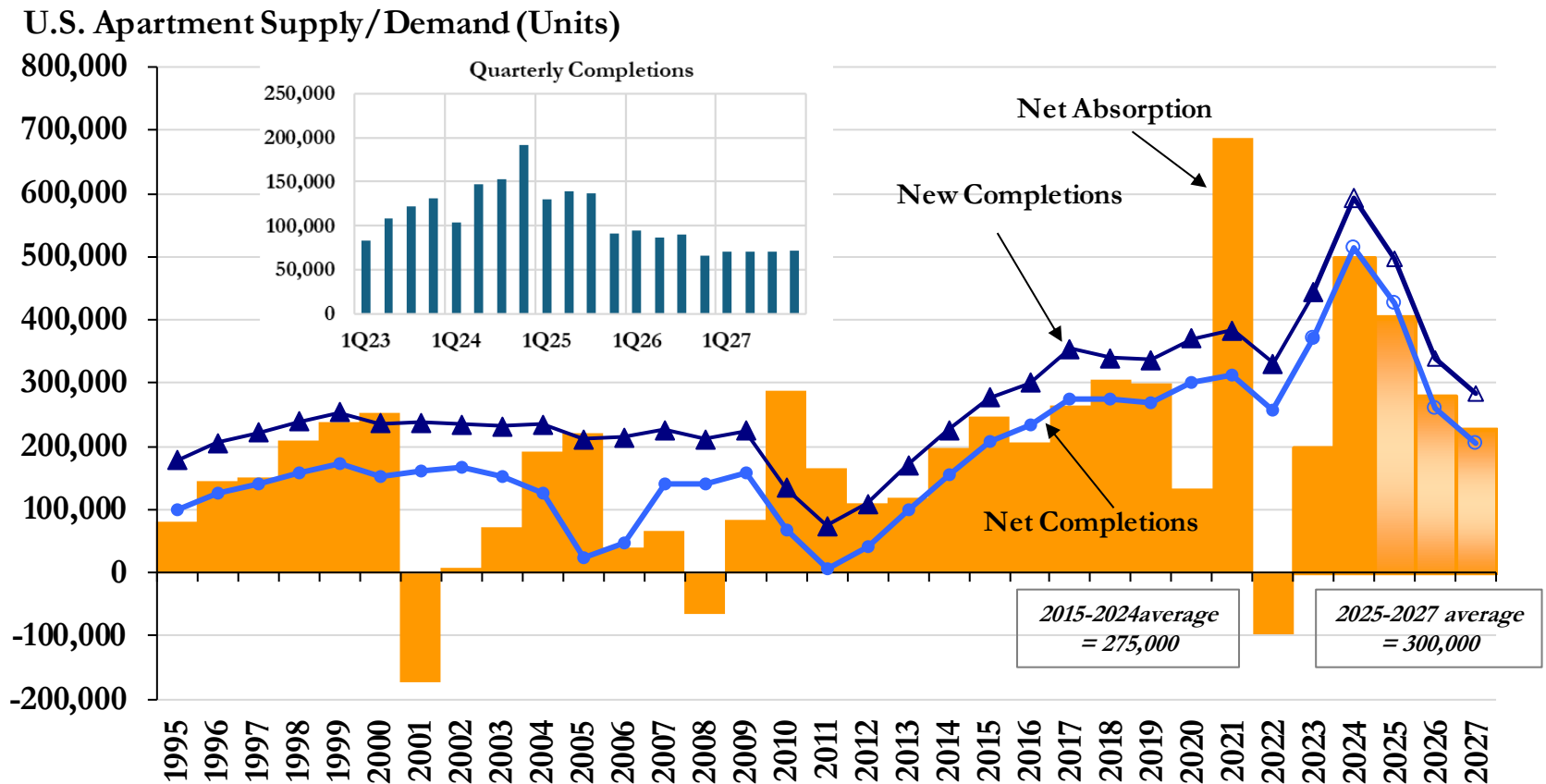
# Apartment Starts

Construction costs continue to grow (+2% y-y), equity limited, development bottoms in '25, then firms with fundamentals



