Los Angeles County
Metropolitan Transportation Authority

2025 Construction Market Outlook

Special Report: Federal Policies and Los Angeles Wildfires

Metro

MARCH 2025

Metro®

Table of Contents

Acronyms and Abbreviations

BRT	bus rapid transit
CAL FIRE	California Department of Forestry and Fire Protection
CA CCI	California Construction Cost Index
CM/GC	Construction Management/General Contractor
DBB	design-bid-build
DINS	damage inspection
ENR CCI	Engineering News-Record Construction Cost Index
FEMA	Federal Emergency Management Agency
FTE	full-time employee
HVAC	heating/ventilation/air conditioning
LTRP	long-term recovery plan

Introduction

Purpose

As Metro enters 2025, the agency is poised to achieve significant construction milestones that include ribbon cuttings for the LAX/Metro Transit Center (Airport Metro Connector), Foothill Gold Line Extension Phase 2B – Pomona, and the Westside D Line (Purple Line) Extension – Section 1. At the same time, construction will commence on key projects such as the G Line Bus Rapid Transit (BRT) Improvements, I-105 ExpressLanes, and East San Fernando Valley Transit Corridor.

This wave of construction activity occurs against a backdrop of considerable local and national volatility triggered by a quick succession of dramatic and historical events in January 2025. Major fires in Los Angeles County caused the tragic loss of 29 lives and extensive property damage estimated between $28 billion and $53 billion by the Los Angeles Economic Development Corporation. This will undoubtedly impact the Southern California construction market. Furthermore, the inauguration of a new presidential administration in mid-January 2025 initiated sweeping federal economic policies that will also shape the market.

These new challenges compound the existing market volatility stemming from escalating capital costs, inflation, supply chain disruptions, and increased labor demand since the passage of Measure M in 2016. Recognizing the potential impact of these factors on its $33.6 billion capital program encompassing 36 projects (Figure 1), Metro prepared this 2025 Construction Market Outlook Special Report. This report aims at providing a focused analysis of near- and long-term impacts resulting from these rapidly occurring market drivers to help Metro with effective fiscal management in delivering transportation infrastructure for Los Angeles County:

> Federal tariff policies and wildfire recovery on construction material costs

> Federal immigration policies and wildfire recovery on the construction workforce

> Combined effects of the above on future construction bids

"In an industry that needs long lead times, uncertainty is a major problem for construction."

Peter Tateishi, CEO, Associated General Contractors of California

Figure 1

FY26 Program Summary

36
MEGA MANAGEMENT PROJECTS
in FY26 Annual Program Evaluation

4 CAPITAL PROJECTS *with LOP* **>$1B**

14 CAPITAL PROJECTS *with LOP* **<$1B**

7 ALTERNATIVE DELIVERY PROJECT

9 PROJECTS IN DEVELOPMENT *shovel ready*

2 CLOSEOUT

$31.7-33.6B FY26
$25.7-27.2B FY25
project volume increased from FY25 to FY 26

5 PROJECTS
nearing transition from planning to implementation phase, which currently estimated at
<$10.6 - $16.8B

Source: Metro FY 2026 Annual Program Evaluation[1]

Federal Policies

The new federal administration has initiated a period of economic policy shifts causing significant market uncertainty. Several policy areas, such as tariffs and immigration, are anticipated to substantially impact the construction market.

> **Tariff policies:** The administration has enacted tariffs on imports from Canada, Mexico, and China, with rates of 25% for Canada and Mexico and 10% for China, all of which are significant US trade partners for construction materials. Furthermore, an additional 25% tariffs have been imposed on steel and aluminum, and the administration is considering further tariffs on lumber.

- While Metro's federally funded projects use domestically produced steel in compliance with the Buy America Act, the tariffs will increase demand for US products from other construction sectors, like residential and commercial construction. These sectors have greater purchasing power in sourcing materials, which will likely result in higher prices for US steel products for future Metro projects.

> **Immigration policies:** The implementation of new immigration policies on border security and enhanced vetting of visa applicants will likely reduce legal immigrant and undocumented immigrant populations. This could cause a decline in California's general workforce population.

- Metro's labor compliance procedures verify the identity and employment authorization of the construction workforce. Other construction sectors more reliant on undocumented workers, such as residential construction, could experience a void in workers.

"A tariff...is a tax levied by governments on the value...of imported products."

US Department of Commerce, International Trade Administration[2]

2025 Wildfire Recovery

In January 2025, Los Angeles County experienced two of the most devastating wildfires in California history. Fueled by extremely dry vegetation and gale-force winds, the wildfires destroyed entire neighborhoods, particularly in Altadena and Pasadena (Eaton Fire) and the Pacific Palisades and Malibu (Palisades Fire). The California Department of Forestry and Fire Protection (CAL FIRE) estimates that approximately 16,250 buildings (homes, businesses and community institutions) were burned down in the Eaton and Palisades fires and resulted in 29 deaths.[3,4] Impacts from these fires will be felt across these communities and the rest of Los Angeles County for generations.

Recovery Timeline Scenarios

The large scale and magnitude of the damage caused by the wildfires will take many years to rebuild. The recovery timeline remains uncertain and depends on several key factors. Delays in federal disaster relief funding or insurance payouts could significantly hinder progress. Furthermore, a surge in demand for construction labor and materials within Los Angeles County may lead to shortages and price inflation, creating additional obstacles to timely reconstruction.

The Los Angeles Economic Development Corporation modeled three potential scenarios, each with different timelines, as shown in Figure 2.

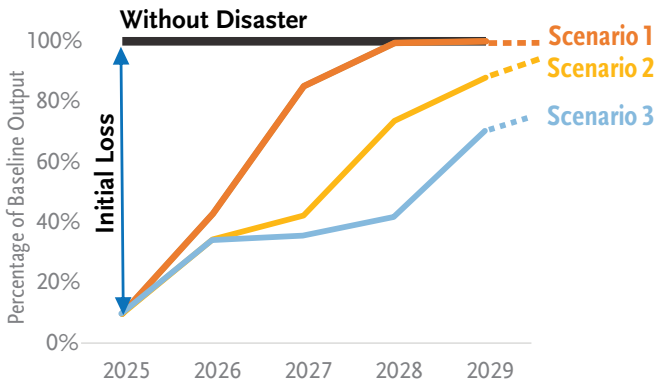
Economic and Construction Impacts

While it is difficult to forecast the construction spending and activity for recovery efforts stemming from the wildfires, the following situations and impacts to Metro have the potential to occur to varying degrees:

> Displaced residents forced to leave Los Angeles County for housing or employment reasons will potentially lower local consumer demand and tax revenue. Residents located in the vicinity of the Palisades and Eaton wildfires generate sizeable amounts of economic activity and personal income tax revenue, having median household incomes of $200,000 and $143,200, respectively.

Figure 2

Recovery Trajectory of Economic Output under Three Scenarios



Source: LAEDC. 2025. Impact of 2025 Los Angeles Wildfires and Comparative Study.[5]

SCENARIO 1

Assumes a recovery period between 2025 and 2028 based on FEMA's building recovery time and extensive construction activity.

SCENARIO 2

Assumes a recovery period between 2025 and 2032 that doubles FEMA's building recovery time to reflect potential challenges such as construction labor shortages, financial constraints, and administrative delays.

SCENARIO 3

Assumes a recovery period between 2025 and 2034 that triples FEMA's building recovery time to reflect substantial delays by logistical and resource challenges. Potential factors include limited disaster funding, lengthy negotiations with insurers, delays in critical infrastructure rebuilding, and regional shortages of construction labor and materials.

- Displaced residents from the Eaton and Palisades fires moving out of Los Angeles County would have minimal impact on the construction workforce with 3% of employed residents affected by the Eaton fire working in construction and less than 1% of employed residents affected by the Palisades fire working in construction.

- Potential reduction of Metro's sales tax revenue, which could create funding constraints on Metro's capital program.

> The wildfire destruction and recovery, and associated publicity and potential misconceptions about the damage, could deter tourists from visiting Los Angeles County, resulting in decreased tourism revenue for the region.

- This would reduce Metro's sales tax revenue, which could create funding constraints on Metro's capital program.

> Increased demand for construction materials and workers in Los Angeles County to support reconstruction efforts from the wildfires could result in scarcities and escalating prices.

- Construction materials slightly differ for residential and infrastructure construction, but common commodities like steel, lumber, aluminum, copper, and glass could result in supply scarcities and escalating prices. This could create schedule delays and increase the cost of building Metro projects.

- Although most construction trades on Metro projects are skilled/specialized (such as tunneling and electrical systems), common trades like carpentry, roofing, plumbing, and heating/ventilation/air conditioning (HVAC) will be in high demand.

- Long-term workforce challenges for specialized transit infrastructure work may be affected if entry-level workers choose more readily available but less-demanding jobs that do not require rigorous certification and training.

- Reduced availability of temporary housing stock could either deter laborers from outside the region from working in the Los Angeles area or could increase the costs of bringing in contract labor from outside the region.

Disclaimers

This analysis was prepared for Metro's Program Controls Department in support of the Fiscal Year 26 Annual Program Evaluation. Metro data, literature, statistical data, and construction industry opinions and feedback were used to prepare this evaluation of the construction market. Based on the data and surveys, trends and forecast conditions were developed for the report. Data appearing in this report were compiled, analyzed and prepared between late February 2025 and mid-March 2025, so may not reflect the latest available data from the above sources. The findings presented are intended for general guidance only; economic forecasting is inherently uncertain, and actual results may differ materially from the time at which the projections were conducted. The forecasts and projections contained in this report are based on various assumptions, methodologies and data sources that may be subject to change.

Employment

The construction industry's labor force is a critical component of its expansion, having reached a record 8.3 million jobs in February 2025. This surge is primarily attributed to the growth of infrastructure and data center megaprojects, even with a slowdown in commercial and residential construction, likely influenced by the Federal Reserve's high interest rate policy.

While the industry faces an aging workforce (workers aged 55 and over nearly doubled in the past two decades), recent trends suggest a potential influx of new talent. Specifically, vocational community college enrollment saw a 16% increase in 2024, the largest since 2018, with construction trades programs experiencing a notable 23% rise in enrollment. This indicates a growing interest in skilled trades, potentially reducing the impact of retirements by members of the aging construction workforce.

Federal Policy on Immigration

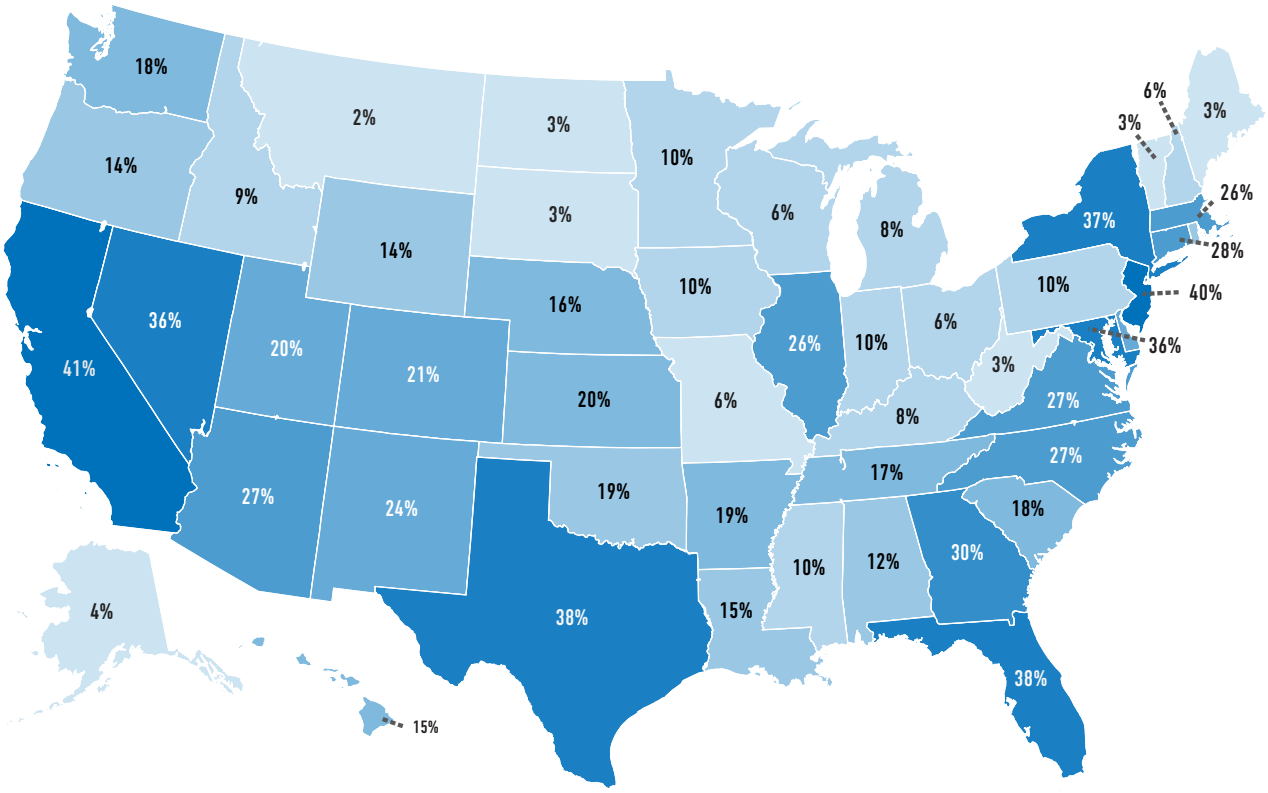
The implementation of new and potential federal immigration policies, designed to bolster border security and enforce stricter vetting of legal permanent residency and work visa applications, introduces a potential risk to the construction sector's labor supply. Although the full labor market implications are still unfolding, a likely consequence is a slowdown in the available construction workforce. US Census data underscores this potential risk, indicating that legal immigrants constitute roughly 20% of the national construction workforce, and California's reliance is much higher at 41%, the highest in the nation, as shown in Figure 3.

