

2026 Construction Forecast

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Modest growth prospects for 2026 collide with deepening labor shortages, forcing contractors to prioritize efficiency and workforce strategy.



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The U.S. construction industry is approaching 2026 at a critical turning point. Forecasts suggest a modest rebound after the softness of early 2025, with several indicators pointing toward gradual improvement in overall activity. ConstructConnect projects that U.S. construction will shift from contraction in 2025 to modest growth in 2026, with nonresidential building and civil engineering/heavy construction both expected to inch upward. Easing interest rates and a more stable economic backdrop may also encourage greater investment in housing and private-sector development.

Yet these potential gains collide with historic strain in the construction labor force. According to Associated Builders and Contractors, contractors will need to attract nearly 499,000 new workers in 2026 just to meet industry demand. Many firms describe the shortage as structural rather than cyclical, with acute gaps in specialized trades, such as concrete, steel fabrication, power equipment operation, welding, HVAC, and electrical work. Demographic trends—including a



high share of older workers nearing retirement—exacerbate the challenge, while the pipeline of younger entrants remains narrow.

Gallagher Bassett’s mid-year construction update reinforces the concern: too few workers possess the skills or credentials required for modern jobsite demands. As a result, wage pressure continues to rise across trades, with tight labor supply driving increased competition for skilled workers and pushing up the cost of project delivery.

Where Demand Meets Constraint

For tradespeople, the tension between rising demand and shrinking labor availability creates a mixed outlook. Higher wages and abundant job openings may define the year ahead but project scheduling remains fragile. The Birmingham Group notes that delays, stretched crews, and even cancellations could become more common, especially on labor-intensive projects or those requiring specialized skills.

Institutional and infrastructure-related work—schools, hospitals, transportation projects, energy facilities—could help absorb some of this pressure. These sectors depend heavily on skilled labor such as heavy-equipment operators, bridge constructors, pipeline crews, and specialty crafts, but even here growth is constrained by workforce availability.

ConstructConnect expects infrastructure segments to expand in 2026, yet actual output may hinge on how quickly firms can secure qualified workers.

To manage the imbalance, many contractors are deepening their workforce development initiatives: expanding apprenticeship pathways, investing in credentialing, and prioritizing retention of senior talent. Technology adoption—digital planning tools, modular construction, and more efficient field practices—is accelerating as firms seek to offset labor shortages through smarter workflows.

Industry Leaders: “2026 Will Be a Year of Caution, Efficiency, and Selective Strength”

Across the industry, leaders share a cautious but realistic view of the year ahead.

Zack Fritz, economist with the Associated Builders and Contractors says 2026 will be better than 2025 for the construction industry, but given the way this year is going, that’s not saying much. Even so, the potential for less policy uncertainty and lower borrowing costs means that the industry has plenty of upside next year. I expect activity to rebound by the end of 2026.

Does the ABC anticipate any challenges? “Yes, plenty,” Fritz says. “For instance, worker shortages haven’t been much of a concern in 2025, but that’s largely due to a lack of industry

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growth. If construction spending picks up, the impacts of immigration policy on the industry's labor supply could lead to all kinds of staffing problems and, consequently, renewed labor cost escalation.

“But that’s assuming growth picks back up. While I expect borrowing costs to fall and trade policy to settle, that’s far from a certainty.”

Fritz says 2026 has potential to be a solid year. “It’s definitely possible, although ‘strong’ is not a word I’d use to describe my baseline expectations for 2026,” he concludes.

Karine Galla, director of product management at Sto Corp., characterizes 2026 as “flat,” noting that despite participation in multiple market sectors, the company anticipates sluggish economic conditions. She points to macroeconomic uncertainty, interest rates, and persistent labor shortages as factors that could restrain activity. “I think there will be a slowdown,” she says, “but not a full correction.”

Efficiency is top of mind for manufacturers, as well. Georgia-Pacific Gypsum President Julie Howard emphasizes that labor scarcity is intensifying demand for products that reduce jobsite time and complexity.