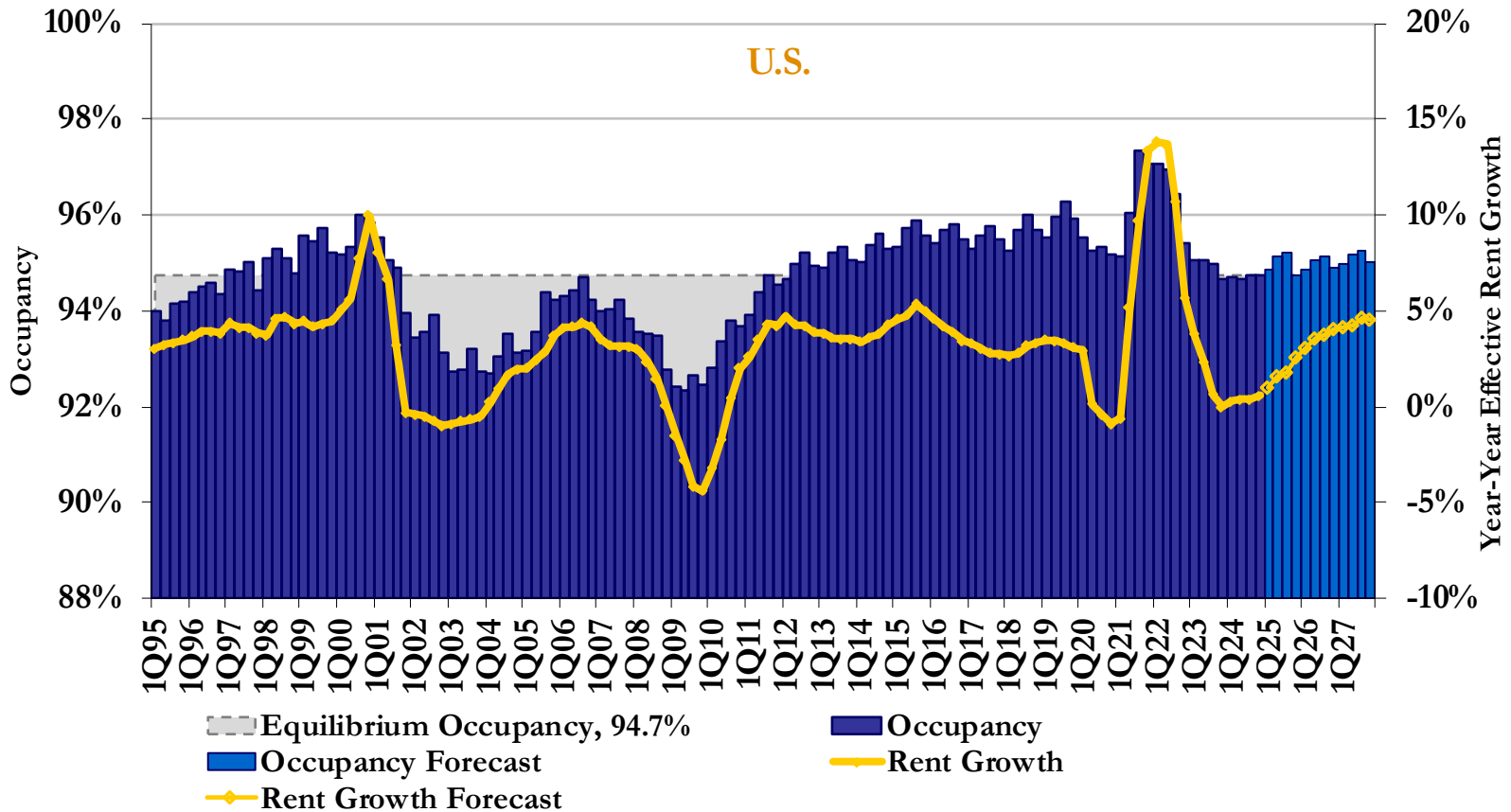
Source: Witten Advisors

**Absorption almost matches completions in '25, then tops in '26-'27  
Deliveries peaked in late '24; notable supply relief beginning 4Q25**



Source: Witten Advisors

**Occupancy steady at 95%, remains ~30bps above equilibrium**  
**YE rent gains firm to 2½% in '25, then 4%+ in '26-'27**



Source: Witten Advisors



## Rent gains strongest in MW, East Coast but San Jose rising; most year-year declines abating

### Major Markets 4Q24 Rent Growth Leaders/Laggards

1	Detroit, MI	3.7%
2	Kansas City, MO	3.6%
3	Washington D.C.	3.3%
4	Chicago, IL	3.3%
5	Richmond, VA	3.2%
6	Columbus, OH	2.9%
7	San Jose, CA	2.9%
8	Milwaukee, WI	2.9%
9	Norfolk, VA	2.7%
10	Cleveland, OH	2.6%
<hr/>		
39	Orlando, FL	-2.1%
40	Fort Worth, TX	-2.1%
41	Denver+Boulder, CO	-2.8%
42	Dallas, TX	-3.0%
43	Jacksonville, FL	-3.1%
44	Raleigh+Durham, NC	-3.4%
45	Atlanta, GA	-3.5%
46	Phoenix, AZ	-3.9%
47	San Antonio, TX	-4.5%
48	Austin, TX	-6.8%

