JULY 2026

GROUP

Monitor

Construction & Transportation

INCREASED FUEL PRICES HAVE IMPACT

CONSTRUCTION CONTENDS WITH ELEVATED PRICING

Rising transportation costs and tariff policies have increased material prices, making it difficult for contractors to plan out projects

TRUCKING FREIGHT RATES INCREASE

Reduced capacity as drivers exit the market and skyrocketing diesel prices have driven trucking contract and spot rates upwards, pushing shippers toward rail freight

U.S.-IRAN WAR IMPACTS OCEAN FREIGHT

The U.S.-Iran war caused the closure of the Strait of Hormuz, a key maritime corridor, driving elevated fuel prices rerouting trade routes, and increasing lead times and costs

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GA GROUP

Deals are a moving target with a constantly shifting mix of people, numbers and timing. We are here to simplify this process for you. Our associates are experts at analyzing situations and quantifying values you need on the most complex deals, so you can leverage our extensive industry knowledge to close the deal.

Overview

Material costs pushed upwards in 2025 by tariff policies continued to increase in 2026 as fuel prices rose amid the U.S.-Iran war. Elevated fuel costs have contributed to rising trucking freight costs, pushing shippers to increasingly opt for rail freight.

Total construction starts surged in May 2026 over April, driven by increases on a yearly and monthly basis in non-residential and non-building starts despite a slight decline in residential starts. Megaprojects within the healthcare, manufacturing, utilities, and data center sectors bolstered total construction starts; however, weakness in institutional, warehouse, and residential construction limited growth.

The construction market in 2026 has been plagued by rising material and labor costs. An ongoing shortage of skilled laborers has increased competition amongst contractors, increasing labor costs, and has made it difficult to plan out projects. Elevated material costs in 2025 continued in the first half of 2026 amid rising fuel prices and supply shortages.

Prices for new construction equipment and machinery remained stable in the first quarter of 2026, while prices for used equipment softened due to elevated supply levels. Cautious buying approaches and aggressive incentives further pressured prices as manufacturers try to work through excess inventory levels.

Retail sales of class 8 trucks ended 2025 on a downward trajectory, with year-over-year declines continuing into 2026 despite monthly improvements as buyers remain unwilling to commit to purchases amid economic uncertainty and elevated inflation rates and borrowing costs. Class 8 inventory levels inched upwards in the first half of 2026 as manufacturers hedged against price increases related to new, stricter EPA regulations beginning in 2027. New regulations, aging fleets, and improved freight rates caused a surge in class 8 order levels in the first three months of 2026. Class 8 order levels cooled in the second quarter of 2026 as the U.S.-Iran war drove up fuel prices, but this was somewhat offset by improved contract and spot freight rates.

Trucking freight volume remained fairly unchanged in the first quarter of 2026 versus 2025. Trucking freight rates, however, were on an entirely different road, increasing in the first quarter of 2026 versus 2025, driven upwards by elevated fuel costs and constrained capacity, pushing shippers to increase intermodal unit rail utilization, contributing to the increase in intermodal volume for the first quarter of 2026.

Containerized import levels entered 2026 on a low note despite January being above typical historical norms, indicating the ocean freight market is headed toward normalization. Containerized import levels declined in the spring of 2026 due to disruptions in key trade corridors. Import levels improved in May and are expected to continue improving now that the U.S. and Iran have reached a tenuous deal and reopened the Strait of Hormuz.

Global trade has become increasingly complex in 2026 as key maritime corridors face significant disruptions. The closure of the Strait of Hormuz for much of the first half of 2026 disrupted trade routes and contributed to rising oil prices. Continued instability in the Red Sea and Bab al-Mandab Strait resulted in rerouting activities and elevated lead times and costs. Changes in tariff policies and refunds further contributed to global uncertainty.

Cranes & Lift Equipment

Total construction starts surged in May 2026, driven by increases on a yearly and monthly basis in non-residential and non-building starts despite a slight decline in residential starts. Construction starts were bolstered by megaprojects within the healthcare, manufacturing, utilities, and data center sectors but limited by weakness in institutional, warehouse, and residential construction.

The North American crane count exhibited mixed results in the first quarter of 2026 versus 2025. While most surveyed cities reported steady crane counts, those with decreased counts outpaced cities with increased crane counts. First quarter results are indicative of cautious but steady approaches from developers despite rising interest rates and elevated construction costs.

