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Five Construction Trends To Watch In 2026

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Contractors will need to depend on a familiar formula in 2026.

Over the past 12 months, construction activity leaned heavily on a narrow group of winning sectors. Tech giants pledged billions to expand the buildouts of their data center footprints. Public infrastructure construction, such as highways and water works, hummed along despite overarching funding pressures.

Without these megaprojects, however, expect construction activity as a whole to slow, as it did in November. Still, demand in those areas remains strong despite common headwinds around labor and building costs.

But for firms unable to absorb that, those factors could ultimately sideline work. For that reason, awards in the right sectors will again separate contractors gaining ground from those just treading water.

Below are five construction industry trends contractors will be keeping tabs on in 2026.

ON MATERIAL COSTS

Material prices are unlikely to deliver either a shock or reset in 2026, construction pros say.

Forecasts suggest material costs will inflate roughly 2% to 4% this year, with labor costs still exerting far greater pressure on project budgets than materials, said Brad Werner, partner and national leader of the construction and real estate practice at Wipfli, a Milwaukee-based advisory firm. Cement and concrete

prices appear largely flat, though steel and aluminum remain elevated due to tariff-related impacts.

Electrical equipment prices tied to grid upgrades and the artificial intelligence boom should also continue to swing, said Eric Schmitz, senior vice president at Turelk, a Long Beach, California-based general contractor.

“Prices rose sharply on tariffs and are now in a bit of a give back,” Schmitz said. “We continue to advise our clients that tariffs can increase volatility and we as contractors are including stronger escalation language.”

That view aligns with other contractors’ experience on the ground. Alexis Leal, head of Florida operations at Shawmut, a Boston-based general contractor, said tariffs had minimal impact in Florida in 2025, comprising about 1% of the overall material costs. But the firm remains proactive in sourcing products domestically when possible, or where the tariff rate is reasonable, Leal said.

"Notwithstanding any unforeseen geopolitical or international crises, I expect construction commodity prices to remain relatively stable through 2026, although the full effect of tariffs has yet to rear its final impact," Leal said. "We identify early on in the preconstruction phase which materials or products may be impacted allowing for the maximum amount of time to pivot if necessary."

Nevertheless, the largest unknown in 2026 is the tariff policy itself, said Anirban Basu, chief economist at Associated Builders and Contractors. "It remains to be seen which level of the supply chain will bear the brunt of higher costs," he added.

ON DATA CENTERS

The data center construction boom shows no signs of a slowdown in 2026, sources say.

Hyperscalers are pushing to build billion-dollar facilities at pace, which is a major boon for contractors with experience in these types of buildouts. Vacancy rates sit at extremely low levels in the sector, a positive indicator for more construction activity in the year ahead, said James Bohnaker, senior economist at Cushman and Wakefield, a Chicago-based commercial real estate services firm.

But power availability could temper momentum. After breakneck growth in 2025, the current data center pipeline sits almost threefold above the volume of 2020 in terms of square footage, said Lisa DeNight, managing director and head of North American industrial research at Newmark, a New York City-based commercial real estate advisory firm. Though demand for these facilities remains high, that tension around power availability could cap the number of new buildouts.

"It's more likely we see a stabilization, not due to lack of demand, which I anticipate expands and intensifies next year, but because of a confluence of constraints," DeNight said. "Power capacity, of course, but that is being compounded by land scarcity, access to fiber, permitting issues, community pushback, elongating timelines for equipment, and more."

Power-related components, including generation to transmission and interconnection timelines, will likely be a critical bottleneck, said Sam Holden, vice president and account manager at Skanska Advanced Technology, a Skanska-launched unit focused on high-tech and semiconductor manufacturing. At the same time, the limited capacity of qualified electrical and mechanical craft workers is becoming a gating factor as project scale grows in 2026, he added.

With that in mind, builders with exposure to the space should expect to stay busy with data center projects in 2026.

"We're in the middle of a historic infrastructure cycle in the U.S., and data centers are a major driver of it," Holden said. "Demand tied to cloud and AI is keeping development at an aggressive pace, particularly in markets where power and infrastructure are already in place."

