

SOUTHWEST

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Construction in the Southwest is mostly driven by the California market, which accounts for more than 60% of the region's spending. While demand for housing here remains strong, the market is grappling with significant challenges, including strict zoning laws and a lack of available land. This has pushed the cost of living to extremes and caused the first population decline in the state's history in 2023. Paradoxically, however, this represents something of a relief for established players in the market by reducing competition.

Building costs outside of California are noticeably lower. The construction labor force here has grown significantly since 2020, due in part to workers relocating from California. However, concerns

about climate change and water rights have tempered new construction efforts. Phoenix has notably placed a moratorium on new residential permits, citing a lack of water. We expect this to continue to be an issue in the coming years, with other cities following suit.

The region's hot and dry climate and low cost of land (outside of major cities in California) make it amenable for industries requiring strict temperature and moisture controls, like semiconductor manufacturing. This has attracted companies flush with federal money, leading to new facilities going up outside of Phoenix, Las Vegas, and Salt Lake City. Reno, Nevada, has additionally gained attention as an affordable manufacturing hub close to the tech centers on the other side of the Sierras.

Total Construction Market Volume by Sector (x \$1M, Nominalized 2012\$)

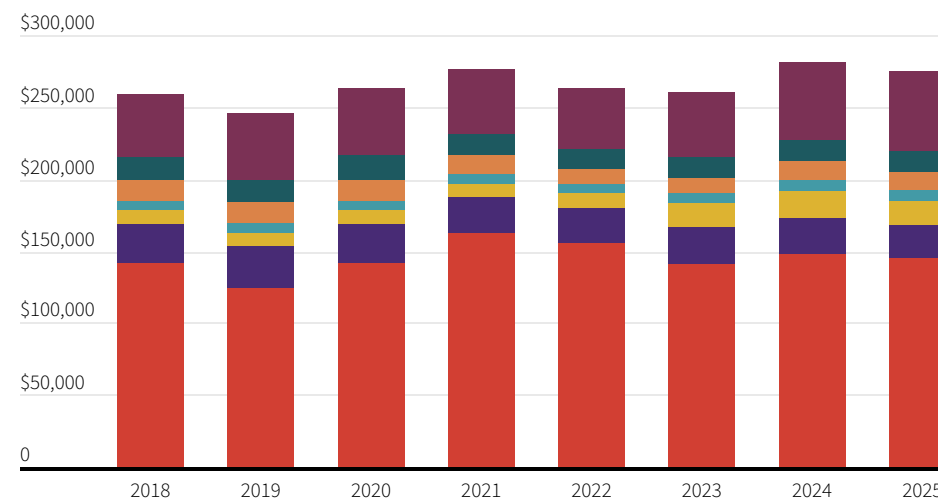
	2018	2019	2020	2021	2022	2023	2024	2025
Total	2.5%	-5.4%	7.3%	4.7%	-4.9%	-0.9%	8.2%	-2.5%
Residential	1.6%	-11.9%	13.8%	14.4%	-3.9%	-9.1%	4.7%	-2.3%
Commercial	2.6%	0.6%	-2.5%	-7.9%	-5.7%	1.5%	1.0%	-4.3%
Manufacturing	-1.9%	5.8%	-8.1%	3.2%	14.8%	58.8%	12.5%	-14.9%
Healthcare	-0.7%	0.2%	4.4%	0.1%	-7.6%	4.7%	12.4%	-0.4%
Education	1.7%	3.5%	-2.2%	-13.4%	-14.2%	7.9%	12.8%	-1.0%
Other Struct*	2.2%	1.1%	5.1%	-10.6%	-7.8%	1.2%	7.3%	-0.8%
Infrastructure	7.2%	3.4%	3.4%	-5.1%	-8.1%	9.3%	19.7%	1.2%

* This includes religious buildings, amusement, government communications, and public recreation projects.

SOURCE: IHS-Markit

◀ HISTORIC FORECAST ▶

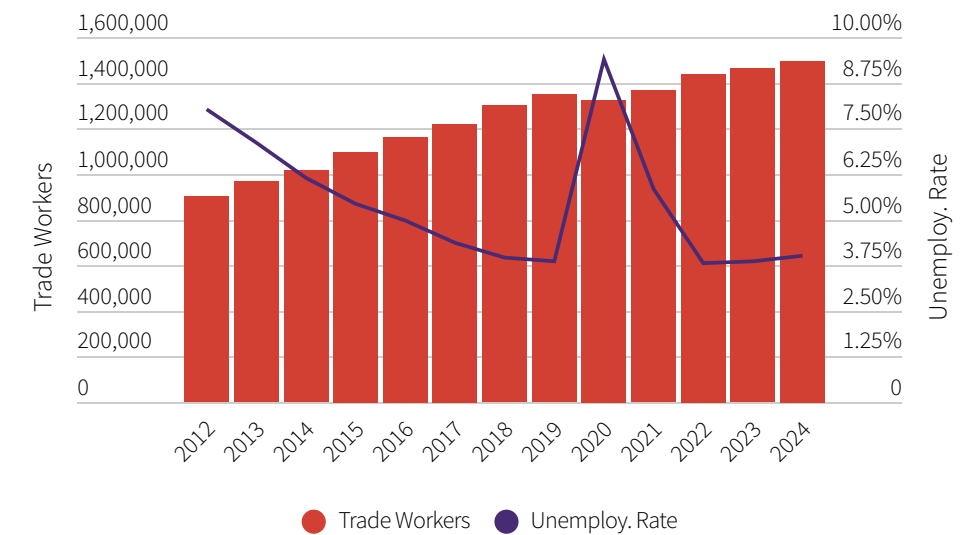
Annual Volume (x\$1M, 2012\$)



