

Industry Update

Non-Residential Construction and Backlog Momentum

The 2026 outlook for non-residential construction reflects a bifurcated market, driven by unprecedented AI demand and infrastructure investment spend, successfully offsetting a continued downturn in traditional commercial asset classes

Dodge Momentum Index (“DMI”)

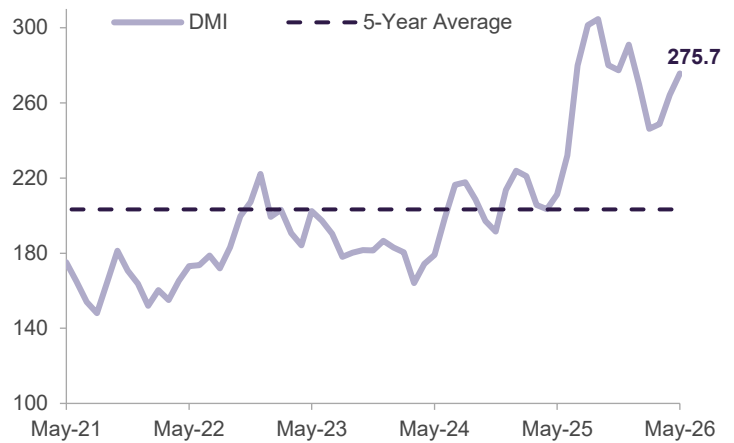
The DMI is a monthly measure based on the three-month moving value of non-residential building projects entering the earliest planning stages, shown to lead construction spending for non-residential buildings by a 12 to 18 months

May Reading: Non-residential building planning rose 5.9% month-over-month in May, up 33.8% year-over-year. From last month’s reading, commercial planning and institutional planning grew 6.9% and 3.1%, respectively

Notable Projects: Data centers remain the largest driver behind non-residential planning growth. The largest projects that entered planning this month include EDCAUS11 and EDCAUS12 data centers (for EdgeConneX) in Texas, each valued at \$437 million, a \$432 million Wallace Jackson data center in Georgia, and several larger institutional projects have entered planning as well

What this Means: As the DMI is a leading indicator, the 5.9% acceleration signals strength in the non-residential construction pipeline through 2027. Recent month-over-month trends suggest stabilizing volume at historically high levels, although outlook remains cautious as labor constraints and elevated materials costs weigh on sentiment

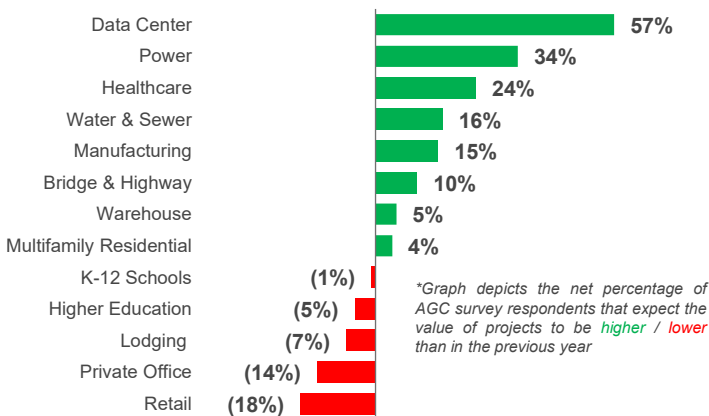
(2000=100, Seasonally Adjusted)



Data Centers, Infrastructure, & Power Continue to Accelerate Construction Spend

Contractor Demand Outlook by End Market

This year’s survey indicates a shift toward caution. Pockets of optimism remain, however overall sentiment has dampened, with five segments now expecting a decline in work value compared to only two last year



Source: 2026 Associated General Contractors of America (“AGC”) Survey

Historic Data Center Momentum: At +57% net sentiment reading, this is the highest in the AGC survey’s history. Data center exposed contractors currently maintain 11.0 months of backlog vs. 7.8 months for those without, highlighting a distinct visibility advantage

Grid & Utility Acceleration: Contractor sentiment for the power sector remains robust (+34%) as the industry prioritizes upgrades to electrical infrastructure and power generation capacity

Public and Policy-Driven Durability: Institutional and public infrastructure segments are showing durable growth through 2028, with Healthcare (+24%) and Water & Sewer (+16%) leading the way. Manufacturing (+15%) and Bridge & Highway (+10%) continue to benefit from the late-stage conversion of IIJA and CHIPS Act allocations

Commercial Sector Continues to Lag: Traditional commercial categories are meaningful laggards in the current cycle, with Retail (-18%) and Private Office (-14%) representing the lowest-ranked end markets. High interest rates and shifting demand continue to suppress new project starts

Sources: Associated General Contractors of America (“AGC”), Dodge Construction Network, Truist Research