The federal government's review of work visa policies, specifically the H-1B program for specialized fields such as engineering, carries substantial implications for the construction sector. With construction demand surging, the need for skilled engineers is critical. A potential decrease in H-1B visa approvals could impede the industry's ability to access essential talent, especially in areas like engineering, which is increasingly vital as owners and contractors adopt alternative delivery approaches.

Federal policies on border security and deportation will have a negligible impact on Metro's program because construction projects are primarily staffed by union and use labor compliance procedures to verify the identity and employment authorization of the construction workforce. Other construction sectors more reliant on undocumented workers, like residential construction, could experience a void in workers.

Figure 3

Immigrant Workers in the Construction Labor Force



Source: US Census Bureau. 2023 American Community Survey.[6]

Wildfire Recovery

The extent to which wildfire reconstruction will affect the labor force is yet to be fully determined. Recovery initiatives will create a surge in demand for specific craft labor, such as carpenters, roofing specialists, plumbers, and HVAC technicians. Metro projects need these trades, but they are not as critical as other specialized trades required for complex infrastructure construction and systems installation.

Several local jurisdictions and utility agencies are redirecting a significant number of their staff to focus on recovery and reconstruction efforts. This reallocation could result in delays for non-wildfire-related projects, specifically in design reviews, construction inspections, and permit approvals. Under typical circumstances, these processes can take a few months. However, recent consultations with these entities indicate potential delays ranging from 6 to 12 months. These extended timelines could substantially affect Metro projects, potentially leading to schedule disruptions and increased project costs.

Case Study – Maui Wildfires

The aftermath of the Eaton Fire and Palisades Fire on the communities in Los Angeles County mirrors the social and economic impacts of a series of wildfires on the island of Maui in the State of Hawai'i in 2023, notably the Lahaina Fire. On August 8, 2023, devasting wind-driven wildfires burned through Lahaina, Kula, Olinda, and Pūlehu. Lahaina was severely impacted by wildfires that caused at least 102 deaths, destroyed more than 2,200 structures, and resulted in approximately $5.5 billion in damages. The Federal Emergency Management Agency (FEMA) published a long-term recovery plan (LTRP) to map the short-, medium- and long-term initiatives to support revitalization of the Lahaina community. These initiatives were identified by county, state and federal partners with input from community members and the general public.

The LTRP included a review of economic conditions in Lahaina before the wildfires and the impacts of the wildfires to illustrate the current challenges to the community. The primary impacts identified by the analysis included the property and excise tax revenues, housing affordability and availability and the impacts to businesses. Having a primarily tourism-based economy, Lahaina businesses are significantly affected by the decline in tourism spending, the displacement of their workforce and the damage of their commercial properties. The Lahaina Fire destroyed 1,898 residential structures representing 45% of the housing supply in the city, presenting the challenge of housing the displaced population while exacerbating the issue of housing affordability on Maui. In the decade preceding the Lahaina Fire, the increase in the median cost of housing was about double the growth in median household income, illustrating the existing cost pressures on housing affordability. The displacement of the resident working population due to affected employment centers and housing affordability resulted in reduced availability of education, healthcare and social assistance services for the remaining residents. Additionally, nearly four in five working residents in Lahaina were employed outside of the city, illustrating the ripple effect of workforce impacts on the economies of surrounding communities.

The scope of recovery efforts is expected to significantly impact construction employment on Maui based on the projected labor demand and the current labor availability. According to the Bureau of Labor Statistics, in 2023, the average construction industry employment in Maui and Kalawao County was 4,652; in September 2024, the construction industry employment was 4,814. The scope of recovery efforts would require doubling the construction labor force on the island of Maui, resulting in up to 20% inflation of labor wages and additional costs for housing off-island workers. Costs for building materials are expected to experience similar inflation due to the remote location and small size of Maui's main port in Kahului. In comparison, during recovery in Puerto Rico following the 2017 hurricanes, FEMA ended up paying 20% to 40% more than initially anticipated for reconstruction; the port of San Juan in Puerto Rico includes 15 piers and is located much closer to the mainland than Maui's port Kahului with only 3 piers. These factors demonstrate the potential impacts on local construction industry employment and cost inflation for construction labor and materials during the recovery efforts.

Employment Data Trends

Number of Jobs

In 2025, the US labor market is showing signs of softening, as indicated by the national unemployment rate's slight increase from 3.8% to 4.1% year-over-year. While the construction sector maintains a record high of 8.3 million jobs nationwide, the rate of employment growth is decelerating. Furthermore, California and Southern California are observing a distinct contraction in construction employment. Table 1 provides a detailed overview of construction employment numbers for the past two years, allowing for a comparative analysis of national, state and regional trends.

Figures 4 and 5 visually represent construction industry employment across the United States. California stands out with the highest number of construction jobs, accounting for 11% of the national total. Notably, California's construction workforce exceeds the combined total of its neighboring states: Washington, Oregon, Idaho, Nevada, Utah, and Arizona. However, California recorded the most significant year-over-year reduction in construction employment, with a loss exceeding 12,000 jobs. Furthermore, Oregon and Arizona also experienced declines in construction employment.

Table 1

Construction Employment Data for the Past Two Years by Geography

GEOGRAPHY	2023	2024
US Construction Employment	7,947,000	8,136,000
US Annual % Change	3.7%	2.4%
California Construction Employment	905,400	933,700
California Annual % Change	1.8%	3.1%
Southern California* Construction Employment	385,200	396,000
Southern California* Annual % Change	1.4%	2.8%

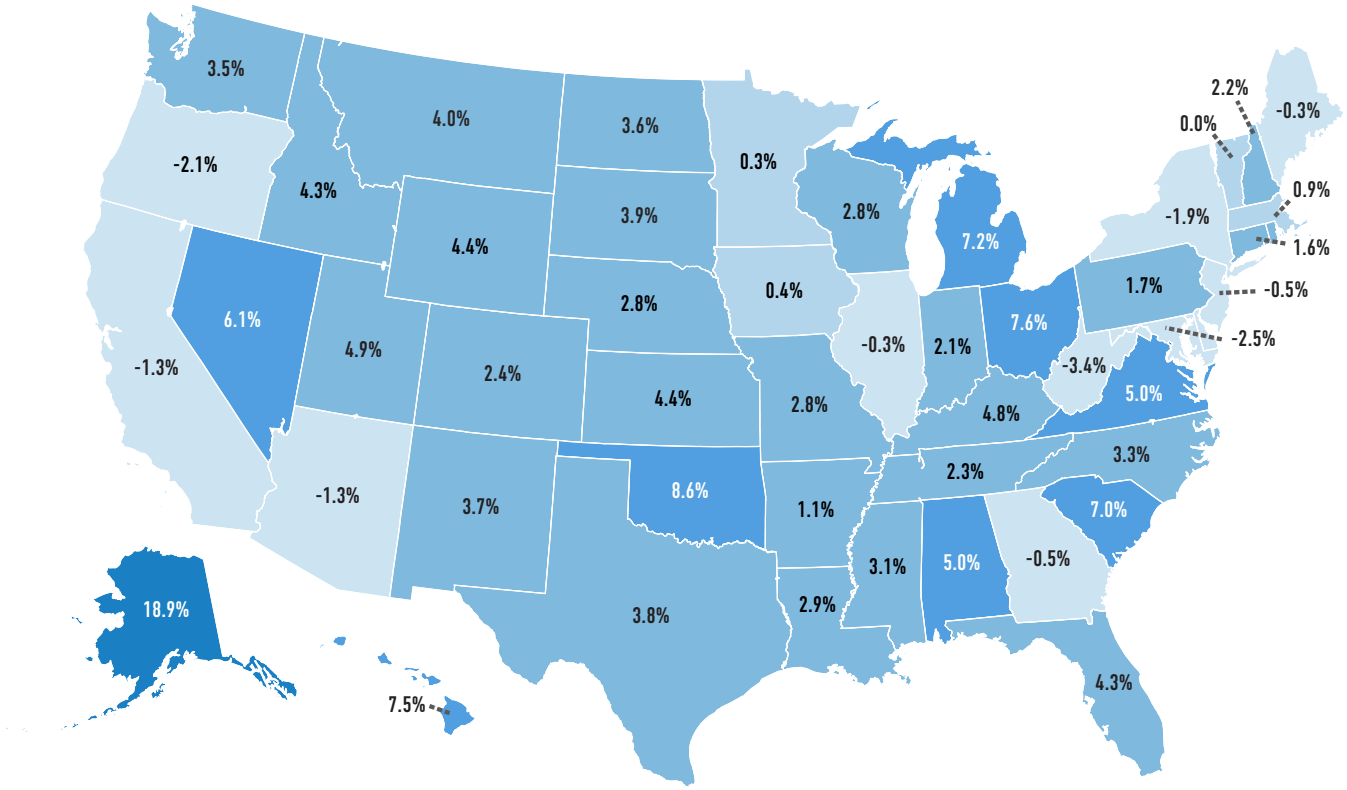
**Includes the counties of Los Angeles, Orange, Riverside, San Bernardino and Ventura.*

Source: US Bureau of Labor Statistics. 2025. Industries at a Glance. Construction: NAICS 23.[7]

Figure 4

Construction Employment 12-Month Percentage Change

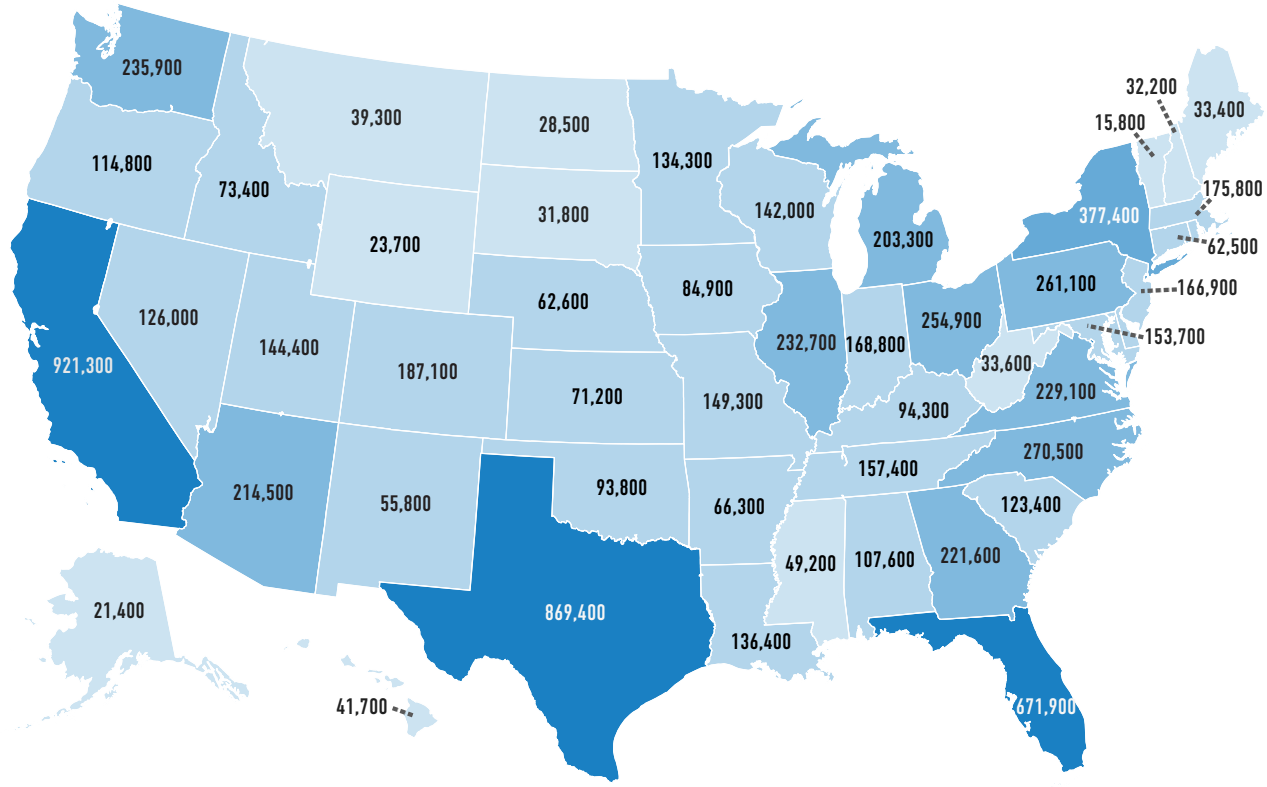
Construction employment is increasing in most states (38 states increased, 10 states decreased and 2 states unchanged)



