

Orange County Transportation Infrastructure Construction Cost Pressure Index, Fall 2025

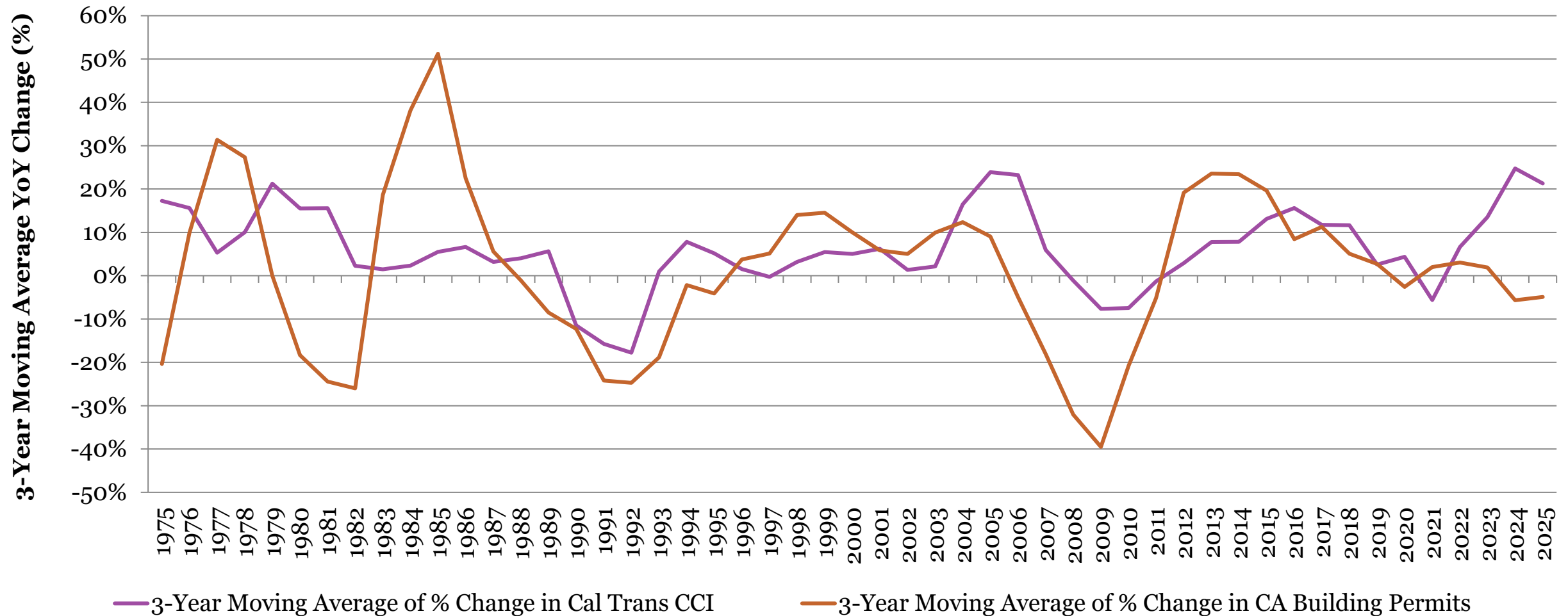
Orange County Business Council

September 2025

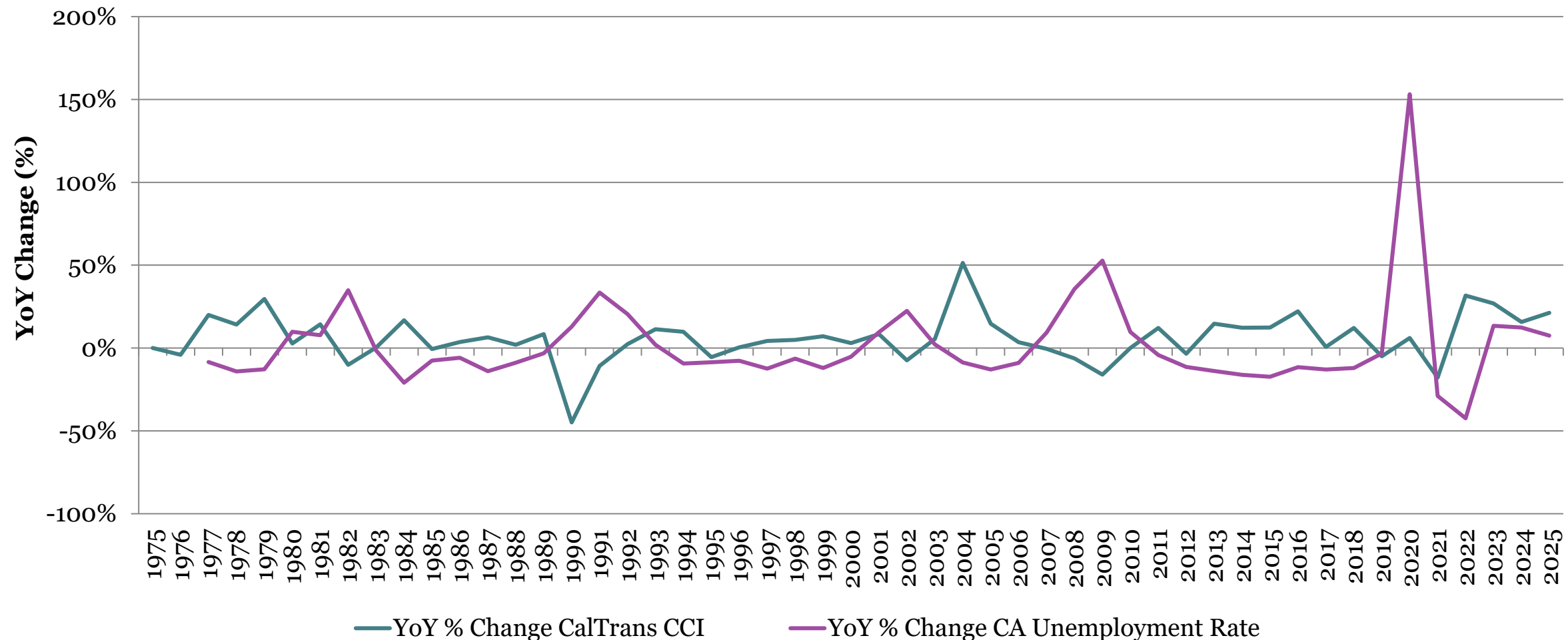
Orange County Transportation Infrastructure Construction Cost Pressure Index Model Components