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Federal Program Tracking and Subsector Catalysts

U.S. non-residential construction is experiencing a structural boom as Infrastructure Investment and Jobs Act (“IIJA”) and CHIPS Act funding drives a multi-year pipeline of mission-critical civil, utility, and industrial projects. A low percentage of outlayed funds for certain programs suggests continued visibility into project pipelines through 2028

Funding Program	Sectors Impacted	Funding (1)	Impact & Timing
 <p>IIJA Highway / Bridge Formula</p>	<p>Heavy Civil Infrastructure</p> <p>Paving & Materials</p> <p>ITS Design</p>	<p>Total Funding</p> <p>~\$546B</p> <p>Obligations 69%</p> <p>Outlayed ~41%</p>	<p>As of March, states have committed \$270B of \$378B in obligated funds across ~119K projects; current law expires in September with reauthorization in discussion</p>
 <p>IIJA DOE GRIP & SPARK (Grid)</p>	<p>Transmission Infrastructure</p> <p>Grid Modernization</p> <p>Infrastructure Resilience</p>	<p>Total Funding</p> <p>~\$10.5B</p> <p>Obligations 72%</p> <p>Outlayed ~6%</p>	<p>\$7.6B committed to 105 projects; Final \$1.9B of SPARK funding set to be awarded in August 2026</p>
 <p>CHIPS / Semiconductor Ecosystem</p>	<p>Site Preparation</p> <p>Fabricators / MEP</p> <p>Process Utilities</p>	<p>Total Funding</p> <p>~\$52.7B</p> <p>Obligations 63%</p> <p>Outlayed ~3%</p>	<p>140+ projects across 40 states; More than \$640B in private investment since 2020</p>
 <p>EPA WIFIA / SWIFIA (Water)</p>	<p>Water / Wastewater</p> <p>Reuse</p> <p>Pipe Replacement</p>	<p>Total Funding</p> <p>~\$30.5B</p> <p>Obligations 75%</p> <p>Outlayed ~45%</p>	<p>\$22.9B funded across 153 projects since 2014; \$6.5B WIFIA + \$550 SWIFIA funding round launched in 2025</p>
 <p>IIJA NTIA BEAD (Broadband)</p>	<p>Fiber Deployment</p> <p>Pole Replacements</p> <p>Trenching / Drilling</p>	<p>Total Funding</p> <p>~\$42.5B</p> <p>Obligations 100%</p> <p>Outlayed 0%</p>	<p>100% distributed via formula to U.S. states & territories; 52 of 56 final proposals approved and signed as of March; funding as early as 2H 2026</p>

(1) Outlayed funds refer to the cash disbursement made by a federal agency. Obligated funds are the amount that has been committed to spend

Sources: ARTBA, BEAD, Chips & Science Act, Congress, DOT, DOE, EPA, Fiber Broadband Association, IIJA, NTIA, SIA, Transportation for America, Truist Research, Utility Dive, USASpending.gov

Appropriation to Award: Legislative Tailwinds Driving Multi-Year Subsector Backlogs

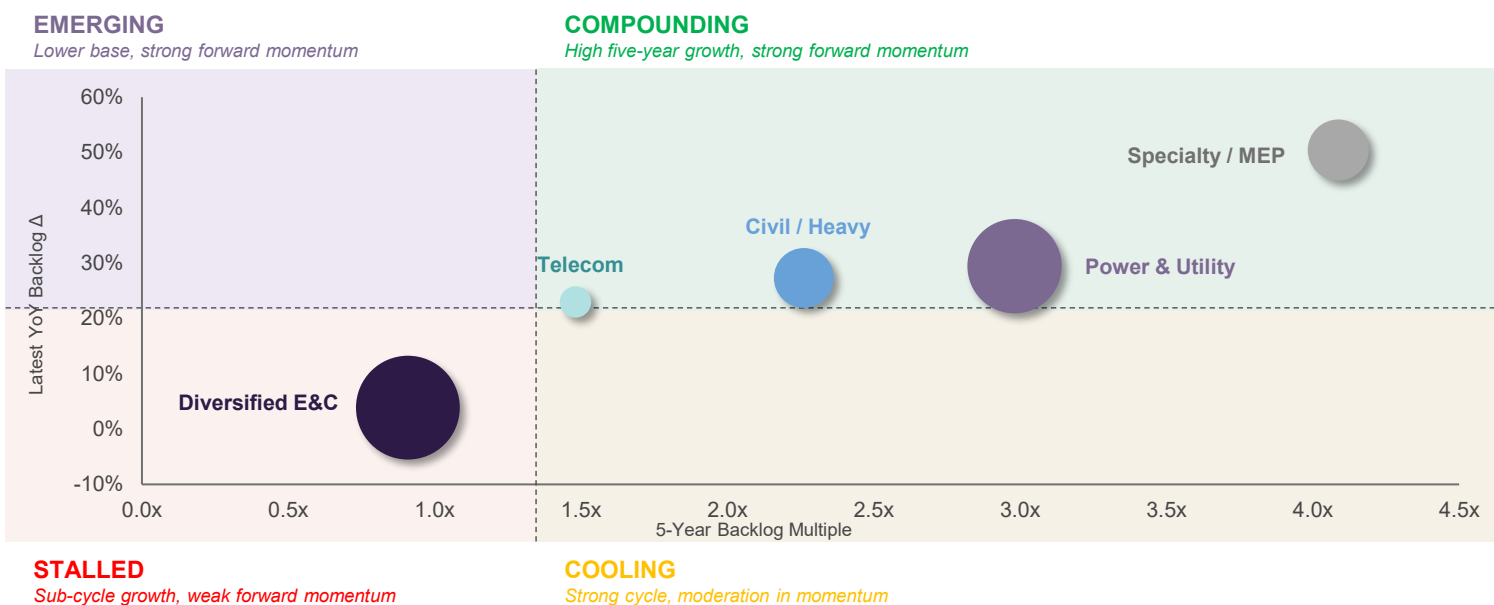
Civil / Heavy (\$35B Backlog; +27% YoY): The IIJA Highway / Bridge Formula remains the primary subsector anchor with \$270B committed across 119,000 projects. With only ~41% of funds outlayed as of March, public infrastructure support will serve as a support floor over the next 2-3 years