ON INFRASTRUCTURE

Funding that's already locked in, coupled with a strong pipeline of projects, should prop up infrastructure construction activity in 2026, though the outlook grows more complex as the year unfolds.

Infrastructure-related construction spending should stay strong through much of 2026 since authorization under the Infrastructure Investment and Jobs Act does not expire until late in the third quarter, said Basu. In major regional markets, momentum appears durable as well.

In South Florida, for example, capital improvement programs at Miami International Airport, Fort Lauderdale-Hollywood International Airport, and the Port of Miami remain fully funded and on track to advance, alongside major road and bridge work tied to the Florida DOT, said Shawmut's Leal. He does not expect political or budget volatility to disrupt the pace of infrastructure work in the region next year.

The risk, according to Basu, lies in timing near the second half of 2026. If lawmakers fail to act on reauthorization later in the year, the pace of new infrastructure awards could slow. That could lead to increased competition and smaller margins for infrastructure contractors, Basu said. Separately, the One Big Beautiful Bill Act introduces mid-2026 sunset dates for several Inflation Reduction Act incentives, meaning there will be downward pressure on clean energy projects throughout the year.

“While it’s not the baseline projection, negotiations to reauthorize the IIJA could certainly experience some political turbulence,” Basu said. “That would eventually have a deleterious effect on infrastructure spending, though I would not expect that dynamic to surface until the very end of the year to come.”

ON MANUFACTURING

Investment in new growth has leveled off, but opportunities for contractors in manufacturing construction exist in 2026, industry sources said.

Rising costs and policies of President Donald Trump’s administration have challenged investment in certain manufacturing construction areas such as electric vehicle plants. That means a broad new wave of manufacturing construction is unlikely in 2026, Basu said.

But construction spending in the manufacturing sector will remain extraordinarily high due to ongoing megaprojects. In fact, though momentum has slowed, that does not signal a broad-based retreat from reindustrialization, DeNight said.

“The megaproject wave will continue,” DeNight said. “Some industries such as EVs are recalibrating and pulling back from making new investments, where other industries such as semiconductors, defense, and biomanufacturing are expanding investment.”

Many of these projects face the same constraint of power and land that data centers do, with the addition of a heavier focus on labor, said DeNight. That means though projects will continue in 2026, timelines for realization and site selection will change, she added.

That will spark adjustments on how these projects are ultimately delivered, said Mike Fiore, U.S. industrial products Mergers and Acquisitions leader at PwC, a consulting firm. More of a focus will now be on campus expansions and supporting infrastructure that builds out the ecosystem, he added.

“The early rush of massive, one-and-done megaprojects has matured,” Fiore said. “Activity is still strong. It is simply taking a more measured approach and practical form that reflects labor availability and cost pressure.”

ON INTEREST RATES

Contractors anticipate a lower interest rate environment in 2026, though firms agree the impact will unfold with a lag.

Residential construction is likely to respond first, Bohnaker said.

Broader improvement in manufacturing and commercial construction could also materialize slowly in 2026, said Margaret Rabba, vice president at Morningstar DBRS, a Toronto-based credit ratings agency, though she noted overall U.S. trade policy continues to be a key source of economic uncertainty.

“If rates continue easing, we should see a modest rebound,” said Rabba. “We also expect ongoing reassessments related to longer-term projects that may have been stalled due to pricing uncertainty and feasibility.”

Fiore added that smaller private industrial construction, particularly projects which were stalled due to financing constraints, may begin to move off the sidelines as capital becomes more accessible this year.

“The timing varies by sector and by how far along a project is in permitting and design,” Fiore said. “Sectors that rely more directly on financing conditions could see movement sooner.

About the Author

Sebastian Obando is a reporter covering the construction industry for Construction Dive. Prior to Construction Dive, Sebastian covered the commercial real estate industry for the National Real Estate Investor as well as contributing to Forbes, covering personal investment topics. He has also appeared in Adweek, New York Post, Washington Post, among others, and interned with The Daily Caller in our nation's capital. Sebastian is a graduate of the Philip Merrill College of Journalism at the University of Maryland.

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