

Monitor

Construction & Transportation



VOLUME
417

CAUTIOUS APPROACH DUE TO TARIFFS

CONSTRUCTION SECTOR GROWTH SLOWS

Fluctuations in construction material prices made it difficult for contractors to plan as they remain stuck between soft bids and high prices

UNBALANCED FREIGHT MARKET

The North American freight trucking market has faced tightened capacity and higher prices as freight demand has declined

U.S. AND CHINA REACH TRADE TRUCE

In November 2025, the U.S. and China reached a temporary trade truce that will run for a one-year period

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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

Throughout 2025, the U.S. presidential administration has announced various changes and pauses in tariff policy. The tariff uncertainty coupled with elevated interest rates throughout 2025 resulted in more cautious approaches within the construction and freight markets.

Trucking freight volume declined in the third quarter of 2025 while freight costs increased, highlighting the industry's tightening capacity and general increase in costs across the freight market. Total U.S. rail traffic increased for the first 47 weeks of 2025 versus the same period in 2024, but growth was limited by a slowing job market and income growth coupled with current inflation and tariff uncertainty, which has influenced consumer spending.

For the first 10 months of 2025, U.S. import container volumes increased slightly ahead of the same period in 2024. Front-loading that occurred in late 2024 and into early 2025 in anticipation of tariffs following the U.S. presidential election, uneven economic conditions, and slower consumer demand reduced import momentum in the latter half of the year.

In early November 2025, the U.S. and China finalized a temporary one-year truce, under which the U.S. will reduce tariffs on Chinese goods beginning November 10, 2025 and maintain a baseline through November 2026; key Section 301 exclusions are also extended for another year. In return, China will suspend all retaliatory tariffs and non-tariff measures enacted since March 2025 and export controls on critical minerals will be removed.

Total construction starts in October 2025 posted an increase from September, driven by increases in nonresidential and nonbuilding starts. For the 12 months ended October 2025, total construction starts increased compared to the same period in 2024. Numerous high-value mega projects, particularly within data center, manufacturing, and liquefied natural gas sectors, supported increases in construction starts for the 12 month period.

Despite increases in construction starts, the growth within the construction sector has slowed in 2025 due to material price fluctuations, making it difficult for contractors to plan as they remain stuck between elevated material prices and softer bids. This has resulted in cautious purchasing attitudes toward new machines, limiting overall demand, while an overcapacity of used inventory has depressed prices for both used construction and lift machinery. Conversely, steady demand within the rental equipment market was driven by mega projects and infrastructure development. Continued investments in data centers, hospitals, airports, and semiconductor facilities further contributed to rental demand.

Cautious approaches will remain in 2026 as elevated costs from tariffs continue to impact the freight and construction industries. Within the freight sector, demand will be reflective of consumer purchasing behavior and the impact of shifting trade policies. Port activity levels will also be impacted by trade policies while container volumes are expected to remain steady or decline slightly in the new year. Growth within the construction sector is expected to continue to slow but will be supported by demand for infrastructure, data centers, healthcare, and advanced manufacturing construction.

Cranes & Lift Equipment

Total U.S. construction starts surged in October 2025 over September levels, driven by a significant increase in nonbuilding starts and an increase in non-residential starts. For the 10 months ended October 2025, total construction starts exhibited an increase compared to the 10 months ended October 2024, bolstered by increases in non-residential and non-building starts. However, growth on a monthly and yearly basis was limited by declines in residential starts.

The domestic crane count declined in the third quarter of 2025, driven by a reduction in commercial crane utilization. Although construction rates have continued to increase, changing tariff policies and elevated interest rates have caused construction growth to slow. Regions with a balanced mix of institutional, civil, and residential construction projects exhibited steady utilization rates in the third quarter while regions facing a lull in private development have exhibited declines in crane utilization. Shifts in crane utilization indicate a hesitancy within the market regarding largescale construction projects, but growth within select construction markets, such as education, federal, and transportation sectors, indicate the crane market is in a transitional phase as developers measure opportunities against financial pressures.

Overcapacity within the used lift market persisted into the third quarter of 2025, driving used lift equipment prices downward. Both auction and asking values for used forklifts, aerial lifts, and telehandlers exhibited declines on a monthly and yearly basis while inventory levels for all three categories increased for the same periods.