Diversified Engineering & Construction “E&C” (\$104B Backlog; +4% YoY): Growth has stalled relative to high-flying MEP and Utility peers as the sector digests legacy project completions. However, the reshoring tilt, evidenced by 140+ CHIPS Act projects across 40 states, is driving a strategic pivot toward domestic pharma and semiconductor manufacturing

Power & Utility (\$86B Backlog; +29% YoY): We are in the “first inning” of a structural grid overhaul. Despite data center driven backlog growth, roughly 95% of federal modernization funds have yet to be spent. The move toward 765 kV projects (which carry ~4-6x the power of standard lines) and 10-year service agreements creates a competitive moat and earnings visibility that stretches out to 2030

Specialty / MEP (\$36B Backlog; +50% YoY): Fastest growing subsector and is benefitting from accelerating data center demand and expansion of domestic suppliers of essential AI hardware, fueled in part by the CHIPS Act (which has created a private-to-public spend ratio of ~12:1). While only ~3% of CHIPS funds have been outlayed, MEP firms are already seeing book-to-burn ratios as high as 3.5x. Modular fabrication capacity is expected to expand 60% by the end of 2026 to offset labor shortages and shift demand toward industrialized, factory-ready components

Telecom (\$9B Backlog; +23% YoY): \$42.5B in BEAD funded obligations have been distributed to all 56 U.S. states and territories, although 0% of the funds have been outlayed to date. As 52 jurisdictions transition to active construction as early as the second half of 2026, the current backlog underestimates the coming ramp. Beyond BEAD, hyperscaler fiber deployment represents a \$20B five-year TAM



Backlog Conversion: Risks and Constraints

Backlog conversion through 2028 hinges on scale and structural protection. Vertically integrated contractors with self-perform labor and diversified exposure are positioned to compound, while local players tethered to fixed-price commercial work face margin and growth erosion

Labor Shortage

According to AGC, 82% of firms report difficulty filling hourly craft positions; 80% for salaried. ABC estimates the industry needs ~349K net new workers in 2026 and ~456K in 2027. Favors scaled, self-performing contractors with training, pre-fab, and union / open-shop access

Tariffs & Materials Volatility

According to AGC, 70% of firms have been affected by tariffs; 40% have raised bid prices and 35% passed most or all tariff costs to owners. Cost-plus, reimbursable and unit-price contractors should outperform fixed-price exposure without escalation relief

2027 Reauthorization Risk

Surface transportation authorization runs through Sept. 30th, 2026. ARTBA expects highway activity to plateau near record levels in the law's final year. 37% of firms cited funding-source uncertainty as a reason owners postponed or canceled projects in the last six months

Public Companies used in data set: Civil / Heavy: GVA, ORN, ROAD, STRL, TPC; Diversified E&C: ACM, BWMN, FLR, J, KBR, PSN, TTEK; Power & Utility: AGX, MTZ, MYRG, PRIM, PWR; Specialty / MEP: APG, EME, FIX, IESC, LMB; and Telecom: DY
Sources: Associated General Contractors of America (AGC), ABC, ARBTA, Bloomberg Intelligence, Capital IQ, JLL Data Center Research, Public Filings, Truist Research