Data center and transportation infrastructure construction are expected to drive crane utilization in 2026. Although the crane market will not lack for activity in 2026, operators will be faced with having the right equipment available at the right time, which may present timing challenges for the market.

Used lift equipment auction prices exhibited mixed results in the first quarter of 2026 versus the same period in 2025. Aerial equipment, telehandlers, and forklift prices declined due to increased available volume on the market. Sales and inventory for used forklifts increased in the spring of 2026 while telescopic boom prices declined. Aerial lift rental rates remain strong, but used equipment sales have slowed.

The Manitowoc Company, a global manufacturer of cranes and lift equipment, reported a year-over-year increase in sales in the first quarter of 2026. Sales were bolstered by an increase in non-new machine sales and resulted in the largest backlog level the company has seen in two years, indicative of strong demand.

Trucks & Trailers

Class 8 truck retail sales ended 2025 on a downward trajectory, driven by weak freight demand, low carrier profitability, elevated costs, and continued uncertainty surrounding tariff policies and EPA regulations. Production cuts implemented throughout 2025 helped stabilize backlog levels, resulting in light order boards and purposeful, flexible production plans going into 2026. Class 8 order levels improved year-over-year in December 2025, ending the year on a high note as buyers sought to get ahead of the implementation of new emission standards for 2027 and onward truck model years.

Class 8 retail sales continued to post year-over-year declines throughout the first quarter of 2026 despite posting month-over-month improvements. Freight rates increased in the first half of 2026, driven upwards by capacity restraints, stricter federal regulations, and rising carrier operating costs. Sales continued to follow a similar pattern in May, rising over April but below 2025 levels as buyers were unwilling to commit to purchases amid economic uncertainty and elevated inflation levels. However, inventory levels have inched upwards as manufacturers seek to hedge against price increases related to new EPA regulations for truck models years 2027 and onward.

Class 8 order levels surged in the first three months of 2026 versus the same period in 2025 amid aging fleets, improved freight rates, and reduced capacity. The upcoming implementation of stricter EPA emission standards, which is expected to drive prices upwards, also contributed to the increase in first quarter order levels. Class 8 order levels entered the second quarter of 2026 on a positive note but were cooling compared to the first quarter as the U.S.-Iran war increased fuel prices, resulting in some hesitancy amongst fleets to place orders. Demand for new equipment benefited from improved contract and spot freight rates despite limited remaining build slots for 2026. Order pace is expected to cool throughout the summer of 2026 before picking back up again in September when 2027 order boards open.

Used class 8 sales entered 2026 on a softer note, declining yearly and monthly, before improving in the following months. Used sales exhibited mixed results in April, falling from 2025 but remaining unchanged from March, with auction volumes declining month-over-month while wholesale dealer volume inched upwards. Average used class 8 prices improved monthly from February through April as used prices benefited from rising spot freight rates. All factors are pointing to the used truck market moving back into positive territory; however, uncertainty regarding tariff policies, EPA regulations, and elevated fuel prices present challenges to the used truck market.

Newly-introduced stricter emission standards by the EPA for heavy-duty trucks with model years 2027 and onward will reduce NOx emissions by 80% to 90% from previous standards. New emission standards have skyrocketed pre-buying activities of 2026 model-year trucks, contributing to the increase in class 8 sales and orders as fleets seek to avoid price increases and potential early-stage maintenance challenges with new emission-compliant models. The price of emission-compliant models is expected to be higher than prior-year models due to higher manufacturing costs stemming from larger and more complex internal systems. New complex systems are also expected to increase repair and maintenance costs as mechanics and fleet technicians will now require additional training.

Freight volumes remained relatively stagnant in the first quarter of 2026 versus the same period in 2025. However, freight rates were on an entirely different road, significantly increasing versus 2025 amid constrained capacity as drivers exit the market and rising diesel prices due to the U.S.-Iran war. Both spot and contract rates were pushed upwards, with spot rate growth exhibiting its steepest incline since the onset of the COVID-19 pandemic, outpacing contract rate growth. Contract and spot rates continued rising in May and June as capacity remained constrained despite low volume levels. In March 2026, the Federal Motor Carrier Safety Administration issued a final rule restricting eligibility for non-domiciled commercial driver’s licenses, which pushed some drivers to exit the market ahead of the implementation of this rule, tightening capacity levels.