SOURCE: IHS-Markit

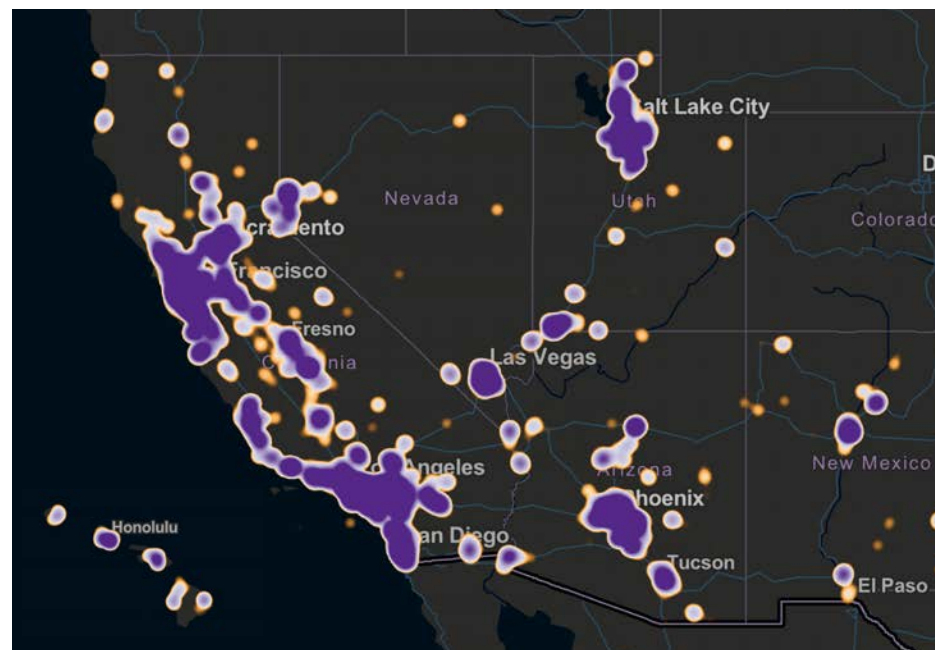
● Residential ● Commercial ● Manufacturing ● Healthcare ● Education ● Other Struct ● Infrastructure

Regional Construction Employment



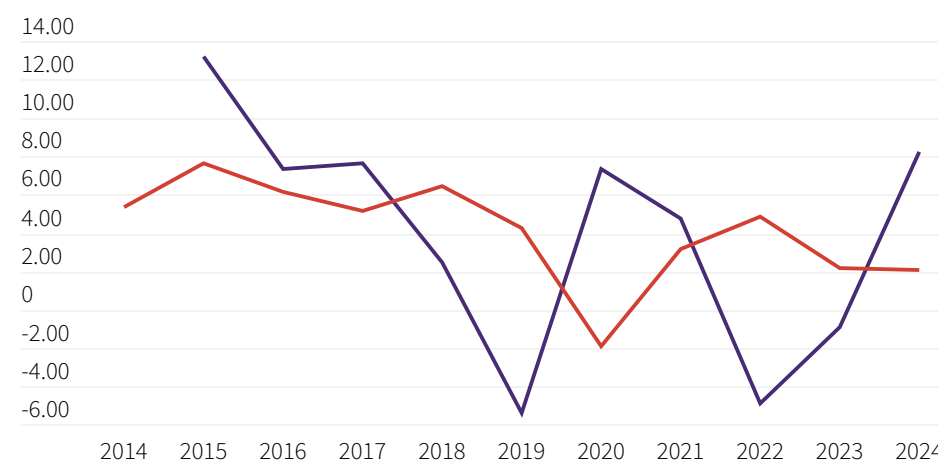
SOURCE: U.S. Bureau of Labor Statistics

● Trade Workers ● Unemploy. Rate



SOURCE: BuildCentral

Construction Volume vs Labor - Annual Increase/Decrease



SOURCE: IHS-Markit and FRED

● Construct. Vol. ● Labor

Top Regional Projects Sorted by Construction Value

Project Name	Location	Value (x\$1b)
Taiwan Semiconductor Manufacturing Company Wafer Plant	Phoenix, AZ	\$12B
Tripletail Data Center	Eagle Mountain, UT	\$7B
Related Santa Clara	Santa Clara, CA	\$6.2B
Carson Water-Recycling Facility	Carson, CA	\$6B
Laughlin Solar Energy Plant	Laughlin, NV	\$6B
LG Energy Solution Manufacturing Plant	Queen Creek, AZ	\$5.5B
North Las Vegas Medical Campus	North Las Vegas, NV	\$5B
One Beverly Hills - Aman Hotel and Condo	Beverly Hills, CA	\$5B
Warner Center 2035	Los Angeles, CA	\$5B
Downtown Sacramento Railyards Redevelopment	Sacramento, CA	\$5B

SOURCE: Build Central