Source: US Bureau of Labor Statistics. 2025. Industries at a Glance. Construction: NAICS 23.[8]

Figure 5

Total Construction Employment by State



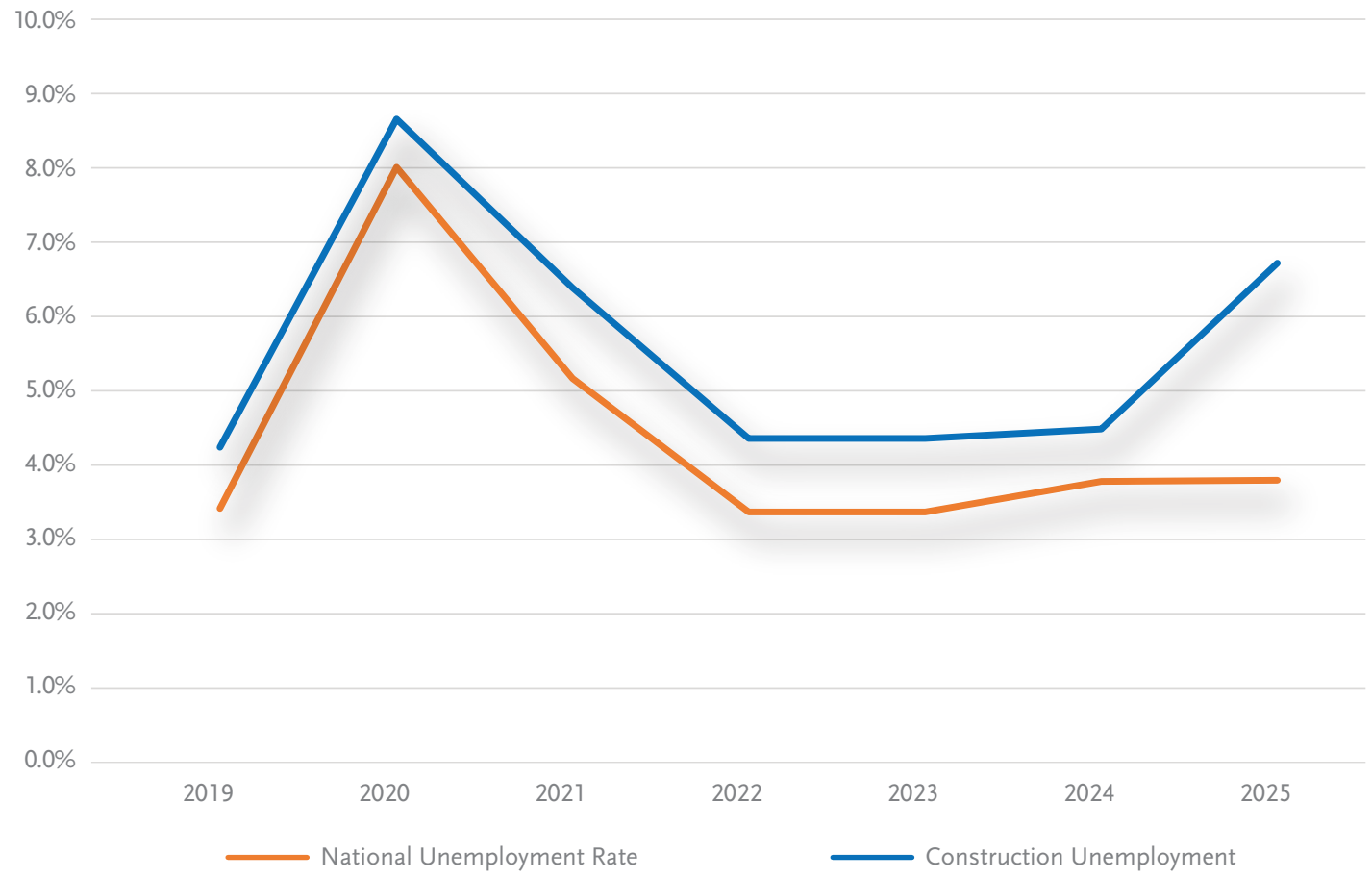
Source: US Bureau of Labor Statistics. 2025. Industries at a Glance. Construction: NAICS 23.[9]

Unemployment Rate

Figure 6 illustrates recent unemployment rate trends for the national economy and the construction market. The national unemployment rate, which had remained consistently within the 3% to 4% range, suggesting a robust economy, has recently shown a gradual increase above 4%, signaling a potential market softening. Historically, the construction industry's unemployment rate has generally been observed to be about one percentage point higher than the national average. The current spike in construction unemployment is likely influenced by seasonal fluctuations and the impact of severe winter weather conditions across the country.

Figure 6

Unemployment Rate



Source: US Bureau of Labor Statistics. 2025. Industries at a Glance. Construction: NAICS 23.[10]

Openings versus Hirings

Figure 7 demonstrates a notable decrease in construction job openings since their 2023 peak, with current figures approaching half of the prior year's levels. In contrast, construction hiring has maintained a steady pace and surpassed job openings in 2024. Although hiring patterns are consistent with pre-COVID norms, job openings continue to trend above historical averages. This divergence suggests a recent softening in the labor market, while the broader historical perspective indicates a persistently tight labor environment.

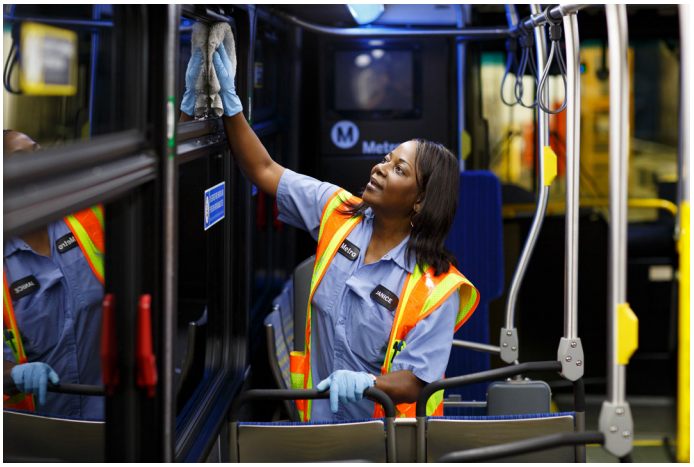
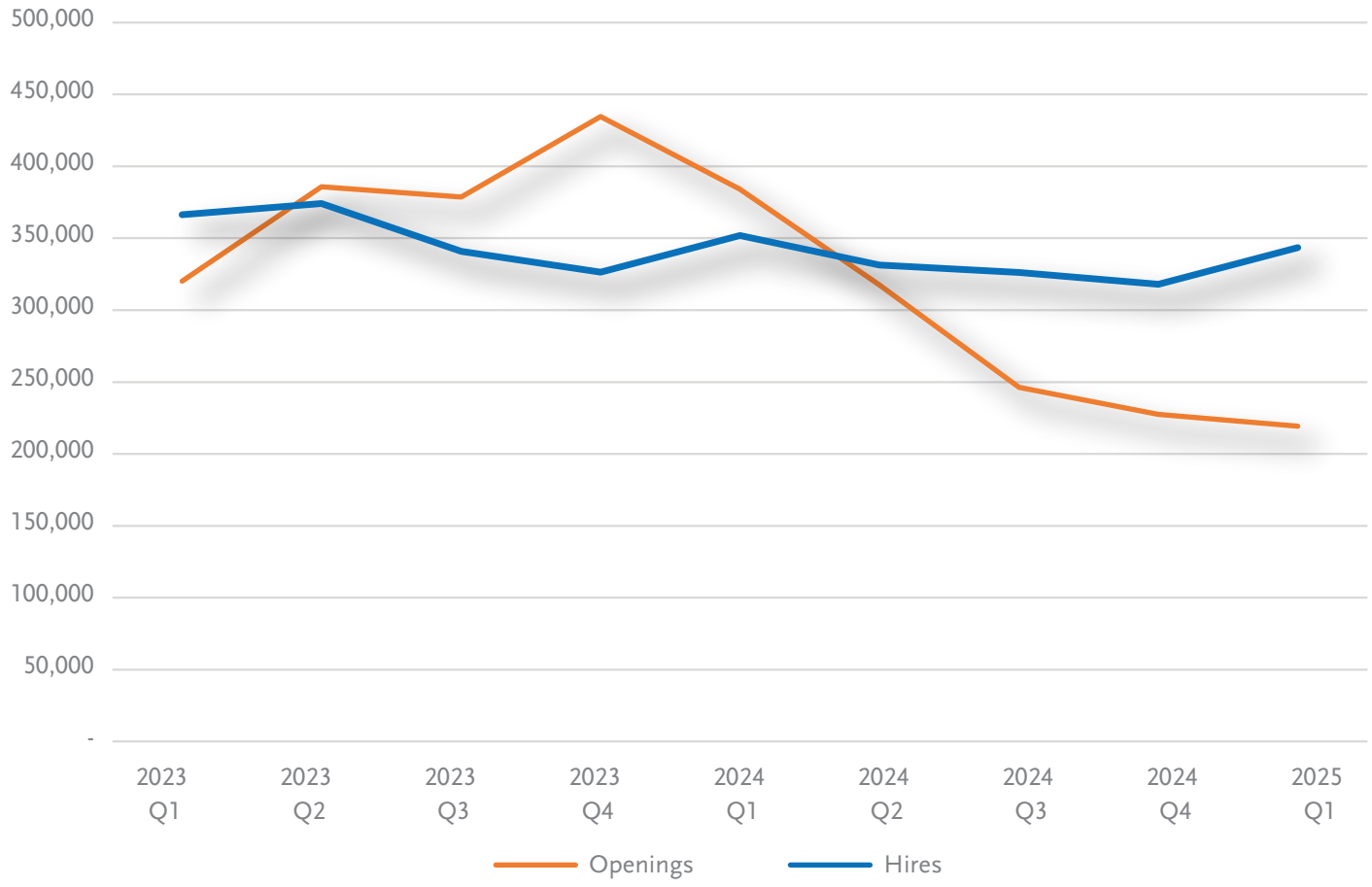


Figure 7

Construction Job Openings versus Hiring



Source: US Bureau of Labor Statistics. 2025. Industries at a Glance. Construction: NAICS 23.[11]

Wages

Contractors are responding to ongoing labor shortages and the sustained impact of high inflation by offering significant wage increases, reflected in both union agreements and rising open-shop compensation. Table 2 details average hourly wages across various construction sectors, including all construction workers, heavy civil construction, and specialty trade contractors provided by the US Bureau of Labor Statistics. Notably, heavy civil construction, the sector most relevant to Metro, is experiencing the most pronounced wage growth.

Data from the Construction Labor Research Council indicates that in 2024, union trades such as operating engineers, pipefitters/plumbers, laborers, sheet metal workers, roofers, electricians, and insulators negotiated agreements with first-year wage increases at or exceeding 5%.[12] This current wave of wage increases is largely a lagged response to the 2022 inflation surge. Given that many union contracts, signed in 2021, predate the inflation spike, contractors are boosting wages through a higher percentage first-year increase to ease inflation concerns, followed by slightly lower-percentage increases in the remaining years.