Construction & Mining Equipment

Total construction spending in April 2026 reached a seasonally adjusted annual rate ("SAAR") of $2.2 trillion, a 0.4% increase above the revised March estimate and 0.9% above April 2025 per the U.S. Census Bureau. For the first four months of 2026, total construction spending reached $657.2 billion, 0.2% above the same period in 2025. Private construction expenditure totaled $1.6 trillion in April, a 0.4% increase above the revised March estimate. Residential construction spending increased 0.8% to $909.9 billion in April, while spending for non-residential construction reached a SAAR of $729.8 billion, a 0.2% increase from March. The SAAR for public construction spending totaled $532.7 billion in April, 0.4% above March's total. The SAARs for educational and highway construction totaled $113.7 billion and $149.6 billion, respectively, increases of 0.6% and 0.4% from March's revised estimate.

Rising costs on both the material and labor front have challenged the construction market in 2026. An ongoing shortage of skilled workers has resulted in project delays and increased competition amongst contractors for skilled personnel, increasing labor costs. Furthermore, rising material costs have made it difficult for contractors to plan out project timelines. Imported material prices were driven upward throughout 2025 by volatile trade conditions. Elevated transportation costs, global demand, and supply shortages further drove cost increases. Elevated material costs are expected to remain a challenge to the overall construction market in 2026, with price volatility anticipated to continue amid economic uncertainty and global market conditions.

Average prices for new construction equipment remained relatively stable in the first quarter of 2026 despite cost pressures related to tariffs and raw material supply chain constraints. Prices for used equipment softened in the first half of 2026, driven downward by elevated supply levels as dealers have delayed or reduced equipment purchases over the last two years, resulting in a build-up of certain equipment categories. Cautious buying activity and aggressive incentives for new equipment further pressured prices, with manufacturers offering 0% or below-market financing in an effort to reduce inventory levels of new equipment.

Buyers continue to be selective about used equipment demand with low-hours, late-model equipment being preferable over older machines and higher-hour equipment, driving prices downward for less desired models. Values for used construction equipment are expected to continue being restricted until dealer inventories normalize and dealer incentives lessen.

Per the Energy Information Administration's ("EIA") most recent short term energy outlook, coal production leading into late May 2026 averaged 9.6 million short tons ("MMst") per week. Total coal production for 2026 is anticipated to fall approximately 2% compared to 2025 to 518 MMst. In the first quarter of 2026, coal consumption declined 11% compared to the same period in 2025 due to warmer weather in March and April. Coal consumption is expected to decline an additional 11% in the second quarter of 2026 compared to the same period in 2025. Total coal consumption by the electric power sector for 2026 is expected to decline 8% to 386 MMst. However, anticipated elevated summer temperatures may lead to increased coal consumption, particularly if natural gas prices exhibit additional increases.

Intermodal & Freight Rail

Total U.S. rail traffic, both carloads and intermodal units combined, rose over the first 24 weeks of 2026 versus the same period in 2025, with both carloads and intermodal units posting increases. Increased rail activity has been spurred by domestic movements over import activity, indicating rail activity growth is fairly protected from disruptions and changes to trade policy while domestic consumption remains healthy.

In May 2026, total monthly carloads and intermodal units posted increases above May 2025, marking the fifth consecutive year-over-year increase in 2026. Rail container traffic also reached its highest level year-to-date, indicative of strength within consumer-related freight demand. Peak shipping season for intermodal units ended 2025 on a soft note as volumes declined from peaks earlier in the year when shippers rushed to front-load shipments ahead of rising tariff costs. Intermodal activity continued to post year-over-year declines in the first few weeks of 2026; however, it is important to note year-over-year comparisons are distorted due to heavy front-loading activity in the early half of 2025.

Intermodal volumes improved in the spring of 2026, with first quarter volumes above prior-year levels despite the challenging comparison period. In the first quarter, shippers increased usage of intermodal units to offset elevated truckload costs while also improving rail network efficiency. Intermodal demand is expected to continue improving as truckload capacity tightens amid rising fuel costs and drivers exiting the market amid stricter CDL and English language enforcements.

Spot pricing for rail remained competitive with spot prices for truck freight in the first half of 2026, but this dynamic is expected to change as increases in spot truckload prices are expected to outpace increases in spot rail prices. Rising prices and tightening trucking capacity are expected to push demand for rail upwards due to the cost advantages it presents shippers.

Industrial Marine

Containerized import levels increased in the first half of 2025 amid elevated front-loading activities ahead of increases in tariff rates. Containerized import levels fell in the second half of the year as costs increased. Ultimately, total containerized import levels declined in 2025 versus 2024, indicative of a cooling environment and softening consumer demand.

