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Monitor

Construction & Transportation

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TARIFF UNCERTAINTY SHAKES MARKETS

APRIL CONSTRUCTION STARTS DECLINE

Delayed or cancelled projects stemming from tariff uncertainty caused construction starts to decline in April from March levels

RISING MATERIAL PRICES SLOW SALES

Increases in material prices related to Section 232 tariffs and various other tariff announcements have resulted in declines for sales of new equipment

PORT ACTIVITY RISES AND FALLS

Imported containers reached peak levels in April as frontloading activity skyrocketed before declining in May amid various tariff announcements

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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

In the spring of 2025, the U.S. administration announced the implementation of tariffs on a wide range of imported goods, including a 25% tariff on steel and aluminum. In the weeks that followed, various tariff rollbacks and pauses have been announced, leading to a surge of uncertainty in numerous markets.

Total construction starts in April posted a monthly decline as projects were delayed or cancelled amid the flurry of tariff announcements and updates. However, for the 12 months ended April 2025, construction starts posted a modest increase, driven by a slight increase in non-building and non-residential starts.

Material costs, particularly steel and aluminum, have been driven upwards by the tariff announcements and implementations, causing construction equipment prices to rise. However, used crane and lift equipment prices went in the opposite direction, falling as inventory levels slightly increased.

North American class 8 truck orders ended 2024 on a high note, posting increases compared to 2023. However, the road has taken a turn in 2025, with orders and sales exhibiting declines as fleets are hesitant to invest in new equipment amid uncertainty and legal challenges related to tariffs as well as higher material costs. Prices for used class 8 trucks have declined despite an increase in sales volume as economic uncertainty has driven purchases of lower cost used trucks.

Total U.S. rail activity was driven upwards in the first 21 weeks of 2025. Port activity surged in recent weeks as shippers rushed to import goods ahead of tariff implementation.

Companies entering restocking cycles, as elevated inventory levels from recent years have begun to dwindle, coupled with consistent consumer demand also contributed to elevated rail and port activity.

Most domestic railroads have held firm in 2025 outlooks thus far, contrasting with guidance cuts posted by many other markets. Increases in freight volume for commodities will support freight demand in the coming months. However, unchanged manufacturing output, elevated inventory levels, and a weak housing market may offset any gains garnered from commodity freight. The end of tariff pauses may cause freight volume to decline but this will be limited should restocking trends persist.

The amount of imported containers at domestic ports increased over the last several months, reaching a peak in April amid a flurry of frontloading, before sharply dropping in May, as tariff uncertainty persists. Following recent rollbacks and pauses in tariffs, demand for international container shipping has increased in recent weeks as shippers seek to take advantage of current pauses. As tariffs continue to evolve, the full impact remains to be seen but industry experts and participants are monitoring the situation closely.

Cranes & Lift Equipment

Total construction starts declined in April 2025 from March levels driven by decreases in non-residential, residential, and non-building starts, aligning with delayed planning and uncertainty related to tariffs. For the 12 months ended April 2025, overall construction starts exhibited a slight increase compared to the 12 months ended April 2024 with residential starts remaining stagnant while non-residential and non-building starts posted minor increases.

The domestic crane count in the first quarter of 2025 remained steady compared to the prior quarter, indicating the market's overall hesitation to move forward with construction projects as material costs increase and the tariff situation continues to evolve. Industry experts indicate the current market for cranes and lift equipment is positive amid a strong construction market and evolving domestic economy.

However, concerns regarding interest rates, tariff uncertainty, and supply chain stability have resulted in hesitation to invest in crane rentals and purchases.

Levels of used lift equipment have been elevated for the majority of 2025 despite a slight month-over-month drop in May. Both asking prices and auction values have been driven lower by elevated inventory levels.

The Manitowoc Company, a global manufacturer of cranes and lift equipment, reported a decrease in revenue for the first quarter of 2025 compared to the same period in 2024, which was attributed to product mix and various other factors. However, orders for the first quarter posted an increase driven by an upswing in new machine orders for the company's European tower crane business and an increase in the company's American sector.

