

**CONTACT: Trevor Shulters**, Regional Director  
[tshulters@cumming-group.com](mailto:tshulters@cumming-group.com)

It is estimated that the US needs to build at least three million more homes to keep up with demand. Of these, one million are needed in New York City, which has a population of around 20 million, and another million are needed in the Bay Area, home to about eight million. This shortage has pushed the median home price in the Bay Area well above one million dollars, forcing some commuters to drive from as far away as Sacramento. As a result, businesses have begun to look for more affordable options elsewhere. The past four years of interest rate hikes and turmoil in the banking sector have put additional pressure on tech startups and caused forecasts to be revised downwards. The recovery from the market crash in 2022 has been slow, with the sector expected to need time to stabilize, which could lead to improved affordability going forward.

Southern California, by contrast, has fared better. Cities like Los Angeles and San Diego continue to incentivize mixed-use developments to address cost-of-living issues and mitigate the effects of extreme weather. Both cities benefit from industries such as tourism, defense, life sciences, and,

increasingly, finance. Los Angeles, in particular, will host the 2026 World Cup, the 2027 Super Bowl, and the 2028 Olympics. While building the necessary facilities won't be an issue, ensuring they are well-connected to each other and to the rest of the city will be a challenge. California's commitment to becoming carbon-neutral by 2030 means that the current network of highways will need to evolve, prioritizing public transit and walkable streets.

Markets like the Bay Area have added to their labor force over the last several years, which has more than offset those who moved away or retired in 2020. Still, these workers are younger and less experienced and therefore less productive. This will keep labor costs higher through inefficiency over the next few years at least. In addition, buildings across the state will need to be renovated to be brought into compliance with increasingly strict seismic and energy requirements. This will provide solid work in the coming years as well.

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

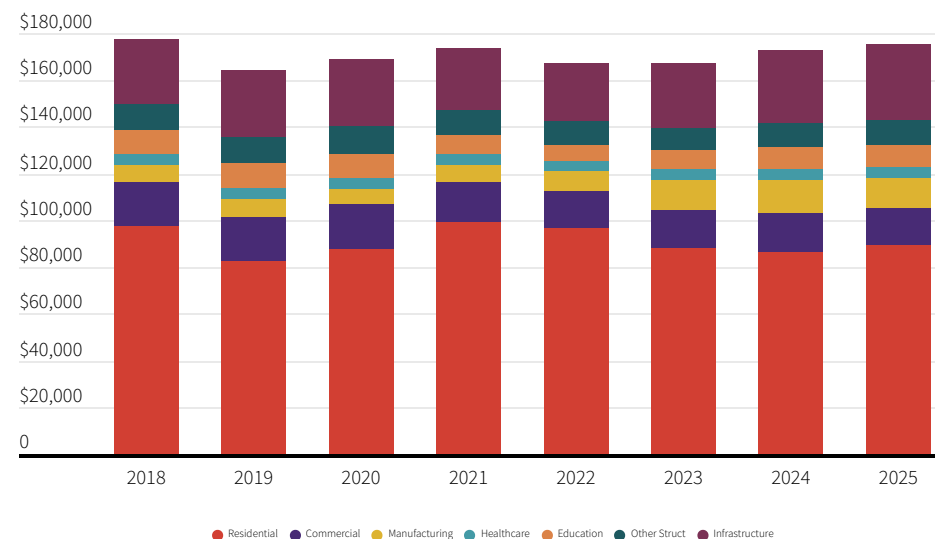
	2018	2019	2020	2021	2022	2023	2024	2025
<b>Total</b>	1.1%	-7.7%	2.9%	3.1%	-3.9%	0.2%	3.3%	1.1%
<b>Residential</b>	-0.4%	-15.4%	6.8%	12.7%	-2.5%	-8.6%	-1.8%	3.7%
<b>Commercial</b>	2.4%	0.3%	-2.8%	-7.6%	-5.9%	0.3%	-1.8%	-4.3%
<b>Manufacturing</b>	-2.7%	4.9%	-8.8%	2.3%	14.6%	58.2%	14.0%	-13.7%
<b>Healthcare</b>	-1.3%	-0.7%	1.9%	-1.6%	-8.1%	6.9%	11.0%	1.0%
<b>Education</b>	1.4%	3.7%	-3.1%	-14.0%	-14.2%	8.3%	14.9%	-0.1%
<b>Other Struct*</b>	2.4%	0.4%	4.4%	-10.6%	-6.9%	-0.9%	8.6%	-0.3%
<b>Infrastructure</b>	6.6%	1.8%	0.7%	-6.5%	-7.6%	12.4%	11.4%	4.5%