- Economic Trends - State-level building permits and unemployment rate (Census and California Employment Development Department (EDD)).
- Material Costs - Construction Aggregate, PCC Pavement, PCC Structural Concrete, Structural Steel and Bar Steel (Caltrans).
- Labor Costs - Localized construction wages of NAICS defined sectors provided by Bureau of Labor Statistics (BLS).
- Economic Conditions - Periods of tight and slack economies affecting cost pressures.

3-Year Moving Average of Year-Over-Year Percent Change in Caltrans CCI and Building Permits



Year-Over-Year Percent Change in Caltrans CCI and CA Unemployment Rates



Forecast and Range of Orange County Transportation Infrastructure Cost Increases by Index Value

- 2025 - Forecasted Index Value: 3
- 2026 - Forecasted Index Value: 3
- 2027 - Forecasted Index Value: 3
- 2028 - Forecasted Index Value: 3

Range of Cost Fluctuations by Index Score			
Index	Low	Medium	High
0	-17%	-9.5%	-2%
1	-2%	-0.5%	1%
2	1%	1.5%	2%
3	2%	4%	6%
4	6%	8.5%	11%
5	11%	25.5%	40%

Inflation and Interest Rates Concerns Remain

- Inflationary impacts from new tariff trade policies start to impact businesses and consumers;
- Following large revisions to employment data, hiring has slowed in 2025 while layoffs are accelerating;
- Rising uncertainty surrounding interest rate cuts, yet probability of a September rate cut remains high;
- CCI declines 3.1% from Q1 2025 to Q2 2025; yet increases 2.8% over the past 12 months;
- CCI indicates that 4 material inputs increased in Q2 2025, 3 inputs decreased;
- For full-year 2025, our model projects all core material inputs to experience cost increases.

Year-over-Year Changes in California Building Permits, California Unemployment Rate and Orange County Construction Labor Costs, 2018-2025

Year	California Building Permits	% change year-on-year	California Unemployment Rate	% change year-on-year	OC Construction Labor Costs (avg. annual wage)	% change year-on-year
2018	113,502	-1.1%	4.2%	-12.0%	\$74,669	4.5%
2019	110,197	-2.9%	4.1%	-3.4%	\$77,289	3.5%
2020	106,075	-3.7%	10.3%	153%	\$81,460	5.4%
2021	119,436	12.6%	7.3%	-28.9%	\$84,170	3.3%
2022	119,667	0.2%	4.2%	-42.4%	\$88,265	4.9%
2023	111,221	-7.1%	4.8%	13.3%	\$91,280	3.4%
2024	99,959	-10.1%	5.4%	12.4%	\$94,397**	3.4%
2025*	102,478	2.5%	5.8%	7.4%		

*2025 values projected from year-on-year changes in quarterly data, 2nd quarter 2024 to 2nd quarter 2025.

** 2024 values projected from year-on-year changes in quarterly data, 4th quarter 2023 to 4th quarter 2024.

OCBC Infrastructure Construction Cost Forecast

- Systematic Risks - Russia-Ukraine War, Israel-Gaza Conflict, Inflation, Interest Rates
 - Russia-Ukraine and Israel-Gaza conflicts continue to contribute to regional and global instability.
 - Inflation begins to creep up again as tariffs bite; AI adoption adds to labor market concerns.

OCBC OC Transportation Infrastructure Construction Cost Index Score, 2025-2028

Year	Index Score	Range of Cost Fluctuation
2025	3	2% to 6%
2026	3	2% to 6%
2027	3	2% to 6%
2028	3	2% to 6%

- Idiosyncratic Risks - not predictable and therefore not in model
 - Inflationary/recessionary impacts from tariffs may shift Federal Reserve rate decisions.
 - Domestic instability due to shifting political, social, and economic policies; disruption from AI.
 - International instability due to new trade policies and reduced U.S.-related financial support.

Questions