Table 2

National Average Hourly Earnings for Construction Workers over the Past Three Years

NATIONAL AVERAGE HOURLY EARNINGS BY CONSTRUCTION SECTOR AND YEAR	2023	2024	2025
Construction	$35.63	$37.53	$39.05
Annual % Change	**5.3%**	**4.6%**	**4.0%**
Heavy Civil Construction	$36.44	$39.36	$40.94
Annual % Change	**5.3%**	**8.0%**	**4.0%**
Specialty Trade Contractor	$34.75	$36.19	$37.65
Annual % Change	**5.5%**	**4.1%**	**4.0%**

Source: US Bureau of Labor Statistics. 2025. Table B-3. Average hourly and weekly earnings of all employees on private nonfarm payrolls by industry sector, seasonally adjusted.[13]

Employment Forecast in Southern California

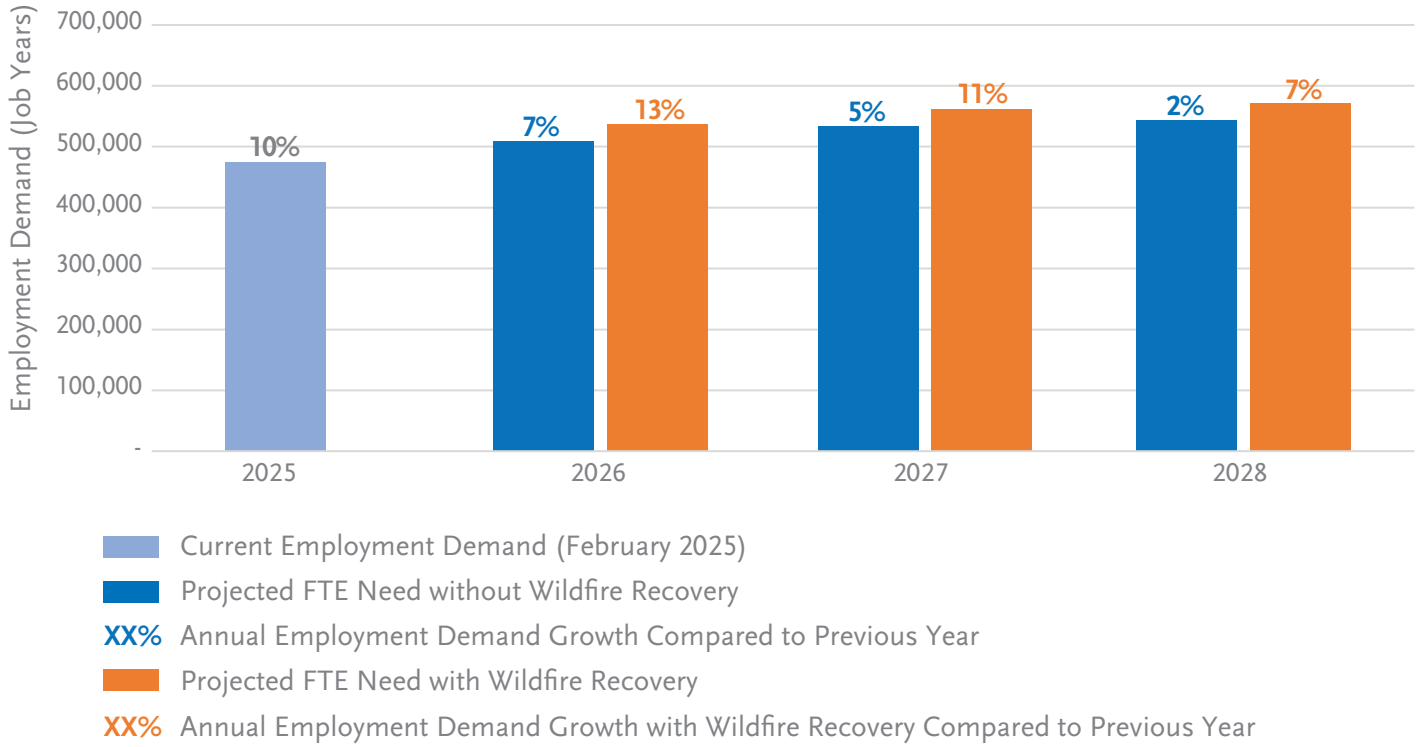
Construction employment demand based on public agency and private sector spending in Los Angeles, Riverside, Orange and San Bernardino Counties is updated through 2027 to illustrate current market conditions in terms of full-time employees (FTE). This is shown as "Projected FTE Need with Wildfire Recovery" in Figure 8. This latest data differs from the 2023 Construction Market Analysis due to several mega projects being delayed (like Brightline), several projects descoped or cancelled (like the LA Convention Center) and tempered residential and commercial construction activity attributed primarily to inflationary pressures and elevated interest rates.

Labor demand related to recovery and rebuilding efforts in the aftermath of the Palisades and Eaton wildfires is considered in the Los Angeles Economic Development Corporation's wildfire recovery analysis[14] using the three scenarios presented previously in Figure 2. Based on Scenario 1, the fastest recovery scenario, the analysis evaluated the job-years of construction labor required to rebuild the areas to their previous condition. The analysis evaluated the characteristics of the structures either destroyed or requiring major repair based on the latest CAL FIRE Damage Inspection (DINS) data. These structures included single-family homes, multifamily residential buildings, non-residential buildings, and infrastructure. Based on the building information, the total labor-hours required to rebuild or restore the structures were calculated for the three recovery scenarios. Considering the impact of the recovery and rebuilding efforts on the regional employment market in the aftermath of the Palisades and Eaton wildfires, the difference in the market's labor demand and available employment would increase by up to approximately 5% to 6% through 2028 (Figure 8).

Based on this analysis, the projected employment demand without wildfire recovery is forecasted to increase by 10% in 2025, 7% in 2026, 5% in 2027, and 2% in 2028 as shown in blue on Figure 8. Assuming the fastest wildfire recovery scenario, which has the greatest impact on employment demand, the estimated potential employment demand jumps to 13% in 2026, 11% in 2027 and 7% in 2028, as shown in orange in Figure 8.

Figure 8

Labor Demand Projection and Annual Growth Percentages



Materials

Despite the stabilization of construction material prices in 2024 following record highs over the previous several years, the outlook for 2025 suggests potential uncertainty and volatility. Several factors are poised to influence national construction pricing, including federal import tariffs and the moderating effect of slowing interest rates on construction expenditure. At the regional level, specifically within Southern California, the reconstruction efforts in Pacific Palisades and Altadena are expected to drive increased demand for construction materials and associated goods and services throughout Los Angeles County.

Federal Policy on Tariffs

The federal government has imposed new import taxes on goods coming from America's three biggest trading partners, Mexico, Canada and China. Consequently, back-and-forth tariff threats and responding retaliation among these nations is causing uncertainty in the markets. The uncertainty has roiled financial markets, lowered consumer confidence, and caused businesses to delay hiring and investment. Figure 9 provides a timeline of the tariff actions in 2025 as of the date of this document. The new taxes on construction materials pose a risk to Metro's pipeline of projects, where Metro does not have agreed-upon pricing.

Figure 10 provides a comprehensive overview of the global steel market, focusing on production, trade and consumption patterns. Utilizing data from the Department of Commerce International Trade Administration and the World Steel Association, the exhibit highlights the US as the fourth-largest steel producer, accounting for 4% of global production, and the third-largest consumer, representing 6% of global consumption. China is the largest producer and user of steel in the world, contributing 54% to global production and 51% to global consumption.

The US is the world's largest steel importer, and Canada and Mexico supply 40% of US imports. Even as the world's largest steel importer, the US has limited steel trade engagement with China, with only 2% of imports and less than 1% of exports.

This data demonstrates US reliance on imported steel. Consequently, steel tariffs are expected to drive price increases, elevating construction costs in the future. Metro can anticipate higher contractor bids on future projects that reflect risk aversion, and significant escalation in cost estimates for projects in design, potentially impacting project viability.

Figure 9

Tariff Timeline

January 20, 2025 — **America First Trade Policy:** Executive Order President Donald Trump signed an Executive Order that signaled he would be enacting additional tariffs.

February 1, 2025 — **Tariffs on Canada, Mexico, and China:** President Donald Trump imposed a 25% additional tariff on imports from Canada and Mexico and a 10% additional tariff on imports from China.

February 10, 2025 — **Steel and Aluminum Imports - Presidential Proclamation:** President Trump imposed tariffs on all steel and aluminum imports into the United States. These tariffs discard all previous deals and exclusions that were given when these tariffs were put in place during President Trump's first term.

February 26, 2025 — **Copper Imports - Executive Order:** President Trump issued an Executive Order to begin investigations into copper imports. The results of the investigation are due in November 2025 and will potentially lead to tariffs being placed on all copper imports.

March 1, 2025 — **Lumber Imports - Executive Order:** President Trump signs Executive Order to begin investigation into the national security implications of lumber and timber imports into the United States. Results of the investigation and any tariffs that might follow are due November 2025.

March 4, 2025 — **Canada, Mexico, and China Tariffs Go into Effect:** The 25% tariffs on imports from Canada and Mexico go into effect, with the exception on Canadian energy being limited to 10%. President Trump also doubles the tariff on all Chinese imports to 20%.

March 6, 2025 — **Tariff postponement of many Mexican imports and some Canadian imports:** Trump postpones 25% tariffs on many imports from Mexico and some imports from Canada for a month. But he still plans to impose "reciprocal" tariffs starting on April 2.

March 12, 2025 — **Steel and Aluminum Tariffs Go into Effect :** The 25% tariff increase on steel and aluminum goes into effect. Canada and European Union take retaliatory trade actions with new duties on US products.

Source: The Associated General Contractors of America, Inc. (AGC). 2025. "Tariff Resource Center for Contractors."[15]

Figure 10

Deep Dive Into Steel

STEEL PRODUCTION (2023)

	Global Rank	% of Market	Millions Tons Produced
UNITED STATES	#4	4%	81
MEXICO	#15	1%	16
CANADA	#16	1%	12
CHINA	#1	54%	1,019
THE REST OF THE WORLD	-	40%	764

STEEL CONSUMPTION (2023)

	Global Rank	% of Market	Millions Tons Consumed
UNITED STATES	#3	6%	98
MEXICO	#8	2%	29
CANADA	#15	1%	13
CHINA	#1	51%	897
THE REST OF THE WORLD	-	41%	1,440

STEEL IMPORT (2023)

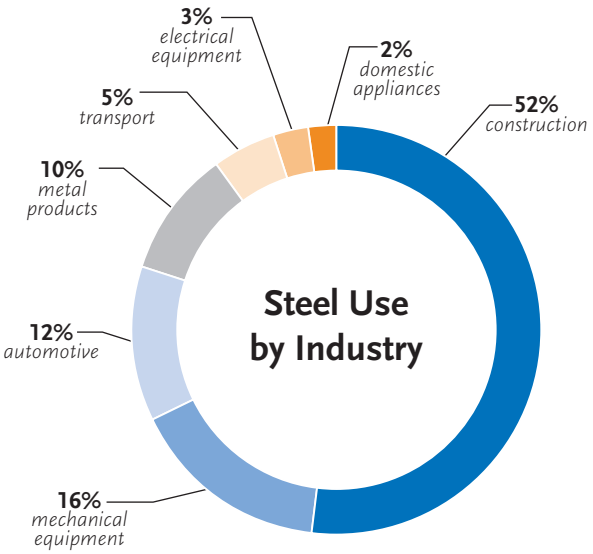
	Global Rank	% of Market	Millions Tons Imported
UNITED STATES	#17	2%	9
MEXICO	N/A	<1%	3
CANADA	N/A	1%	7
CHINA	#1	22%	94
THE REST OF THE WORLD	-	74%	322

STEEL EXPORT (2023)

	Global Rank	% of Market	Millions Tons Exported
UNITED STATES	#1	6%	27
MEXICO	#6	4%	18
CANADA	#18	2%	9
CHINA	#14	3%	11
THE REST OF THE WORLD	-	85%	371

STEEL USE ON METRO PROJECTS

> Rail Tracks
> Stations
> Tunnels
> Elevators
> Train/Bus Vehicles
> Highway/Roadway
> Bridges
> Traffic/Light Poles
> Buildings/Facilities



KEY FINDINGS

> The United States is the world's largest steel importer with nearly 40% coming from Mexico and Canada.

> The volume of steel imports to the United States in 2023 was approximately 8% larger than that of the world's second-largest importer (Germany).

> 90% of the United States' steel exports go to Canada and Mexico.

> The United States exports 10% of what it produces, while it imports 33% of what it uses.

Source: World Steel Association. 2024. World Steel in Figures.[16]

Wildfire Recovery

The extensive damage from the Palisades and Eaton wildfires will require a multi-year reconstruction period. Table 3 identifies previous wildfire recovery efforts and highlights lengthy reconstruction periods. However, the urban and densely populated locations of the Palisades and Eaton wildfires—with an estimated 16,250 buildings destroyed—differentiates them from past events, potentially leading to a different recovery trajectory. Additionally, factors like migration patterns, which influence labor supply and inflationary pressures, make direct comparisons and economic forecasting challenging.

Despite the uncertainty surrounding the region's recovery timeline, the scale of rebuilding will likely generate high demand for construction materials resulting in the potential for increased prices and reduced supply. Given that residential and commercial construction, which are highly dependent on lumber, will constitute the majority of reconstruction, lumber costs are expected to rise. Table 4 identifies specific construction services and materials anticipated to rise in price in response to wildfire recovery and reconstruction demands.

Table 3

Housing Recovery Progress after Major Wildfires

DISASTER/ LOCATION	ESTIMATED DAMAGE AND STRUCTURES DESTROYED	MONTHS FOR DEBRIS CLEANUP	MONTHS SINCE DISASTER	PERCENT OF DAMAGED HOMES RECEIVED BUILDING PERMIT	PERCENT OF DAMAGED HOMES NOW RE-OCCUPIED
Carr Fire, Shasta County, CA	$1.7 billion 1,605 structures destroyed	9 months	79 months	40%	36%
Camp Fire, Paradise, CA	$16.7 billion 18,804 structures destroyed	12 months	77 months	29%	23%
Marshall Fire, Boulder County, CO	$2+ billion 1,084 structures destroyed	Ongoing (97% complete)	37 months	75%	63%
Maui Wildfires, Lahaina, HI	$5.5 billion 2,207 structures destroyed	Ongoing (82% complete)	18 months	14%	0%

Source: Rumbach, Andrew, Sara McTarnaghan, Kameron Lloyd, and Aleszu Bajak. 2025. "When Will Los Angeles Rebuild? Comparing Housing Recovery Timelines after Four Recent Wildfires." Urban Institute.[17]

Table 4

Anticipated Price Increases for Materials and Services in the Near and Long Term Due to Wildfire Recovery and Reconstruction Demand

NEAR TERM		LONG TERM	
MATERIALS/ SERVICE	REASON	MATERIALS/ SERVICE	REASON
Trucking	Logistics of transporting debris from fire-destroyed structures to landfills will require a huge mobilization of trucking.	Residential housing materials (lumber, concrete, steel, and masonry)	Once debris is cleared and infrastructure rebuilt, materials to support residential construction in fire-impacted communities will be in high demand.
Underground cables and conduits	Utility agencies are moving power lines underground to help bring back power to fire-impacted communities and reduce the risk of future wildfires.	Residential housing services (carpentry, roofing, drywall installers, painters, plumbing, HVAC, electricians)	Construction services to support residential building in fire-impacted communities will be in high demand.
Traffic poles and street lights	Replacement of fire-destroyed street infrastructure to restore affected communities will be in high demand.	Storage Spaces/ Real Estate	Once materials become available and shipped, there will be a higher demand on storage space and real estate for staging required due to the significant amount of inventory needed for infrastructure and homes.