◀ HISTORIC FORECAST ▶

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

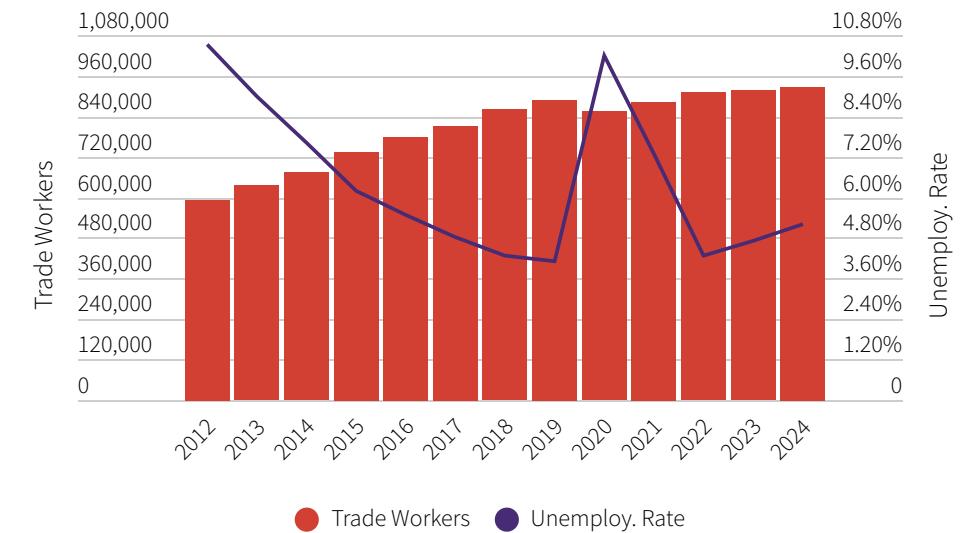
SOURCE: IHS-Markit

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

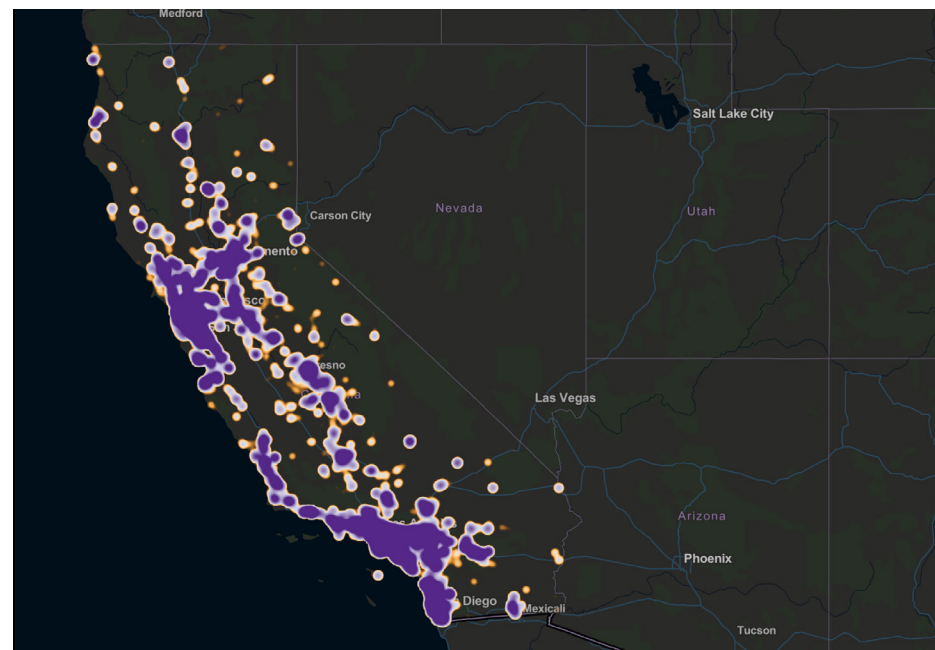


SOURCE: IHS-Markit

### Regional Construction Employment

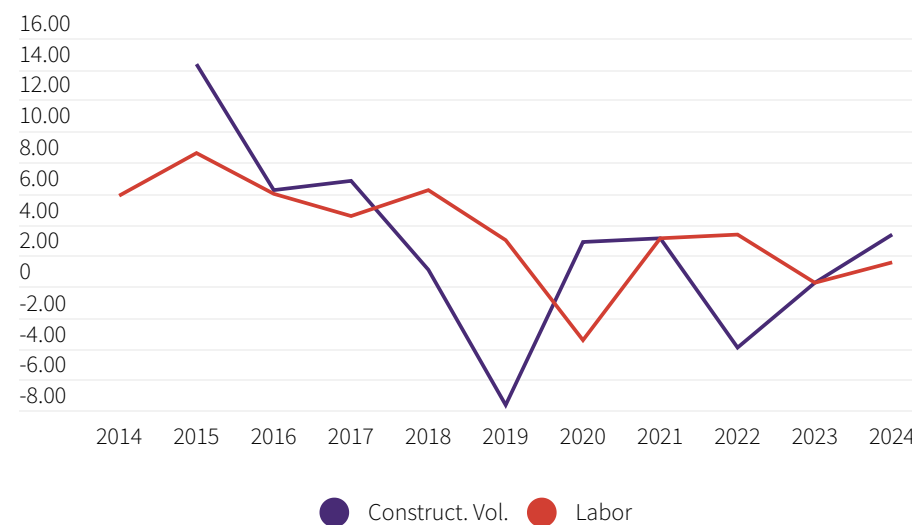


SOURCE: U.S. Bureau of Labor Statistics



SOURCE: BuildCentral

### Construction Volume vs Labor - Annual Increase/Decrease



SOURCE: IHS-Markit and FRED

### Top Regional Projects Sorted by Construction Value

Project Name	Location	Value (x\$1b)
Related Santa Clara	Santa Clara	\$6.2B
Carson Water-Recycling Facility	Carson	\$6B
One Beverly Hills - Aman Hotel and Condo	Beverly Hills	\$5B
Warner Center 2035	Los Angeles	\$5B
Downtown Sacramento Railyards Redevelopment	Sacramento	\$4.5B
UCSF Helen Diller Medical Center	San Francisco	\$4.3B
Equipment and Process Innovation and Commercialization Center	Santa Clara	\$4B
UC Davis Medical Center California Tower	Sacramento	\$3.75B
San Diego International Airport Terminal 1 Replacement	San Diego	\$3.4B
San Diego State University Mission Valley Campus	San Diego	\$3B

SOURCE: Build Central