*U.S. 0.6%*

### Major+Smaller Markets 4Q24 Rent Growth Leaders/Laggards

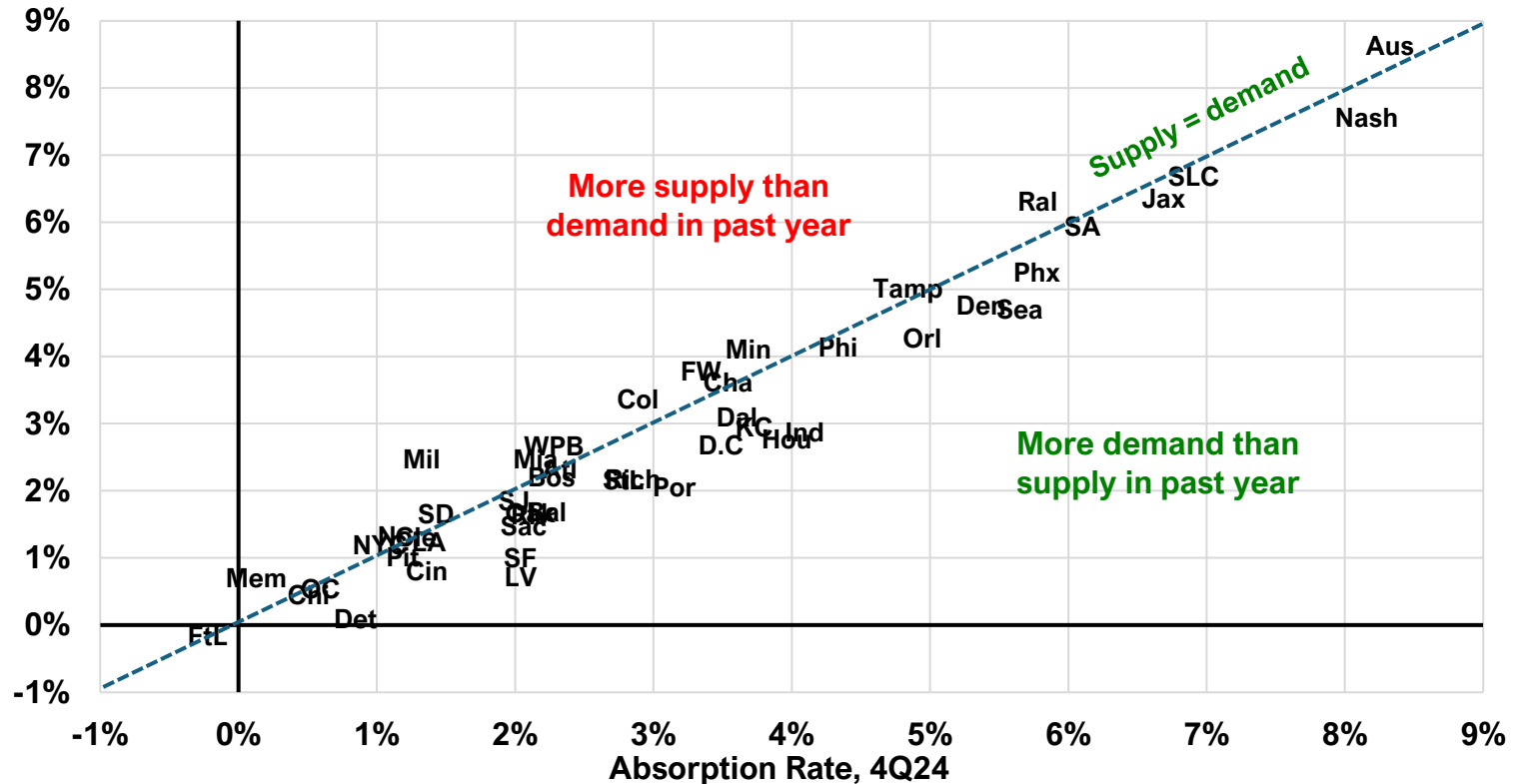
1	Lexington, KY	5.1%
2	Lincoln, NE	4.5%
3	Providence, RI	4.5%
4	Rochester, NY	4.4%
5	Ann Arbor, MI	4.2%
6	Omaha, NE	4.0%
7	Grand Rapids, MI	3.9%
8	Madison, WI	3.7%
9	Detroit, MI	3.7%
10	Kansas City, MO	3.6%
<hr/>		
92	Dallas, TX	-3.0%
93	Jacksonville, FL	-3.1%
94	Raleigh+Durham, NC	-3.4%
95	Lakeland, FL	-3.5%
96	Atlanta, GA	-3.5%
97	Huntsville, AL	-3.8%
98	Phoenix, AZ	-3.9%
99	San Antonio, TX	-4.5%
100	Austin, TX	-6.8%
101	Cape Coral-Fort Myers, FL	-7.8%

Major > 100k units; Smaller < 100k units

# Metro Update: Y-Y

Through 4Q24, demand now exceeds supply in 31/43;  
 Occ. up 100+ bps in LV, Indy, Hou, Port, SF