“Labor continues to be a challenge in 2026,” she says, explaining that G-P’s new DensDeck ProFast Prime Roof Board was developed specifically to “install faster, reduce fastening requirements, and help lower material and labor costs.” Howard notes that digital support tools—such as the GP Toolbox platform—are increasingly central to helping contractors manage workloads and documentation more efficiently.

In the building-enclosure sector, Air Barrier Association of America Executive Director Laverne Dalglish sees strong growth driven by the need to future-proof buildings against severe weather. “The year will be strong and grow over last year,” he says, though he acknowledges ongoing pushback from builders resistant to added upfront costs. Still, he does not foresee a correction in the commercial market and expects the industry's momentum to continue.

From the entrepreneurial side, Airtight Tapes founder Chris Platipodis hopes 2026 will be a breakthrough year as he seeks to license his product to larger manufacturers. “Hopefully good,” he says of the outlook, while acknowledging that smaller innovators often struggle for visibility. “No one wants to hear what the little guy has to offer. Challenges are always there.”

Regional contractors see a cautiously improving landscape. Richard Reppert, President of a Pennsylvania-based commercial walls-and-ceilings firm, reports that while the back half of 2025 saw a significant decrease in work, projects are now “beginning to progress forward” with new



opportunities coming to bid. He anticipates a stronger 2026 supported by long-term projects already set to start early in the year. Still, he points to state-level regulations and policy hurdles as persistent challenges.

Steel framing manufacturer CEMCO also expects stability to improve. Director of Business Development Steve Farkas believes 2026 will bring “better footing” after the “spastic” market climate of 2025, citing easing interest rates and investments in AI as positive signs. But he warns that strict enforcement of Section 232 steel tariffs could tighten supply just as commercial, institutional, and data-center construction gains momentum. “We do not see any major swings that would warrant a correction,” Farkas says, though he notes that the industry is proceeding with caution.

Implications for Walls and Ceilings Contractors

For walls and ceilings contractors, the dynamics of 2026 point toward opportunity, paired with operational pressure. Modest commercial growth should sustain demand for core drywall and ceiling-grid work, while tenant improvements and specialty finishes could produce higher-margin projects. Yet, labor shortages will likely influence every phase of delivery, particularly on fast-paced jobs requiring large or highly skilled crews.

Institutional construction—one of the brighter segments—will continue to rely heavily on fire-rated wall assemblies, soundproofing, and specialty ceilings, favoring firms with certified crews and technical expertise. Multifamily work will remain uneven, with small-scale projects holding steady and large developments potentially slowing under broader workforce constraints.

Renovation and retrofit activity should supply continuous work, especially in urban markets with aging building stock. But these labor-intensive, detail-heavy projects are particularly vulnerable to workforce scarcity, heightening demand for efficient crews and prefabricated assemblies.

Across all segments, contractors who invest in training, workforce planning, and modular or preassembled solutions will be best positioned to manage schedule risk and maintain profitability.

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Segment	Expected Growth 2026	Labor Intensity	Notes
Commercial (office, retail, mixed-use)	+2%	Medium-High	Standard drywall/ceiling grids dominate; specialty finishes offer higher margins; workforce shortages may affect schedule.
Institutional (schools, hospitals, government)	+3-4%	High	Fire-rated walls, acoustical ceilings, specialty finishes drive demand for certified and experienced labor; modular solutions may ease shortages.
Multifamily Residential (apartments, condos)	+1%	Medium	Small-scale projects stable; large-scale developments may face delays; prefabricated panels can mitigate labor pressure.
Renovation & Retrofit	+1.5%	High	Labor-intensive; older buildings require custom wall/ceiling work; skilled installers are in high demand; cost-sensitive.
Specialty Ceilings & Decorative Plaster	+2%	High	Niche projects in commercial and institutional spaces; premium for skilled labor; modular/fabricated systems can improve efficiency.

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