Concerns surrounding depreciation rates, particularly for electrified equipment, have also presented challenges for the lift industry. High disposal costs for lithium ion batteries have also suppressed electric equipment resale values and deterred purchases of used electric lift equipment. Industry experts anticipate used lift equipment prices to remain depressed until an improvement in inventory overcapacity is seen.

The Manitowoc Company, a global manufacturer of cranes and lift equipment, reported a year-over-year increase in sales and revenue in the third quarter of 2025, which included an increase in sales of non-new machines. Manitowoc attributed the increase to a favorable product mix, strong performance by MGX, its distribution business, and actions to offset tariff costs. The company also cited the continued recovery in the European crane market as a driver of increased performance. However, it was noted that ongoing tariff pressures within the U.S. resulted in softened domestic crane demand for the quarter.

Crane activity is expected to benefit from several factors in the coming year. Activity in various construction sectors, such as road and bridge, renewable energy, and airport modernization, coupled with increased urbanization rates, are expected to drive demand for cranes. However, continued skilled labor shortages and technological shifts will provide challenges for the crane sector moving forward.



Trucks & Trailer

North American class 8 truck orders and retail sales have been negatively impacted by tariff policy uncertainty, elevated interest rates, excess capacity, and soft freight demand.

Orders for class 8 trucks reached their lowest level in June 2025 following the announcement of an increase in the tariff rate for imported steel, aluminum and certain components from 25% to 50%. Order levels improved in the following months but were below 2024 levels for the first 10 months of 2025. September typically marks the beginning of peak season following the opening of order books for the new year. However, Section 232 tariffs have driven up new equipment costs, causing fleets to maintain cautious purchasing approaches throughout the year and resulting in muted order levels.

Production for class 8 trucks followed similar patterns to order levels, declining annually from June through October as OEMs attempted to align builds more closely with reduced orders. Reduced build rates have caused the manufacturing backlog to increase in 2025 as manufacturers take more disciplined approaches to backlog alignment, margin protection, and production as demand for new trucks remains limited.

Retail sales of class 8 trucks exhibited a short-lived increase in June 2025 before declining for the following four consecutive months. Sales in July and August typically exhibit a seasonal slowdown while September sales were driven downward by the announcement of a 25% tariff on medium and heavy duty trucks, certain truck parts, and buses. October retail sales fell to their lowest level thus far in 2025 as fleets continue to maintain cautious purchasing attitudes amid tariff uncertainty, soft freight demand, and slowing construction. The government shutdown contributed to October's decline as fleets sought clarification on the new tariffs announced in September.

Retail sales of used class 8 trucks experienced a sunnier summer compared to new trucks, increasing on a monthly and yearly basis from June through August.

Sales continued to increase on an annual basis in September but fell from August levels. Sales of used class 8 trucks fell on an annual basis in October but remained steady compared to September. Average prices for used class 8 trucks increased on a monthly and annual basis in June and July before decreasing for three consecutive months from August through October. The decrease in average prices came as a surprise to industry experts as used truck prices typically experience an upswing in October.

Summer trailer orders surprised the industry during a typically weaker order season. Trailer orders increased from June through August as buyers sought to place orders ahead of anticipated price increases. October trailer orders continued the upward trajectory experienced in the third quarter. Trailer orders for the 10 months ended October 2025 remained above 2024 levels, which experts partially attribute to a weak comparison period in 2024 as demand had been impacted by the economic environment, weak for-hire carrier profitability, and uncertainty regarding government policy, particularly the EPA's low NOx rule, for which the EPA may revise the warranty and useful lifetime requirements.

Freight volumes decreased in the third quarter of 2025 while freight costs increased, underscoring the freight industry's tightening capacity and a general increase in transportation costs. Shipment activity has steadily declined since late 2020, with steeper drops exhibited over the last two years.

In 2026, fleet purchases are expected to be replacement-focused amid a low profit environment and elevated acquisition costs. New equipment costs have been driven upward by Section 232 tariffs and are expected to continue materially impacting the price of new equipment. Carriers are also expected to face increased financing and insurance costs in the new year. Reduced class 8 build levels from early 2025 are expected continue into 2026 and will help to rebalance industry capacity and freight alignment gradually throughout 2026, but meaningful improvements are not likely until the latter half of the year.