Net Completions Rate, 4Q24

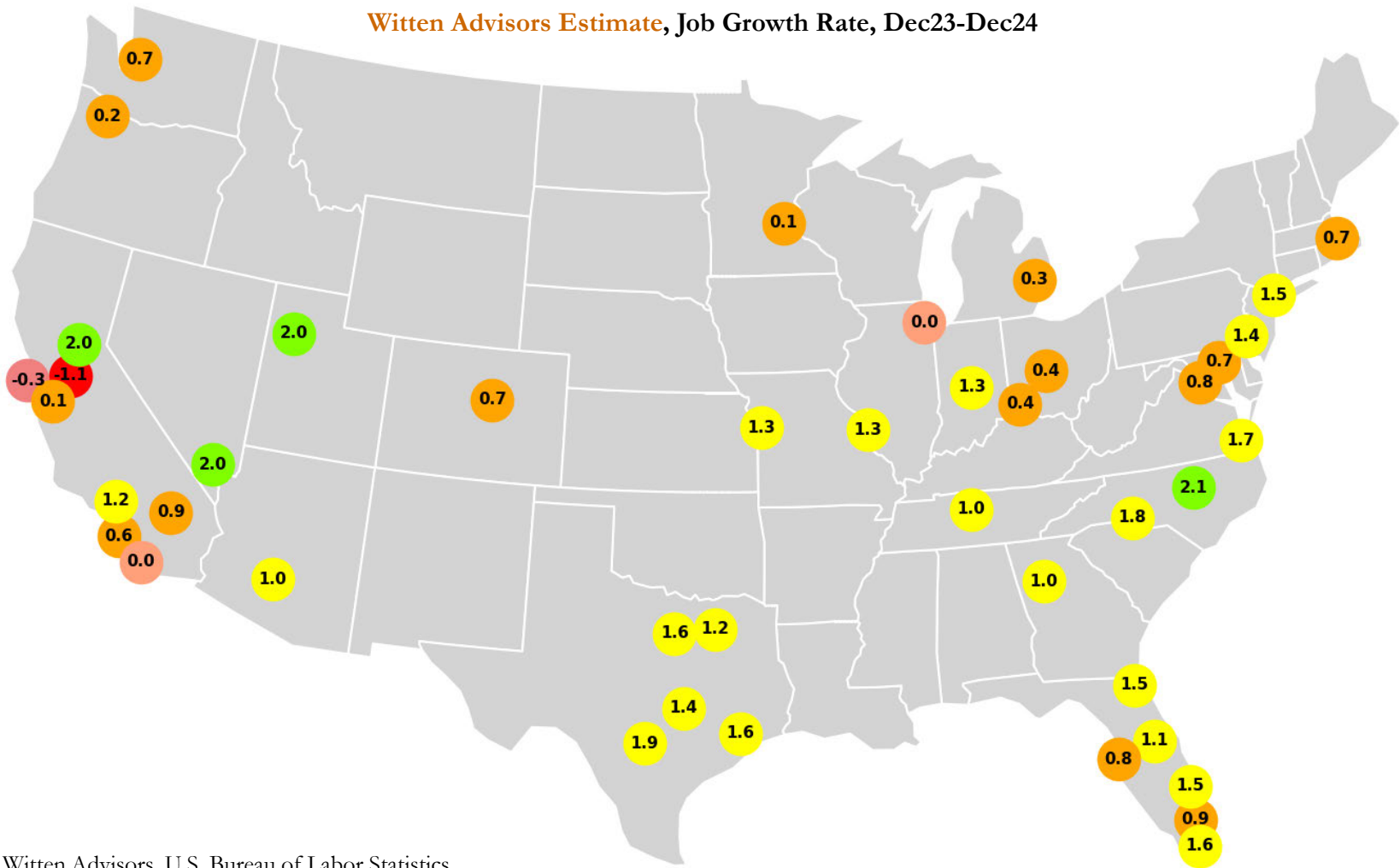


Source: Witten Advisors

# Metro Update

For the year ending Dec24: Raleigh leads nation >2% payroll expansion  
SLC, LV, Sac ~2%; layoffs in Bay Area, Chi

