Contractors & Developers Bonding
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SURETY OUTLOOK
PREPARE FOR 2027

By late 2026, the stock market continues to reach record highs, while projected GDP growth and construction spending remain steady, suggesting a stable overall economy. However, the broader data masks growing challenges.

We are aware of the number of mega data center projects feeding the AI boom. Yet the volume of projects under $25 million has shrunk 12% from the 2024 high and could remain below the peak through 2028. Backlogs for smaller contractors currently sit at a four-year low due to several converging factors. Data center projects are attracting skilled labor, exacerbating a continual trend in the construction industry. High borrowing costs as well as cost volatility are squeezing margins and project availability as evidenced by the 47.3 Architecture Billings Index score reported in June 2026.

Although the pipeline of projects has been slower to refill, and most bids are facing increased competition, there is good news. ***Markets like this reward the prepared***. The work has not disappeared: schools still get renovated, municipalities still bid projects, owners still build. Opportunities just surface sporadically and move quickly when they do. The contractors who are nimble enough and are ready to say "yes" the moment an opportunity shows up will have many opportunities.

Now is the time for surety and contractor partners to discuss the specific challenges they face and how they are protecting themselves from broader market trends. When evaluating new opportunities, consideration must be given to how the work will fit within the existing backlog and affect labor and financial resources. A key consideration is protection against price volatility and inflation, especially for longer-term projects. Adequate bank support is also essential to sustain cash flow during turbulent periods. Contractors who understand and manage these risks will be well positioned to thrive in any market.

Here are the trending statistics:

Construction Starts

Residential (% YOY)

2024	2025	2026	2027	2028
+ 5%	-5%	-49%	+ 4%	-1%

Nonresidential (%YOY)

2024	2025	2026	2027	2028
+ 7%	+6%	-14%	+20%	+4%

Public Works and Power Utilities (%YOY)

2024	2025	2026	2027	2028
+9%	0%	-5%	+11%	+2%

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