Trucks & Trailer

Overall North American class 8 truck orders ended 2024 on a high note, increasing compared to 2023. Despite a sluggish truck freight market, order levels surpassed expectations in December, which is typically a softer month for orders. Although retail sales of class 8 trucks posted an overall decline in 2024, they exhibited a strong yearly increase in December.

Despite the high note the trucking industry ended 2024 on, it has faced significant uncertainty thus far in 2025, impacting orders, sales, and freight activity. Class 8 truck orders exhibited declines for the first four months of the year amid rising equipment costs, fleets delaying purchases, and uncertainty surrounding tariffs and policy. Order levels in April reached their lowest level since May 2020 following the implementation of numerous tariffs by the current U.S. presidential administration. In May, order levels came roaring back from April lows as various tariff rollbacks and delays were announced. However, order activity is expected to remain subdued throughout the summer of 2025 as tariff and economic uncertainty continues.

Retail sales of class 8 trucks have followed a similar pattern to order levels, exhibiting yearly declines for most of 2025, but posted a strong monthly increase in May. Overall, sales have been impacted by hesitancy amongst fleets to invest in new equipment as uncertainty and legal challenges related to tariffs arose.

Sales have also been impacted by rising equipment costs related to steel and aluminum tariffs, as well as overall economic uncertainty and a tighter labor market.

Used class 8 truck sales have exhibited a mixed bag thus far in 2025, as economic uncertainty has pushed purchases of used trucks, increasing sales volume, while average prices declined. Demand for used trucks has been impacted by lower freight volumes and shippers moving freight forward to avoid potential tariff impacts. Inventory levels for used class 8 trucks have declined in 2025 versus 2024 driven by declines in dry van trailers.

Following the announcement of tariffs by the U.S. administration in March and April 2025, truck manufacturers announced price increases to begin as early as May. Despite recent rollbacks and pauses in tariffs, analysts still anticipate continued pricing increases while demand softens amid growing economic uncertainty. Freight volumes have been subdued in 2025 and are expected to slow amid tariff and economic uncertainty. Short hauls have benefited from e-commerce and local consumption activity, while long hauls have declined as shippers opt for intermodal freight to reduce shipping costs. Rejection rates in 2025 have soared over 2024 levels.

Construction & Mining Equipment

Total construction spending in April 2025 reached a seasonally adjusted annual rate ("SAAR") of $2,152.4 billion, a 0.4% decrease from March's revised estimate of $2,162.0 billion and 0.5% below the April 2024 estimate of $2,163.2 billion per the U.S. Census Bureau. For the first four months of 2025, total construction expenditure reached $660.2 billion, a 1.4% increase compared to the same period in 2024. Spending on private construction reached an SAAR of $1,638.9 billion in April, 0.7% below March's revised estimate of $1,650.8 billion. Residential construction spending reached an SAAR of $892.8 billion in April, a 0.9% decrease from March, while non-residential construction spending reached an SAAR of $746.0 billion, 0.5% below March's estimate.

Overall construction equipment sales declined in 2024 despite increases in construction expenditures. Weaker demand was driven by newer equipment fleets as many operators chose to upgrade in 2023 and early 2024 amid improved availability before softening as interest rates rose. In the latter half of 2024, construction spending slowed, causing a steep drop in construction equipment sales, resulting in widespread inventory liquidation.

Despite the year-over-year decline, 2024 sales of construction equipment remained well ahead of the five-year average. Sales of used equipment have fared better than new as used inventory levels have declined while selling prices reach healthier levels, indicating inventory levels are more in-line with demand.

After softening in 2024, equipment prices rose in the first half of 2025, driven upwards by elevated material costs and tariff uncertainty. Prices are expected to continue on an upward trajectory over the summer months. However, equipment sales are expected to decline as the industry continues to normalize sales volumes and contends with impact of tariff uncertainty.