Witten Advisors Estimate, Job Growth Rate, Dec23-Dec24



Sources: Witten Advisors, U.S. Bureau of Labor Statistics

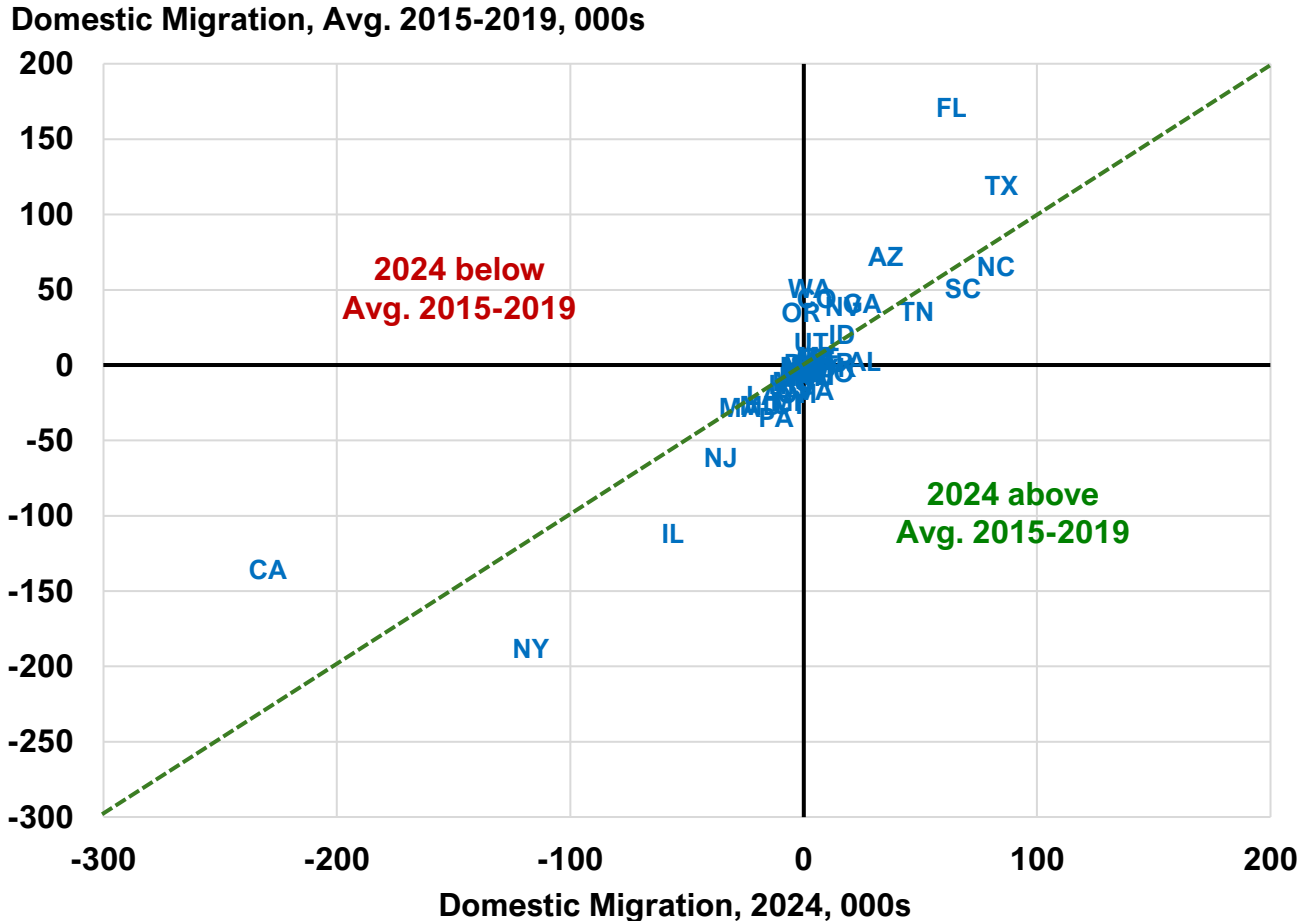
## TX, SE, FL rank highest for domestic movers outflows continue in CA, NY, IL

Domestic Migration, 2024		Domestic Migration Rate, 2024	
1. Texas	84.6k	1. South Carolina	1.2%
2. North Carolina	82.4k	2. Idaho	0.8%
3. South Carolina	68.2k	3. Delaware	0.8%
4. Florida	63.3k	4. North Carolina	0.7%
5. Tennessee	48.4k	5. Tennessee	0.7%
<hr/>		<hr/>	
47. Massachusetts	-27.3k	46. Illinois	-0.4%
48. New Jersey	-35.4k	47. Alaska	-0.5%
49. Illinois	-56.0k	49. California	-0.6%
50. New York	-120.9k	50. New York	-0.6%
51. California	-239.0k	51. Hawaii	-0.7%

50 states + D.C.