Material Pricing Trends

The stability of the construction material pricing in 2024 faces significant threats that could disrupt operations and impact supply chains in 2025. The market is currently adjusting to the newly implemented 25% tariff on steel and aluminum, but uncertainty remains around the possible implementation of tariffs on Mexico and Canada, additional future tariffs, and their potential duration, effects, and retaliatory response.

While it's too early in the recovery process to predict the construction market impacts from the wildfires, it is likely that the effects of wildfire recovery will create regional inflation for the construction market in Southern California, with lumber being especially impacted.

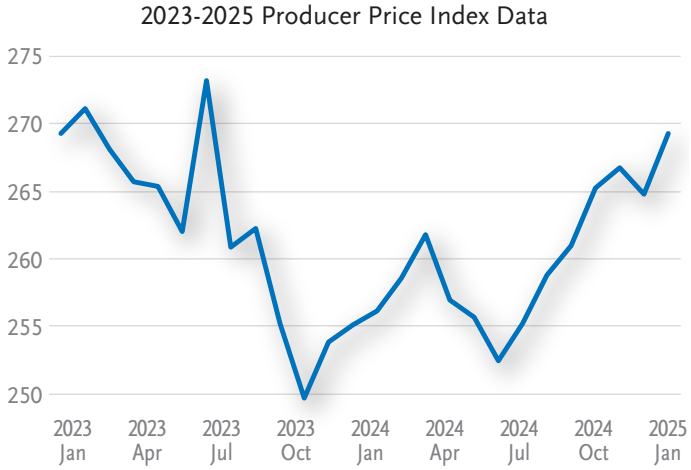
Figures 11 through 24 provide snapshots of pricing trends from the last two years and a forecast of percentage changes up to 2027 for key construction materials. Additional insight is provided on key materials likely to be most affected by the tariffs and other market conditions. Additional pricing trends for other materials and services are provided in Appendix A.

Figure 11

Lumber and Plywood

	2025	2026	2027
PRICE FORECAST	↗	↗	∿

Lumber pricing was generally stable over the past year but started increasing over the past several months. Potential Canadian tariffs would have the largest impact on pricing because Canada is the largest supplier of lumber to the US.



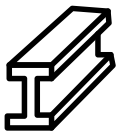
5%	6%	2%
percent change in last 12 months	*percent change in last 6 months*	*percent change in last month*

Source: US Bureau of Labor Statistics. 2025. Producer Price Index by Commodity: Special Indexes: Lumber and Plywood (WPUSI004011). February.[18]

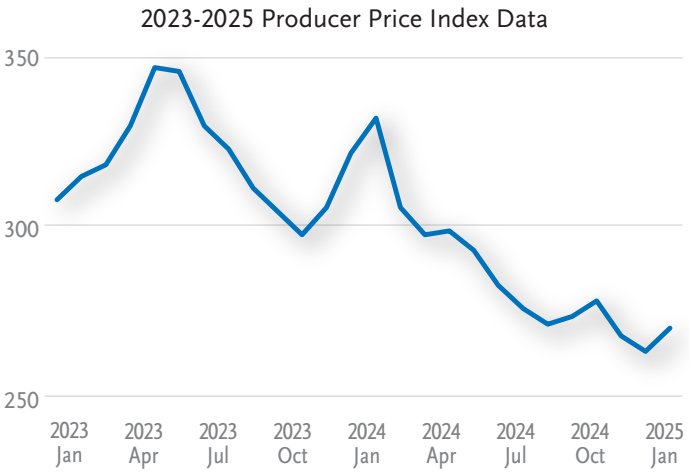
Figure 12

Steel

	2025	2026	2027
PRICE FORECAST	↗	↗	→



Steel has been generally stable over the past year. Data centers and infrastructure projects have driven demand but also have been tempered by the commercial office market. However, the 25% tariff on steel imports and retaliatory tariffs will cause steel prices to rise. This price increase could further weaken future demand.



-19%	-2%	3%
percent change in last 12 months	*percent change in last 6 months*	*percent change in last month*

Source: US Bureau of Labor Statistics. 2025. Producer Price Index by Commodity: Metals and Metal Products: Steel Mill Products (WPU1017) February.[19]

Key Status:

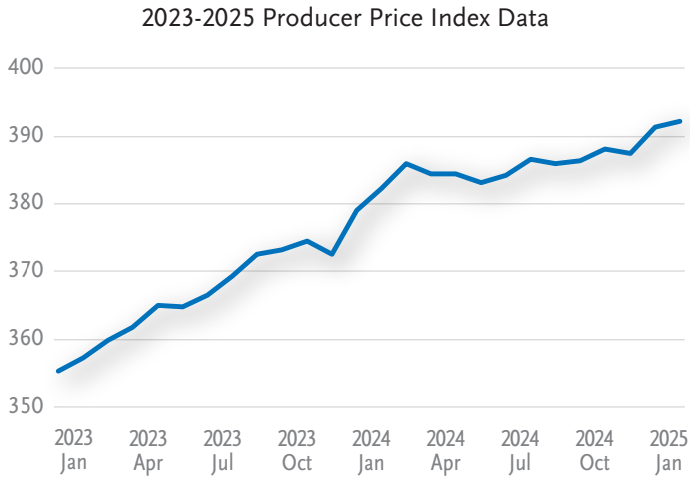
- Trending up significantly (+15% or more)
- Trending up (+5% to +15%)
- Stable consistent (-5 to +5%)
- Fluctuating
- Trending down (-5% or less)

Figure 13

Concrete

	2025	2026	2027
PRICE FORECAST	↗	↗	→

Concrete pricing has been trending up gradually. However, roughly one-third of cement imports into the US originate in Canada and Mexico. Potential tariffs could continue the upward trend into the future.



3% *percent change in last 12 months*

1% *percent change in last 6 months*

0% *percent change in last month*

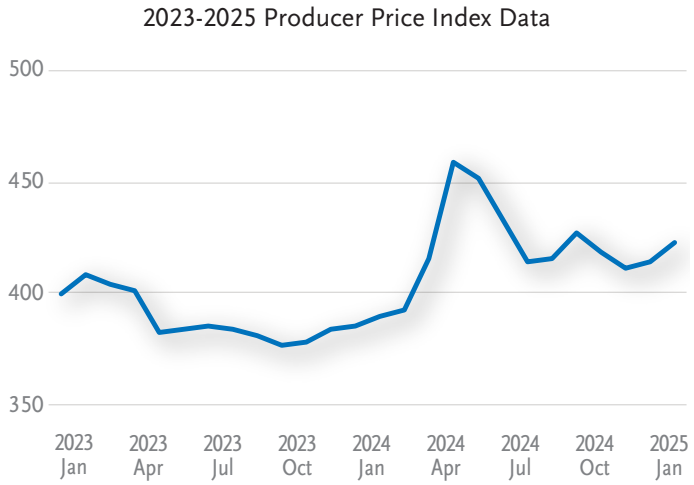
Source: US Bureau of Labor Statistics. 2025. Producer Price Index by Commodity: Nonmetallic Mineral Products: Concrete Products (WPU133). February.[20]

Figure 14

Copper

	2025	2026	2027
PRICE FORECAST	↗	↗	→

Copper prices increased in 2024 due to supply shortages caused by production decreases. Tariffs are expected to impact pricing outlook.



9% *percent change in last 12 months*

2% *percent change in last 6 months*

2% *percent change in last month*

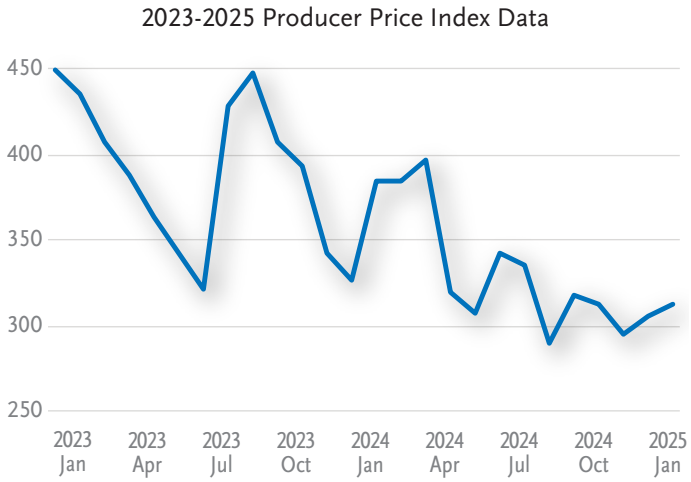
Source: US Bureau of Labor Statistics. 2025. Producer Price Index by Commodity: Metals and Metal Products: Copper Wire and Cable (WPU10260314). February.[21]

Figure 15

Fuel

	2025	2026	2027
PRICE FORECAST	~	~	→

Fuel prices have seen a general decline since 2023. California may see fluctuating prices due to lower production resulting from the Phillips 66 refinery closure in 2025, but also less demand from more fuel-efficient fleets. Tariffs on Canadian crude oil are likely to impact prices.



-18% *percent change in last 12 months*

-7% *percent change in last 6 months*

2% *percent change in last month*

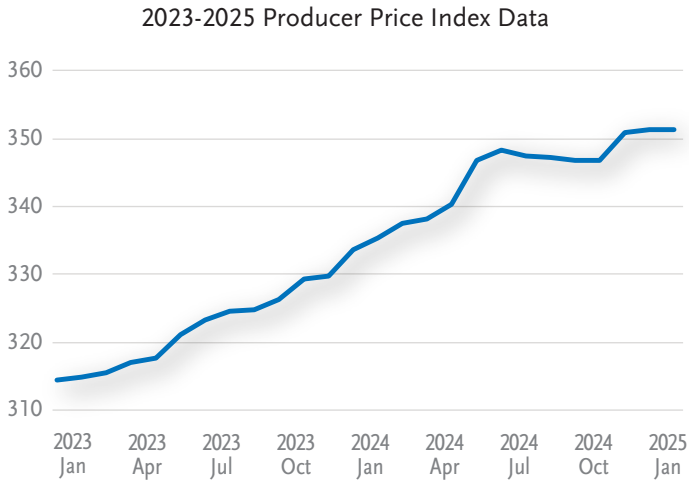
Source: US Bureau of Labor Statistics. 2025. Producer Price Index by Commodity: Fuels and Related Products and Power: No. 2 Diesel Fuel (WPU057303). February.[22]

Figure 16

Switchgear

	2025	2026	2027
PRICE FORECAST	↗	↗	→

The supply chain has been improving and resulting in reduced lead times, which has helped stabilize costs over the past 6 months. However, prices in 2025 may rise significantly due to tariffs on all steel and aluminum imports. Potential tariffs on all Mexican and Canadian imports may add further costs.