Port activity followed a similar pattern, rising in the first half of 2025 due to front-loading by shippers before falling in the latter part of the year. Overall, activity at the top 10 U.S. ports posted modest improvements in 2025 as East Coast port activity rebounded from lower 2024 levels, which were impacted by labor strikes and negotiations.
Containerized import levels remained low entering 2026; however, January levels were above typical historical norms, indicating the ocean freight market is headed toward normalization. Containerized imports continued to decline in the spring of 2026 compared to 2025 but were above pre-pandemic levels, indicating underlying demand despite overall softened trade conditions. Import levels improved on both a yearly and monthly basis in May, driven by sharp increases in China-origin shipments, with increases exhibited from all top 10 countries of origin.

On the global front, the trade environment has grown increasingly complex in 2026. The U.S.-Iran war significantly disrupted key maritime corridors, specifically increasing risks around the Strait of Hormuz. This, coupled with continued instability in the Red Sea and Bab al-Mandab Strait, drove rerouting activities, increased lead times, and elevated costs. Fluctuations in U.S. trade policy with Section 122 tariffs now in place combined with recent tariff refund rulings have created additional uncertainty on the global trade front.

The U.S.-Iran war, which began in February 2026, has limited shipping movements through the Strait of Hormuz throughout much of the year. In June, the U.S. and Iran called a ceasefire, with a tenuous reopening of the Strait, allowing ships to begin flowing through once more, causing East-West vessel traffic to rebound in June from previous months' lows. However, the deal between the two countries remains tenuous at best, and uncertainty continues to characterize the ocean freight market.

Ocean freight rates have largely been driven upward thus far in 2026 as the freight market moves into the busy summer season. Reduced vessel capacity has helped bolster increased rates as rerouted trade paths around Africa increased transit times by more than 10 days. Regional conflicts have also contributed to rising bunker fuel costs, further pushing up ocean freight rates. Peak season began early this year as shippers pulled ahead volumes to avoid potential port congestion and supply chain disruptions, particularly in the Trans-Pacific and Asia-to-Europe trade routes.

Monitor Information

The information contained herein is based on a composite of GA Group's industry expertise, contact with industry personnel, liquidation and appraisal experience, and data compiled from a variety of respected sources believed to be reliable. GA Group's Monitor relates information covering most industry sectors, including industry trends and their relation to our valuation process.

GA Group strives to contextualize important indicators in order to provide a more in-depth perspective of the market as a whole. GA Group welcomes the opportunity to make our expertise available to you in every possible way. Should you need any further information or wish to discuss recovery ranges for a particular segment, please feel free to contact your GA Group Business Development Officer or visit www.gagroup.com.

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Experience

GA Group has worked with and appraised a number of companies within the construction and transportation industry, including industry leaders in heavy mobile equipment, freight rail, marine, and aerospace. GA Group's extensive record of transportation inventory and machinery and equipment valuations also features appraisals for companies throughout the entire supply chain, including manufacturers and distributors, maintenance and repair companies, and freight rail refurbishing companies.

GA Group's extensive experience includes valuations of major businesses in the construction and transportation industry such as:

- One of the largest providers of crane rental services in all sizes and varieties in North America.
- Long-standing providers of truckload shipping services for chemicals, petroleum, and energy sector products.
- A heavy civil construction company specializing in building and reconstruction of transportation/water infrastructure projects.
- A leading miner and explorer of coal properties.
- Providers of locomotives supplying more than 50 railroads including Class I and commuter rail systems.
- Manufacturers and distributors of inland and ocean-service vessels and equipment, as well as OEM and aftermarket marine components and accessories, for the industrial marine and recreational boating industry.
- Manufacturers and distributors of OEM components and parts for aircraft, helicopters, ships, submarines, ground systems, avionics, and other commercial aviation and defense applications.

Moreover, GA Group has liquidated and been involved in the asset disposition of many companies in the construction and transportation industry.

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GA Group is a privately-held financial services company offering a comprehensive set of tailored solutions to meet our clients' diverse needs. Our teams value, monetize, lend against or acquire assets across a broad range of sectors from both healthy and distressed companies.

GA Group and its predecessors are celebrating 50 years of client service and its current leadership has over 100 years of collective experience in the industry. GA Group is majority-owned by Oaktree Capital Management.

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