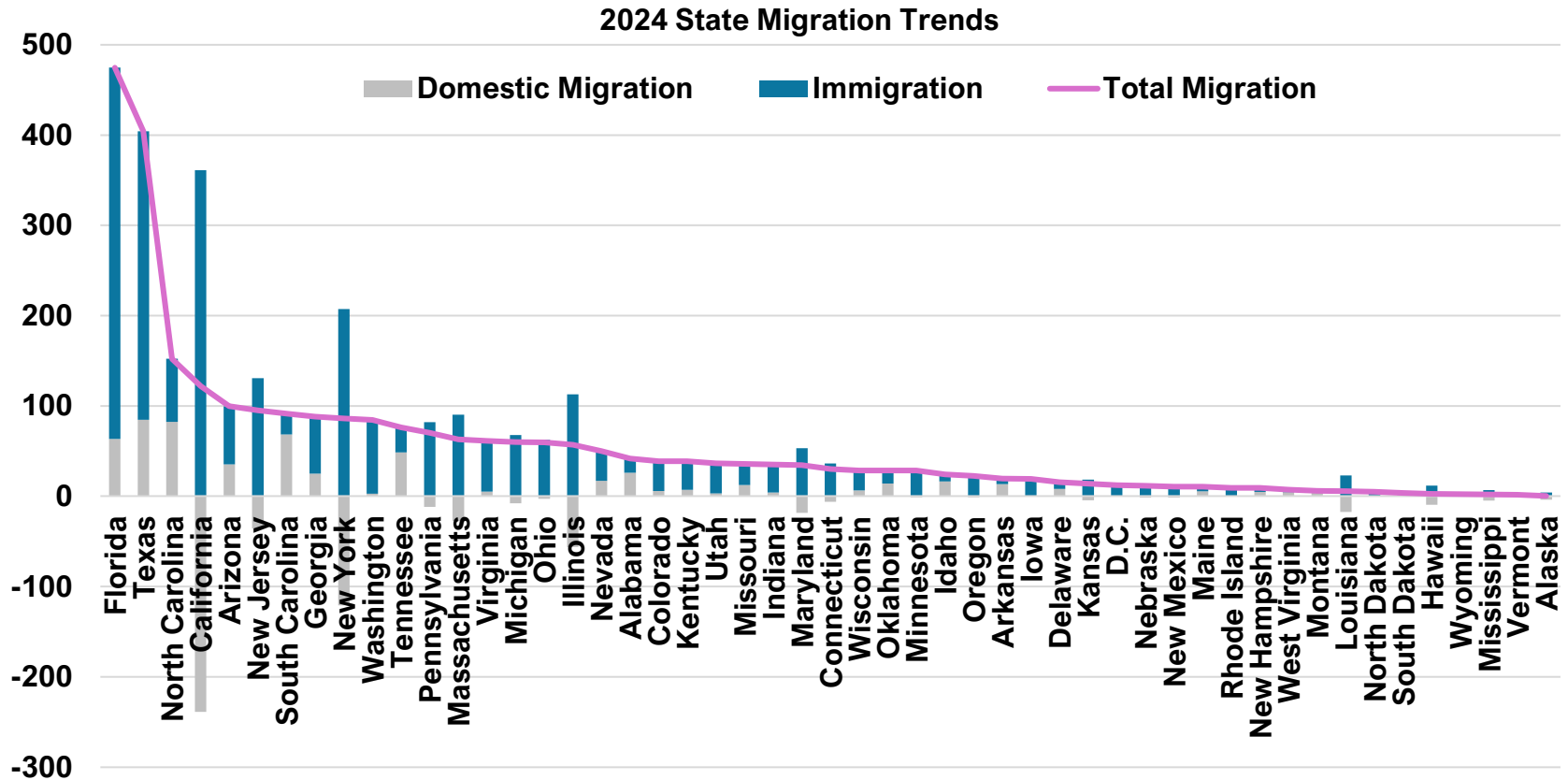
# State Migration Update

Domestic migration in '24 > '15-'19 levels in Carolinas, Tennessee; lower in Florida, Texas, Arizona



# State Migration Update

Immigration acceleration offsets domestic slowing/losses  
 => positive total migration