5% *percent change in last 12 months*

1% *percent change in last 6 months*

0% *percent change in last month*

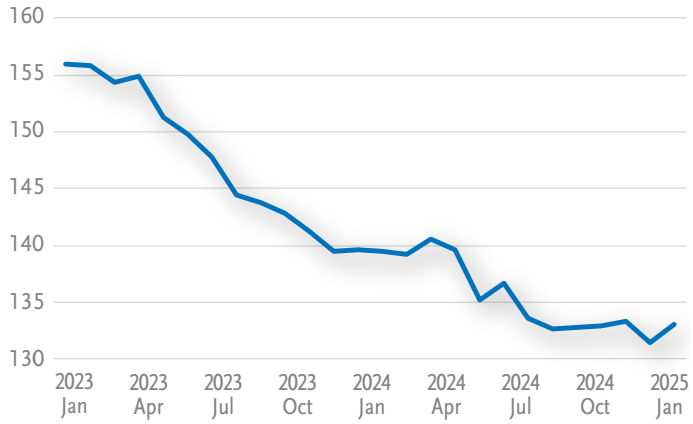
Source: US Bureau of Labor Statistics. 2025. Producer Price Index by Commodity: Machinery and Equipment: Switchgear, Switchboard, Industrial Controls Equipment (WPU1175). February.[23]

Figure 17

Stainless Steel

PRICE FORECAST	2025	2026	2027
	-5% *percent change in last 12 months*	0% *percent change in last 6 months*	1% *percent change in last month*

2023-2025 Producer Price Index Data



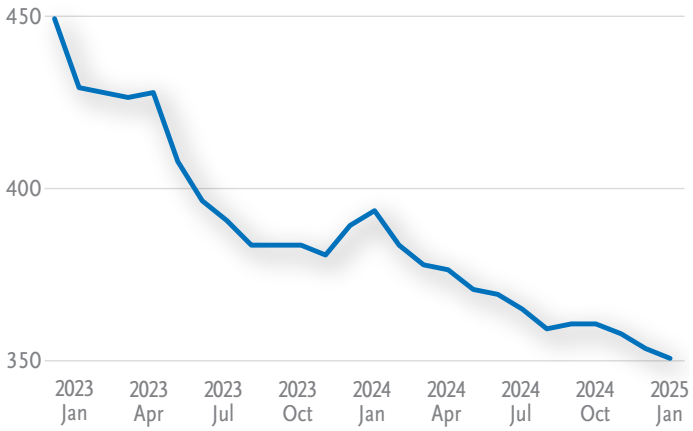
Source: US Bureau of Labor Statistics. 2025. Producer Price Index by Commodity: Metals and Metal Products: Steel Pipe and Tube, Stainless Steel (WPU10170674). February.[24]

Figure 18

Steel Pipe

PRICE FORECAST	2025	2026	2027
	-11% *percent change in last 12 months*	-4% *percent change in last 6 months*	-1% *percent change in last month*

2023-2025 Producer Price Index Data



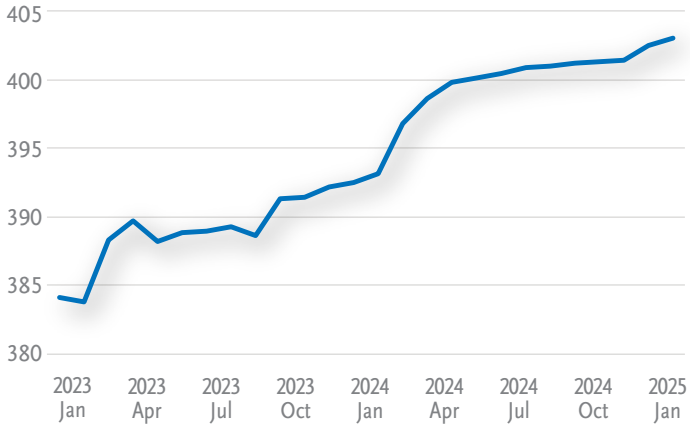
Source: US Bureau of Labor Statistics. 2025. Producer Price Index by Commodity: Metals and Metal Products: Steel Pipe and Tube (WPU101706). February.[25]

Figure 19

Heating

PRICE FORECAST	2025	2026	2027
	3% *percent change in last 12 months*	1% *percent change in last 6 months*	0% *percent change in last month*

2023-2025 Producer Price Index Data



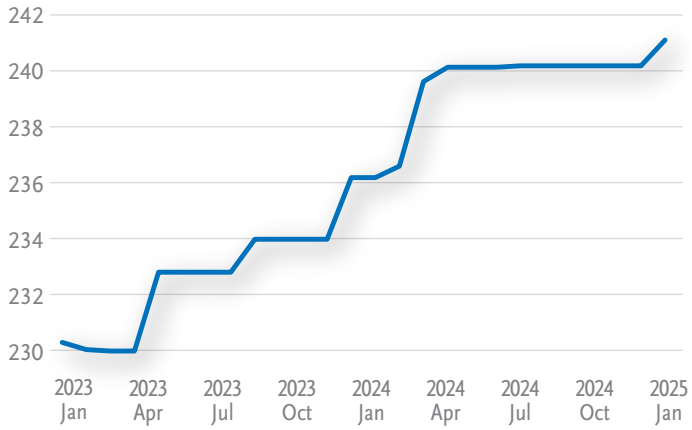
Source: US Bureau of Labor Statistics. 2025. Producer Price Index by Commodity: Metals and Metal Products: Heating Equipment (WPU106). February.[26]

Figure 20

Industrial Fans

PRICE FORECAST	2025	2026	2027
	2% *percent change in last 12 months*	0% *percent change in last 6 months*	0% *percent change in last month*

2023-2025 Producer Price Index Data



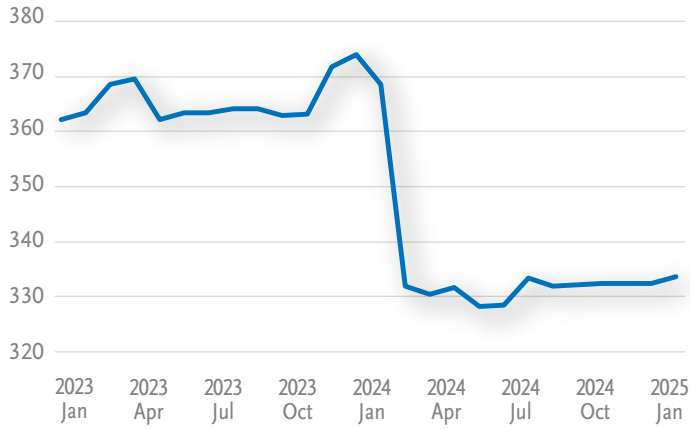
Source: US Bureau of Labor Statistics. 2025. Producer Price Index by Commodity: Machinery and Equipment: Industrial and Commercial Fans and Blowers (WPU11470145). February.[27]

Figure 21

Fabricated Structural Metal

PRICE FORECAST	2025	2026	2027
	↗	↗	→
	-9% *percent change in last 12 months*	0% *percent change in last 6 months*	0% *percent change in last month*

2023-2025 Producer Price Index Data



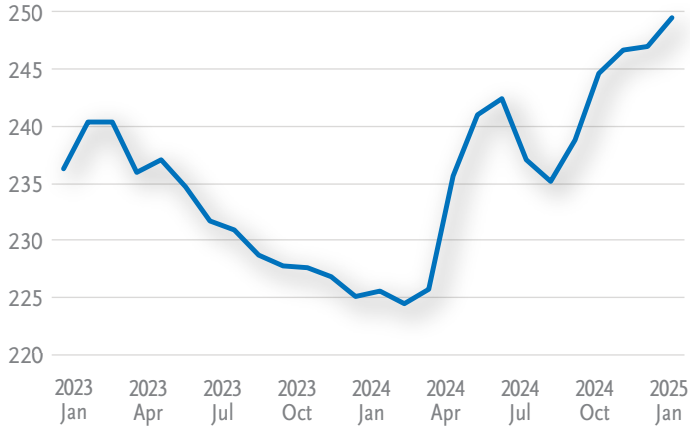
Source: US Bureau of Labor Statistics. 2025. Producer Price Index by Commodity: Metals and Metal Products: Fabricated Structural Metal (WPU107405). February.[28]

Figure 22

Aluminum

PRICE FORECAST	2025	2026	2027
	↗	↗	→
	11% *percent change in last 12 months*	5% *percent change in last 6 months*	1% *percent change in last month*

2023-2025 Producer Price Index Data



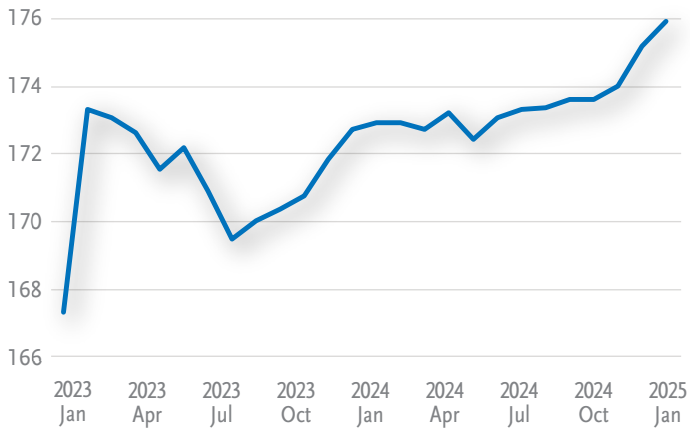
Source: US Bureau of Labor Statistics. 2025. Producer Price Index by Industry: Aluminum Sheet, Plate, and Foil Manufacturing (WPU 331315331315.) February.[29]

Figure 23

Glass

PRICE FORECAST	2025	2026	2027
	↗	↗	→
	2% *percent change in last 12 months*	1% *percent change in last 6 months*	0% *percent change in last month*

2023-2025 Producer Price Index Data



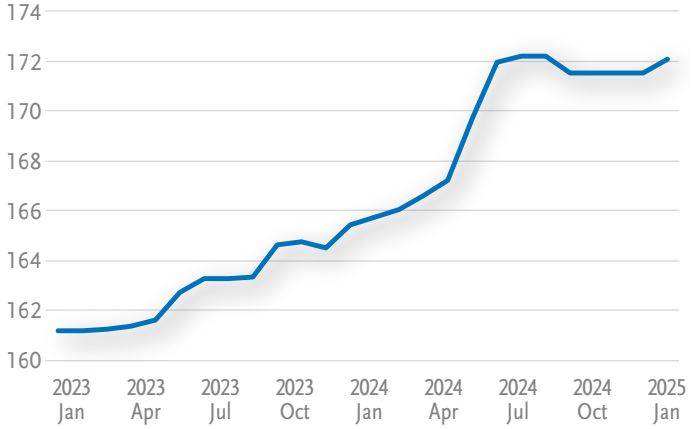
Source: US Bureau of Labor Statistics. 2025. Producer Price Index by Commodity: Nonmetallic Mineral Products: Flat Glass (WPU1311). February.[30]

Figure 24

Traffic Control Systems

PRICE FORECAST	2025	2026	2027
	↗	↗	→
	4% *percent change in last 12 months*	0% *percent change in last 6 months*	0% *percent change in last month*

2023-2025 Producer Price Index Data



Source: US Bureau of Labor Statistics. 2025. Producer Price Index by Commodity: Machinery and Equipment: Intercommunications, Alarm and Traffic Control Systems (WPU11760303). February.[31]

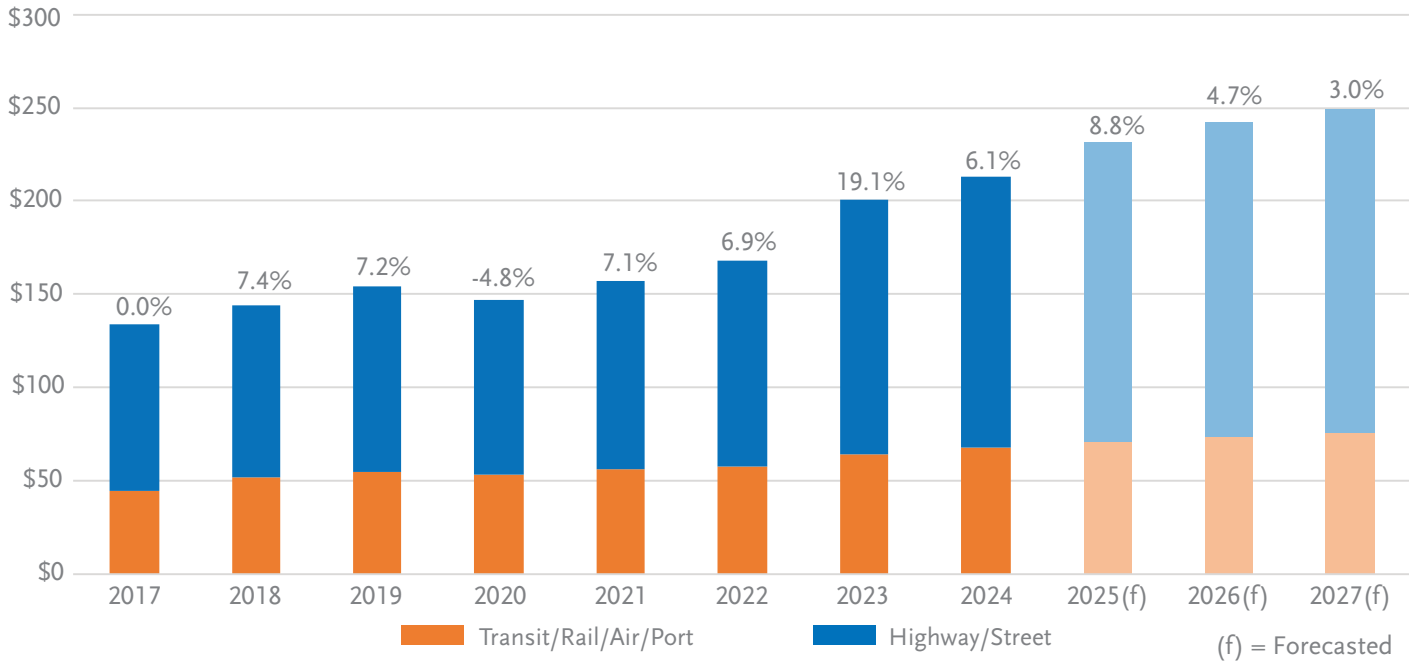
Contractor Bidding

The construction sector has enjoyed sustained growth over the past two years, driven by data center development and substantial infrastructure investment, resulting in a 27% increase in non-residential construction and an 18% rise in transportation construction. It continues to be a contractor's market as demonstrated by the continued spending levels shown in Figure 25 and the comparison of bid prices against the construction costs in Figure 26.