Construction & Mining Equipment

Per the U.S. Census Bureau's most recent report released in November 2025, total construction spending in August 2025 reached a seasonally adjusted annual rate ("SAAR") of \$2,169.5 billion, 0.2% above July's revised estimate of \$2,165.0 billion and 1.6% below August 2024. For the first eight months of 2025, construction spending totaled \$1,438.0 billion, 1.8% below the same period in 2024. Total private construction expenditure reached a SAAR of \$1,652.1 billion in August 2025, 0.3% above July's revised estimate of \$1,647.5 billion. Total residential construction spending reached a SAAR of \$914.8 billion, 0.8% above July's estimate of \$907.7 billion. Total nonresidential construction spending reached a SAAR of \$737.3 billion in August, 0.3% below July's revised estimate of \$739.8 billion. The SAAR for public construction totaled \$517.3 billion in August 2025, unchanged from July's estimate.

In the first half of 2025, the equipment market benefited from strong capital expenditure in infrastructure, industrial, and residential construction projects. However, industry participants maintained cautious outlooks throughout the year as a lack of clarity on tariffs and continued policy shifts left uncertainty throughout the market, decreasing confidence.

New equipment prices dropped slightly in the third quarter of 2025 amid persistently high inventory levels as OEMs delayed implementing price increases related to tariffs. The impact of tariffs is expected to influence equipment prices in 2026 as pre-tariff inventory levels are reduced and additional increased input costs are incurred. In the new year, construction machinery sales are expected to benefit from the need for housing and an increase in data center construction. Sales of new equipment will continue to be challenged by elevated interest rates and a glut of used machinery from the early 2020s entering the market.

Prices for used equipment were on downward slump in the early half of the summer before falling further in August. The decline in used equipment prices is attributed to the increasing age of equipment and elevated inventory levels on the market.

Equipment rentals exhibited steady demand in the third quarter of 2025 as increased rental rates were driven by mega projects and infrastructure development as well as continued investments in data centers, hospitals, airports, and semi-conductor facilities.

Construction material input prices increased slightly in September and were above prior year levels, primarily driven by fluctuations in iron and steel prices. September's price increase marked the fifth consecutive month in 2025 that construction material input prices have risen but remain below the elevated prices exhibited in 2021 and 2022. Natural gas and unprocessed energy materials were some of the only input categories to exhibit declines in September, limiting the overall increase in the price of materials. However, the unpredictability of pricing has made it difficult for contractors to plan as they remain stuck between high material prices and softer bids.

Per the Energy Information Administration's ("EIA") most recent short term energy outlook, domestic coal production in the second quarter of 2025 totaled 128.1 million short tons ("MMst"), 3.2% below the prior quarter but 8.3% above the second quarter of 2024. Domestic coal consumption totaled 98.8 MMst in the second quarter, a decrease of 16.6% compared to the first quarter of 2025 but 8.6% above the second quarter of 2024. The electric power sector accounted for 91.4% of total coal consumption in the second quarter. Domestic coal stocks totaled 138.5 MMst in the second quarter of 2025, a 4% increase from the first quarter with stocks in the electric power sector totaling 116.4 MMst from 111.7 MMst in the first quarter.

Intermodal & Freight Rail

For the first 47 weeks of 2025, total U.S. traffic (carloads and intermodal units combined) reported a slight increase from the same period in 2024, driven by increases in both carloads and intermodal units. Total North American railroads (U.S., Canada, and Mexico combined) posted an increase for the first 47 weeks of 2025 compared to the same period in 2024, driven by increases in Canada and U.S. traffic, while Mexico reported a decline in railroad traffic.

The North American intermodal market continued on a positive growth path in the third quarter of 2025 despite rising volatility and various economic headwinds. For the first nine months of 2025, total intermodal moves were above the same period in 2024. Intermodal loadings in the third quarter reached a level not seen since the second quarter of 2021. However, growth was limited by a slowing job market and income growth coupled with rising inflation levels related to tariffs, which has influenced consumer spending. Further, comparison periods in late 2024 and early 2025 included surges related to front-loading ahead of tariff implementation following the U.S. presidential election.

Ahead of peak shipping season, certain major carriers implemented early surcharge increases to manage demand and maintain efficiency in their networks.

Import volumes at the Port of Los Angeles have begun to moderate slightly, exhibiting a small year-over-year decline in September. Import volumes at the Port of Los Angeles are expected to decrease slightly through the end of the year, impacted by shifting tariff policies.