Construction material input costs increased for the first three months of 2025, driven upwards by tariff uncertainties, which influenced purchasing and pricing strategies, increasing pressure for builders and prospective homeowners. A drop in energy costs in April eased some of the pressure, but the impact was limited by elevated prices for tariff-sensitive materials, such as steel and copper. Elevated material costs coupled with general market uncertainty have resulted in numerous project delays and cancellations. Increases in or additional tariffs may result in further increased material costs, placing more upward pressure on already delayed or cancelled projects.

Per the Energy Information Administration's ("EIA") most recent short term energy outlook, domestic coal production is anticipated to remain unchanged at 512 million short tons ("MMst") in 2025. Domestic coal consumption is expected to increase approximately 4% to 428 MMst in 2025. Stockpiles of coal have declined from 2024 levels as cold weather conditions in January and February increased demand for power while natural gas prices made coal more competitive.

Coal stockpiles held by the power sector increased in April and May. However, the EIA anticipates stockpiles will decline to approximately 120 MMst in August and September before exhibiting a minor increase in the fall of 2025. As consumption rises and production remains flat, coal stocks within the electrical power sector are expected to decline to 113 MMst in 2025 with further declines to follow in 2026.

Intermodal & Freight Rail

Total U.S. rail traffic (carloads and intermodal units combined) increased for the first 21 weeks of 2025 compared to the same period in 2024, bolstered by an increase in carloads but offset by a slight decline in intermodal units. Total North American railroads (U.S., Canada, and Mexico combined) posted an overall increase for the same period despite a small decline in intermodal units.

Increased rail activity has been spurred by recent increases in port activity, which were driven by a rush of pre-tariff shipments, consistent consumer demand, and restocking cycles as many companies have now worked through elevated inventories that resulted from earlier supply chain constraints. However, despite recent increases, growth rates in domestic rail traffic were at the lowest levels since 2023, indicating softer demand for goods and weaker trade.

Although recent tariff conditions have caused uncertainty and hesitation in many industries, major domestic railroads have held firm in 2025 outlooks, contrasting with other industries that have posted guidance cuts. Increases in freight volumes for various commodities, such as coal, grain, and chemicals, coupled with stable employment, could support freight demand in the coming months. However, this may be offset by unchanged manufacturing output, elevated inventory levels, and a weak housing market. The end of tariff pauses may further reduce rail freight volume, but this will be limited should restocking trends continue.

Industrial Marine

Increases in container imports at domestic ports over the last several months were disrupted in May when the amount of imported containers dropped sharply, falling to the lowest monthly total since March 2024. April marked a month of significant front-loading as shippers rushed to get imports following the announcement of various tariffs implemented by the U.S. administration. The decline in May from April is indicative of a large adjustment to changing trade policies, such as the expiration of de minimis exemptions and continuing tariff volatility. Total imports for the first five months of 2025 are above the same period in 2024, but the gap has begun to narrow in recent months as shifting trade policies impact global trade flows.

Imports from China exhibited the steepest monthly decline since March 2020 as shippers adjust to higher costs and regulatory uncertainty. Despite the decline, China continues to be the U.S.' top maritime trading partner, but shifts in tariff policy may continue to reduce China-originating imports as shippers find new sourcing as landing costs increase.

May also marked a month of shifting volumes at domestic ports as East and Gulf Coast ports exhibited an increase in volumes while volume at West Coast ports declined. The shift away from West Coast ports is indicative of more resilient regional demand and rerouted shipments; the overall downturn, however, is indicative of a wider decrease in import activity across most major U.S. gateways.

Outside of shifting trade policies, supply chain disruptions continue to emerge. Key shipping corridors, such as the Red Sea, continue to exhibit instability, while major markets with weakening economic conditions have begun to impact global demand.

Demand for international container shipping has increased in recent weeks following various rollbacks and pauses on numerous tariffs by the U.S. administration, increasing prices for 40-foot containers. Despite recent increases, container prices remain below June 2024 levels. Demand from China appears to be rebounding, but shipping container prices are expected to fluctuate in the coming months as negotiations between the U.S. and China evolve.

Monitor Information

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

GA strives to contextualize important indicators in order to provide a more in-depth perspective of the market as a whole. GA 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 Business Development Officer.

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Experience

GA 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'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'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 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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