Risks and costs are increasing for megaprojects, and developing accurate bid estimates of the actual costs has been difficult for both contractors and owners. Contractors are sensitive to these risks because many have suffered major losses on megaprojects. Depending on the risk share between the contractor and owner, contractors are pricing the risk exposure into their bids.

Figure 25

National Annual Transportation Construction Spending ($ in Billions), Year-over-Year Percentage Change and Forecast (2025–2027)



Sources: US Census Bureau. 2024. Construction Spending – Methodology. August 1.[32]

ARTBA. 2025 Transportation Construction Market Outlook.[33]

Alisa Zevin. 2024. "2025 Forecast: Rate Cuts Expected to Boost Construction." Engineering News-Record. November 20.[34]

Recent Bid Results Analysis

A review of 25 publicly available bid results for competitive design-bid-build (DBB) transportation infrastructure projects in Los Angeles over the last six months indicates a trend of reduced competition and inflated bid prices. Although the analyzed projects are smaller in scope (averaging $6 million) compared to Metro's projects, they offer valuable insights into prevailing contractor strategies. The observed trends suggest contractors are factoring significant risk into their bids.

While acknowledging the limitations of the sample size and project scale, these findings underscore the prevalence of risk-based pricing among contractors in the current market.

KEY FINDINGS

NUMBER OF BIDS

2 and 3
average number of bidders per project

~25%
projects received only a single bid

5
maximum number of bidders (observed in 16% of the projects)

BID AMOUNTS

>75%
average bid amounts exceeded the independent cost estimates by more than 15%

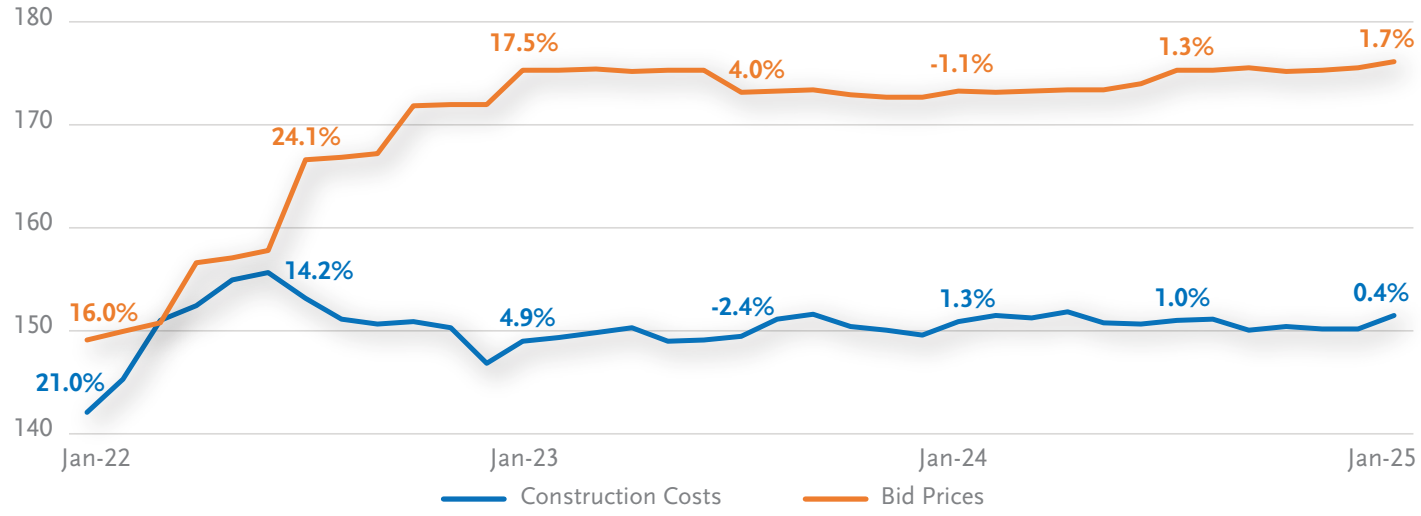
57%
average percentage over the independent cost estimate of the bid amounts

65%
average bid premium over the independent cost estimates for projects with a single bidder

22%
average bid premium over the independent cost estimates for projects with four or more bidders

Figure 26

Construction Costs versus Bid Pricing



Source: US Bureau of Labor Statistics. 2025. Producer Price Index by Commodity: Inputs to New Nonresidential Construction (WPUIP231200) and New Nonresidential Construction (WPU801). February.[35]

Escalation

In construction bidding, "escalation" refers to the practice of factoring in anticipated increases in material, labor, and other project costs over the project's duration. These increases are typically influenced by market conditions, inflationary pressures, and supply chain vulnerabilities. Notably, recent years have witnessed escalation rates exceeding prior projections. To accurately assess current market escalation, the construction industry utilizes several cost indices. Table 5 provides a comparative overview of current escalation rates, specifically from the Engineering News-Record Construction Cost Index (ENR CCI), which represents a national 20-city average of material and labor costs, and the California Department of General Services' California Construction Cost Index (CA CCI),[36,37] which reflects conditions specific to California.

Table 5

Cost Index Escalation Rates for the Past Five Years

COST INDEX	2021	2022	2023	2024
ENR CCI (national average)	5.8%	7.2%	2.7%	1.6%
CA CCI (Los Angeles and San Francisco average)	9.4%	13.7%	8.2%	3.0%

Sources: California Department of General Services (DGS). 2025. "DGS California Construction Cost Index CCCI."

Engineering News-Record. 2025. "Construction Cost Index History – As of April 2025."

Higher-than-anticipated escalation makes it more expensive to build new projects and repair and maintain existing infrastructure. This could lead to a slowdown in construction activity because owners may delay, descope, or cancel projects due to the high cost. This makes it critical to apply accurate escalation when budgeting for construction. Based on the data presented in this report, industry forecasts, and professional judgement from cost estimators and economists, this report recommends that when preparing budgets, Metro implement a 6% escalation rate for 2025, then a 5% rate for 2026, followed by a 4% rate for 2027.

Contract Terms and Conditions

Economic uncertainty stemming from federal policies is heightening contractors' sensitivity to contract language. Consequently, bids, especially for fixed-price DBB projects, will likely reflect increased cost and risk contingencies. Metro's strategic implementation of alternative delivery methods is widely favored by contractors because it facilitates the allocation of risk to the party best positioned to manage it. This approach empowers owners to better control costs, minimize change orders, and establish more certainty at key decision points to support accurate establishment of project budgets.

In response to tariff-related price volatility, contractors may seek to incorporate escalation clauses. These clauses, tied to objective market indices, enable contract price adjustments based on material cost fluctuations. This protects the contractor when material prices go up and benefits the owner when material prices go down. The inclusion of escalation clauses can also benefit the owner by mitigating the inclusion of speculative, inflated risk premiums in contractor bids. It is important to note that by incorporating an escalation clause, the risk associated with price volatility is effectively transferred from the contractor to the owner, requiring careful consideration of the chosen index and its potential fluctuations.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Summary and Recommendations

The construction market is navigating a complex landscape marked by both opportunities and challenges. Robust project pipelines make this a contractor's market, and persistent headwinds such as increased labor demand, supply chain vulnerabilities, and economic policy uncertainties demand careful navigation by owners.

Employment Summary

> Due to Metro's stringent labor compliance and reliance on union labor, federal immigration policy changes are expected to have minimal impact on its construction workforce.

> Should the residential and commercial construction sectors see an uptick in construction spending, federal policies or limitations on immigration could stress existing labor constraints in the US, putting additional price pressures within the construction industry.

> Recovery from the Palisades and Eaton wildfires poses a major constraint on the ability of local jurisdictions and utility agencies to engage with and staff Metro projects because they are prioritizing recovery and rebuilding efforts. Metro could experience delays ranging from six to twelve months for these agencies to conduct design reviews, construction inspections, and permit approvals. Metro should seek streamlined permitting to mitigate this.

> In a case study of the Maui wildfires, the scope of the recovery efforts requires doubling the construction labor force on the island of Maui, resulting in an inflation of labor wages of up to 20%, along with additional costs for housing off-island workers.

> Considering the impact of the recovery and rebuilding efforts on the regional employment market in the aftermath of the Palisades and Eaton wildfires, the difference in the market's labor demand and available employment would increase by up to approximately 5% to 7% through 2028.

Materials Pricing Summary

> Tariffs have resulted in uncertainty that has roiled financial markets, lowered consumer confidence, and caused prices to rise.

> Construction accounts for 52% of global steel consumption according to the World Steel Association. Consequently, steel tariffs are expected to drive price increases, elevating construction costs.

> The reconstruction efforts in Pacific Palisades and Altadena are expected to drive increased demand for construction materials throughout Los Angeles County.

> Metro can anticipate higher contractor bids (reflecting risk aversion) and significant escalation in cost estimates for projects in design, potentially impacting project viability.

Contractor Bidding Summary

> Construction spending has continued to grow with activity being driven by non-residential construction (27% increase) and infrastructure (18% increase) over the last two years. This growth has been tempered by sluggish residential and commercial construction spending.

> Observed trends in reviewed bid results for Los Angeles construction projects for public agencies suggests contractors are factoring significant risk into their bids, driven by a perceived abundance of project opportunities and tariffs causing price uncertainty.

> Escalation has ranged higher than anticipated in the past few years, and this report recommends using conservative escalation values such as 6% for 2025, then 5% for 2026, followed by 4% in 2027.

Recommendations

In light of price uncertainties stemming from tariffs, potential workforce impacts due to federal policies, and the extensive reconstruction demands of the Palisades and Eaton wildfires, the following recommendations outline strategic approaches for Metro to successfully navigate the current complex construction market.

Policy

> Seek streamlined permitting to account for local jurisdictions likely diverting their permitting resources from Metro projects to prioritize wildfire recovery efforts.

> Continue to use collaborative delivery methods like Construction Management/General Contractor (CM/GC) and Progressive Design Build to attract bidders.

Cost Estimating and Schedule

> Adjust cost estimates for higher escalation rates and contingencies for labor and materials in future life-of-project budget updates.

> Institute or enable more frequent market pricing checks on cost estimates throughout the project delivery process.

> Consider strategies to mitigate schedule impact from high-demand commodities by assessing long lead items, the timing of purchases, and owner-furnished materials, along with the possible opportunity to leverage purchasing power in collaboration with other agencies.

Bidding and Contracts

> Review upcoming construction contract terms and conditions and consider incorporating an escalation/adjustment clause and specifications based on an objective index to be flexible for price swings in construction materials.

> Develop a list of approved material substitutes that can be used in the event of cost fluctuations of traditional materials.

> In evaluating construction procurements, assess bidders' strategies for risk-based contingency application, including securing long-term agreements with domestic suppliers, and their ability to cultivate strong supplier relationships to effectively manage tariff-related complexities.

Endnotes

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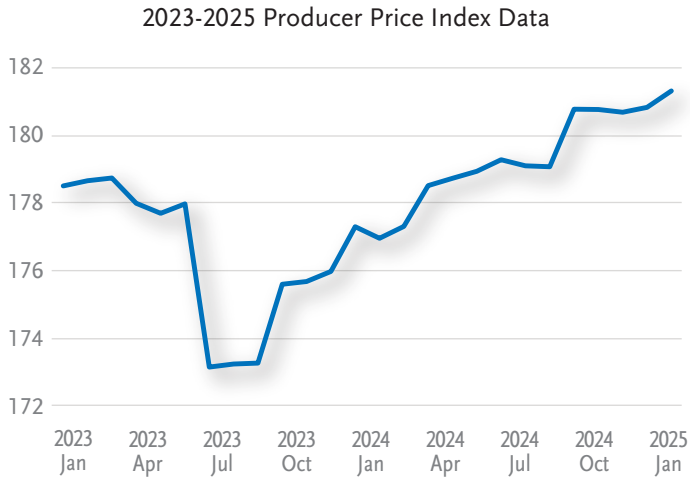
Appendix A

Figure A-1

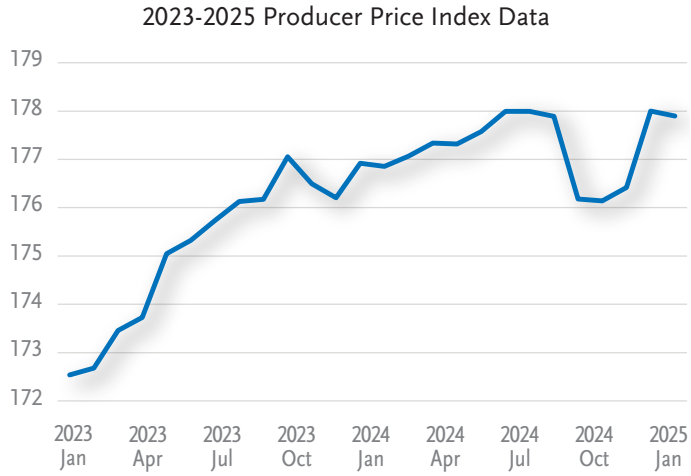
Concrete Subcontractors



Source: US Bureau of Labor Statistics. 2025. Producer Price Index by Industry: Concrete Contractors, Nonresidential Building Work (PCU23811X23811X). February.[1]