Spot rates for intermodal units have remained fairly soft in 2025 and are expected to continue this trend into 2026, with minor price increases anticipated. Contract rates are expected to follow a similar suit, exhibiting modest price increases in 2026. Intermodal pricing is expected to remain fairly steady with the exception of shipments out of California. However, shifting tariff policies may weigh on import demand, impacting rail activity and rates.

Similar to the trucking industry, the rail freight market is expected to enter 2026 with cautious attitudes. Increases in intermodal volumes are expected to continue as rail carriers adapt to shifts within the supply chain and consumer behaviors. Carload volume is expected to be impacted by reduced coal shipments, which reflect a broader change within the energy market. However, shifts in consumer demand and trade policies could impact growth in the coming year.



Industrial Marine

For the first 10 months of 2025, U.S. import container volumes pulled slightly ahead of volumes exhibited in the same period in 2024, indicating front-loading that occurred in late 2024 and early 2025, uncertain economic conditions and tariff policies, and slower consumer demand reduced momentum.

Container import volumes decreased slightly from September to October, further reflecting shipper sensitivity to tariff uncertainty and changing policy timelines. Shippers opted to either front-load inventory ahead of the peak shipping season or defer shipments while awaiting the outcome of tariff negotiations with key trading partners. October typically exhibits an uptick in volume following the opening of peak shipping season in September.

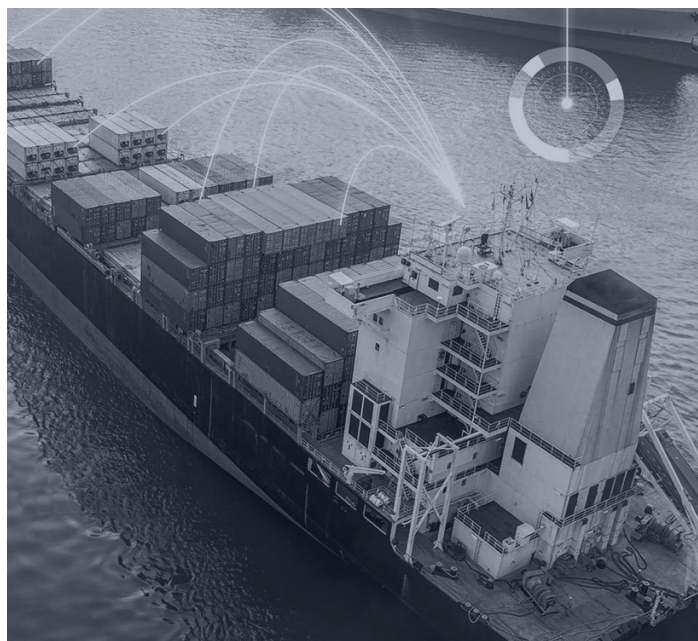
U.S. container imports from the top 10 countries of origin (“CoO”) declined in October 2025 versus October 2024, driven by declines in container shipments from China. Other notable decreases included shipments from India, Japan, Germany, South Korea, Hong Kong, and Italy. However, imports from Indonesia, Thailand, and Vietnam increased year-over-year.

Multiple import categories from China exhibited year-over-year declines in October, including furniture and bedding, toys and sporting goods, and electrical machinery and machinery. Various apparel categories, such as knit apparel and non-knit apparel, also exhibited significant year-over-year declines. However, plastic imports posted an increase in October 2025 over October 2024.

In early November 2025, a new trade and economic truce was finalized between the U.S. and China for one year. Under the new agreement, beginning November 10, U.S. tariffs on Chinese goods will be reduced and maintain a 10% baseline through November 2026.

Certain key Section 301 exclusions will be extended for another year. The U.S. will also suspend the implementation of the Affiliates Rule, also known as the BIS 50 Percent Ownership rule, also beginning November 10. In return, China will suspend all retaliatory tariffs and non-tariff measures enacted since March 2025 and will remove export controls on critical minerals, including rare earths, gallium, and graphite. China is also to resume large scale purchases of U.S. soybeans and other agricultural products. China is also to stop retaliatory actions against U.S. semiconductor and manufacturing firms as well as take significant steps to end the flow of fentanyl to the U.S., such as ceasing the shipment of certain chemicals to North America and enacting strict controls on exports of certain other chemicals around the world.

Trade flows in the coming year will continue to be impacted by tariff policies. Port activity is expected to be mixed with container volumes remaining stable or decreasing slightly. As consumers are faced with increasing costs related to tariffs, shifts in purchasing activity will impact import levels.



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 airline 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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About GA Group

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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