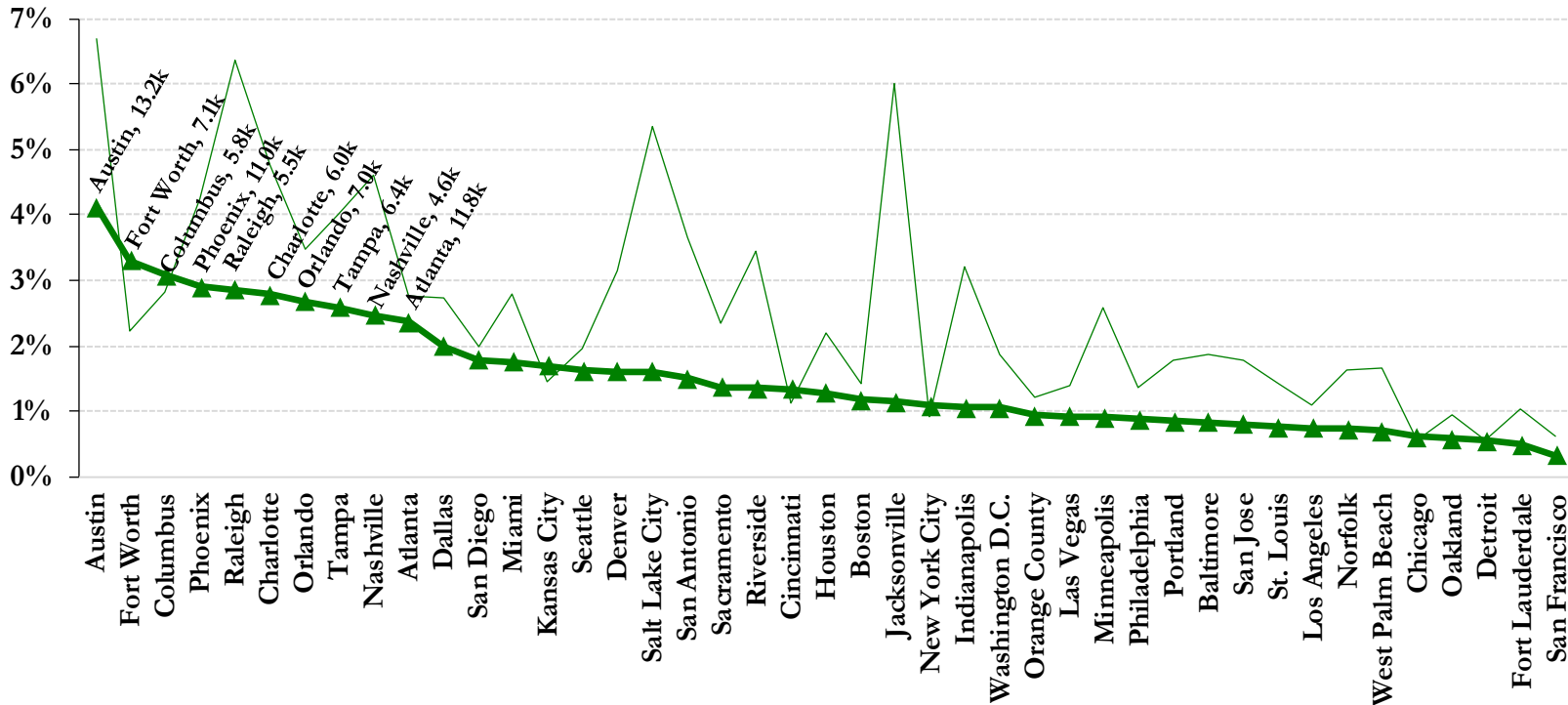


## Dec24 annual starts rates down y-y in 37/43 major metros

Aus lower to ~4% FW up to 3% Bay Area, Midwest, SoFlo <1%

Apartment Starts Rate: Latest 12 Months and Year-Ago

— December 2023 ▲ December 2024

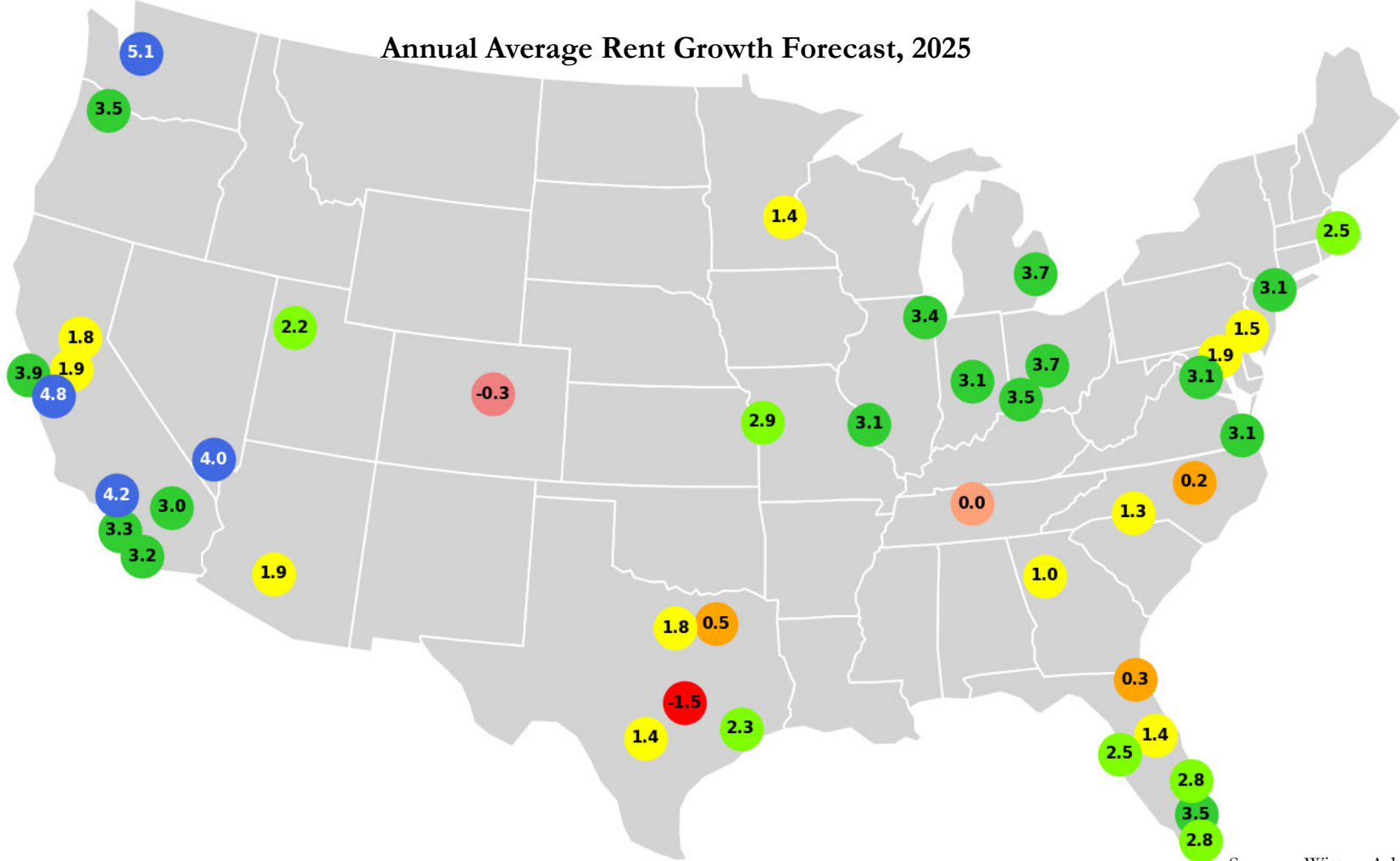


Starts rate = last 12 months' starts as of existing apartment stock

Source: Witten Advisors

# Metro Outlook

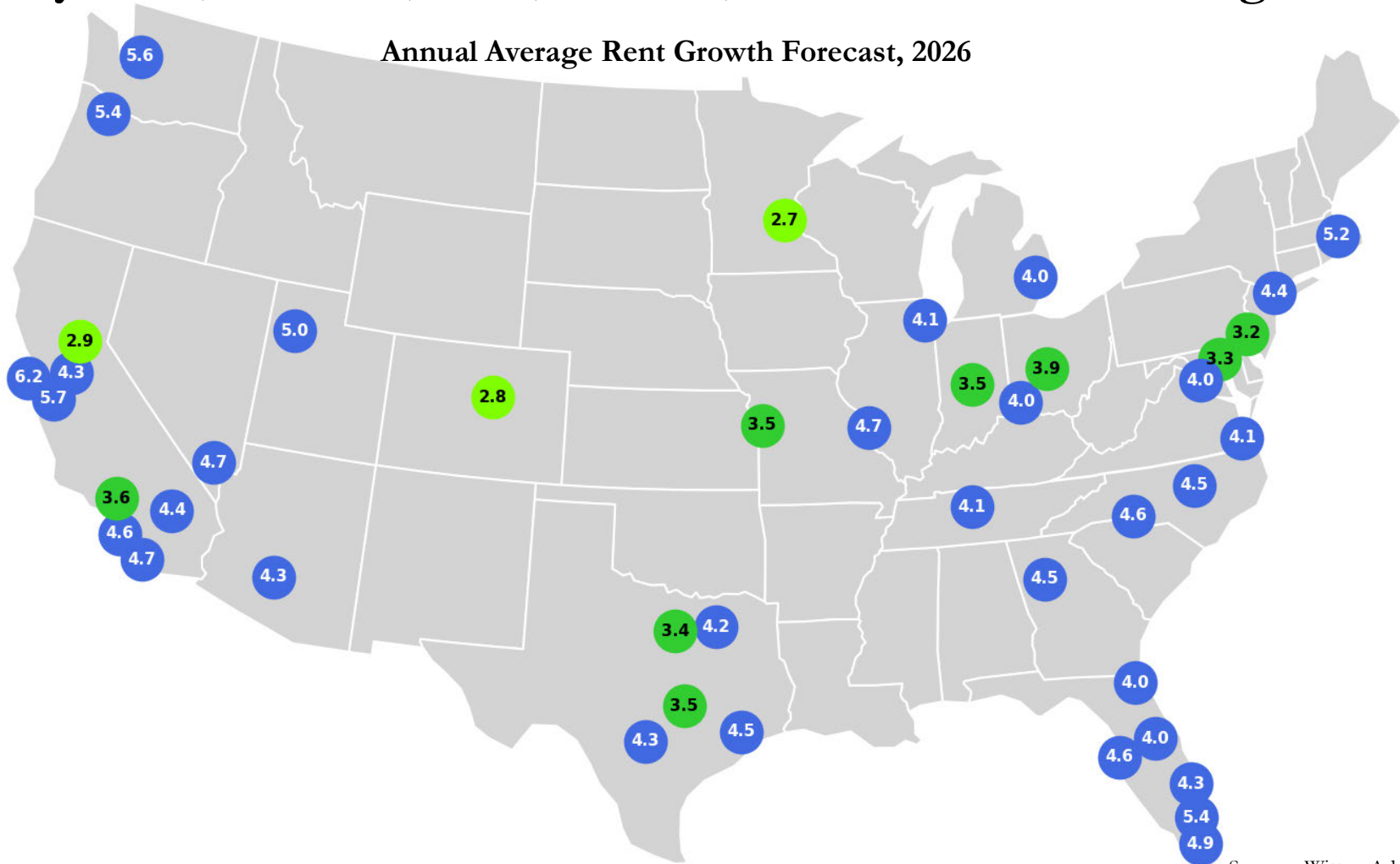
Decreases/meager gains continue in Aus, Den, Nash, Ral, Jax  
Sea, SJ lead ~5%; LA, LV ~4%; 19 major markets with 3%+



Source: Witten Advisors



## Supply relief brings rent growth acceleration in '26 Bay Area, PacNW, SLC, Boston, SoFlo lead with 5%+ gains



Source: Witten Advisors

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## Questions/Discussion

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This concludes the American Institute of Architects Continuing Education Systems Course.