Figure A-2

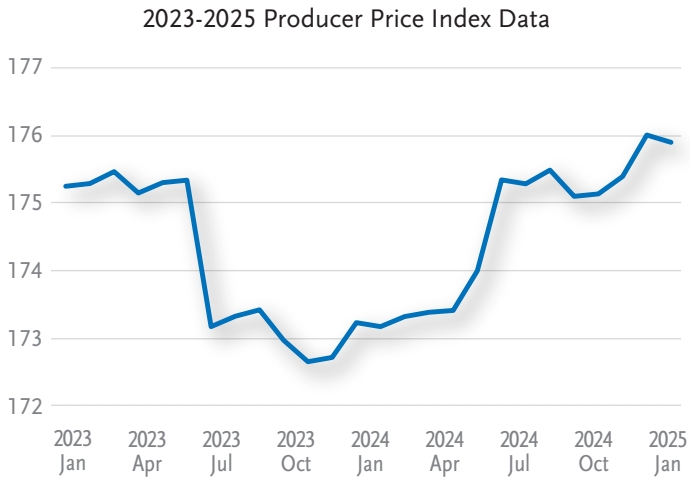
Plumbing & HVAC Subcontractors



Source: US Bureau of Labor Statistics. 2025. Producer Price Index by Industry: Plumbing, Heating and Air-Conditioning Contractors, Nonresidential Building Work (PCU23822X23822X). February.[2]

Figure A-3

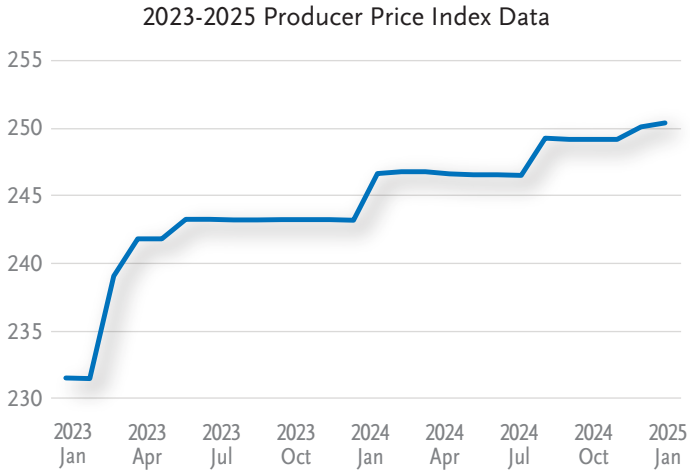
New Non-Residential Building Construction



Source: US Bureau of Labor Statistics. 2025. Producer Price Index by Commodity: Construction (Partial): New Nonresidential Building Construction (WPU801). February.[3]

Figure A-4

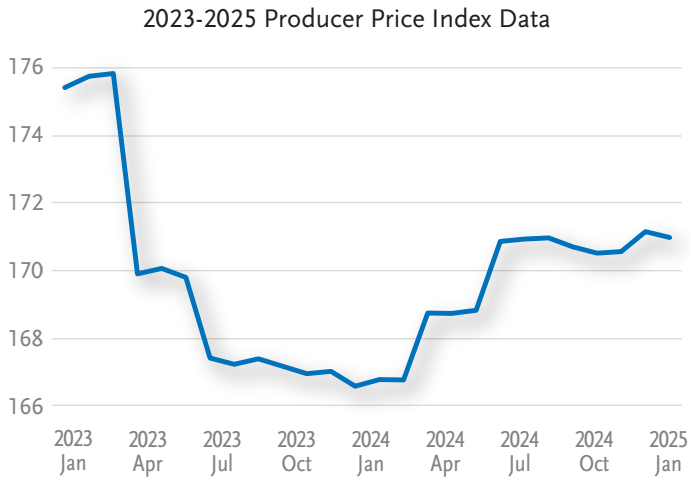
Elevators & Escalators



Source: US Bureau of Labor Statistics. 2025. Producer Price Index by Industry: Elevator and Moving Stairway Manufacturing (PCU333921333921). February.[4]

Figure A-5

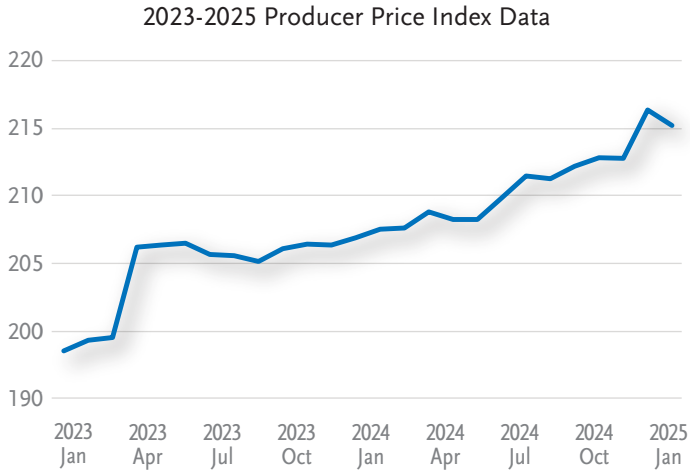
Electric Subcontractors



Source: US Bureau of Labor Statistics. 2025. Producer Price Index by Industry: Electrical Contractors, Nonresidential Building Work (PCU23821X23821X). February.[5]

Figure A-6

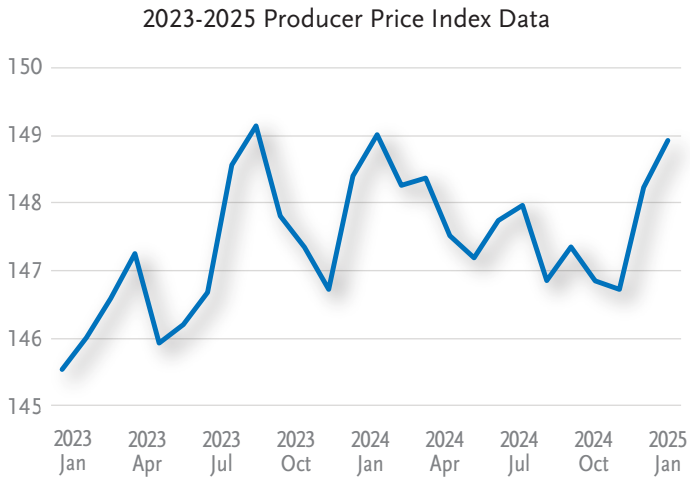
Roofing Subcontractors



Source: US Bureau of Labor Statistics. 2025. Producer Price Index by Industry: Roofing Contractors, Nonresidential Building Work (PCU23816X23816X). February.[6]

Figure A-7

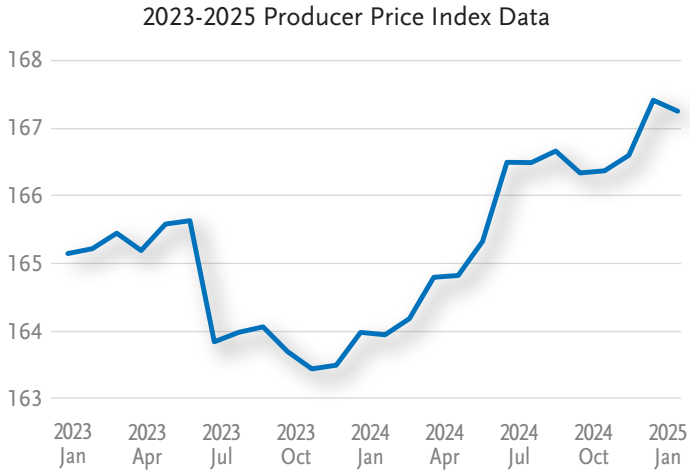
Highway



Source: US Bureau of Labor Statistics. 2025. Producer Price Index by Commodity: Inputs to Industries: Net Inputs to Highways and Streets, Excluding Capital Investment, Labor, and Imports (WPUIP231231). February.[7]

Figure A-8

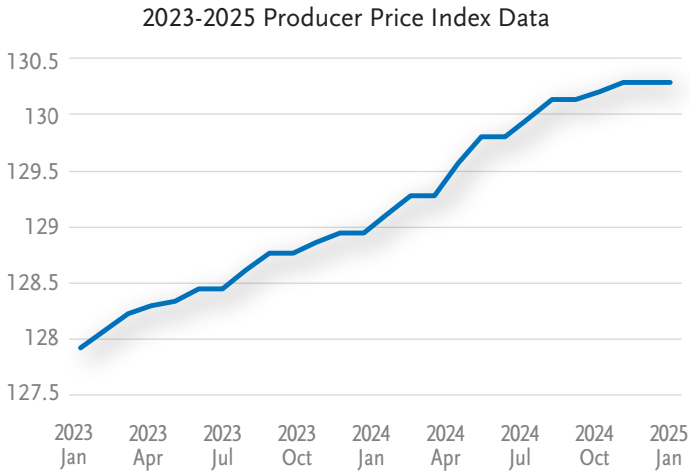
General Construction



Source: US Bureau of Labor Statistics. 2025. Producer Price Index by Commodity: Construction (Partial) (WPU80). February.[8]

Figure A-9

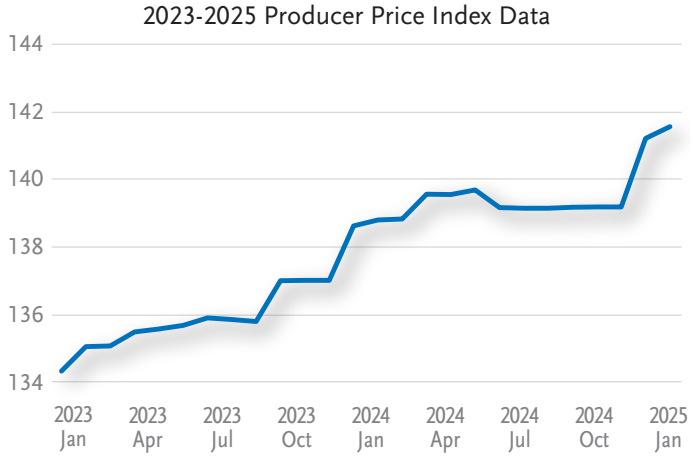
Buses and Firefighting Vehicles



Source: US Bureau of Labor Statistics. 2025. Producer Price Index by Commodity: Transportation Equipment: Buses and Firefighting Vehicles, Complete, Produced on Purchased Chassis (WPU1413027). February.[9]

Figure A-10

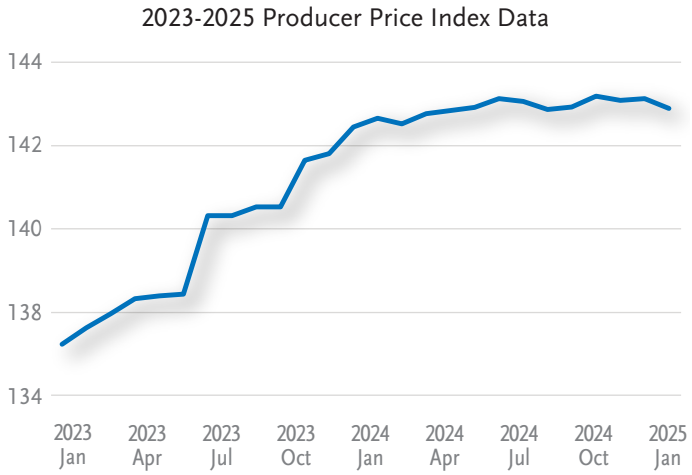
Engineering Services



Source: US Bureau of Labor Statistics. 2025. Producer Price Index by Commodity: Professional Services (Partial): Engineering Services (WPU4532). February.[10]

Figure A-11

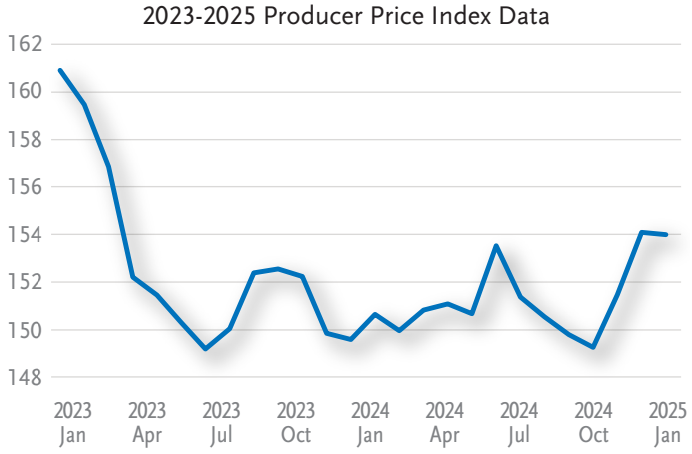
Construction Machinery & Equipment



Source: US Bureau of Labor Statistics. 2025. Producer Price Index by Commodity: Machinery and Equipment: Construction Machinery and Equipment (WPU112). February.[11]

Figure A-12

Trucking Services



Source: US Bureau of Labor Statistics. 2025. Producer Price Index by Commodity: Transportation Services: Truck Transportation of Freight (WPU3012). February.[12]

Appendix Endnotes

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