

WELCOME TO TRANSPORTATION TRENDS QUARTERLY

We see the signs all around us: our world is changing. Costs are rising. Anecdotally obvious, but difficult to calculate. But if you're the one budgeting and building the infrastructure that keeps communities moving, you don't have a choice—you need to find a way.

Transportation Trends Quarterly is Ulteig's way. Here, every quarter, you will find original research, forecasting, and pragmatic guidance that will help you effectively plan and budget for the transportation infrastructure your community needs, from timely policy updates, to cost analysis and forecasting, to analysis of the grants and funding landscape.

This newsletter is more than a summary; it's a strategic tool for staying ahead of market volatility, understanding policy shifts, and navigating the complexities of transportation infrastructure investment in a high-cost environment. We're happy you're here with us.

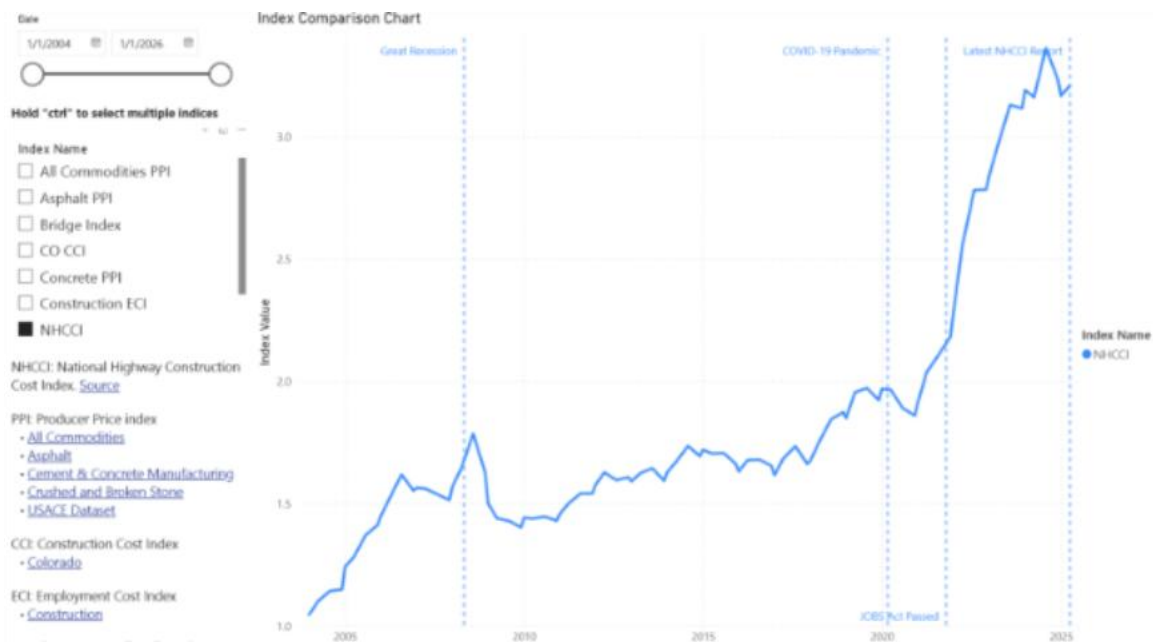
The Policy Backdrop: Policy has long been a major contributor to construction activity in the transportation sector. Federal appropriations have possibly the most direct and tangible impact on project spending, but other factors such as global political and trade dynamics or workforce availability are critical inputs to consider alongside the availability of funds.

The past year has been tumultuous for the US as the current administration has represented a major shift in political, social, and economic priorities from the preceding four years. Pauses in funding, reduction in federal employees, and aggressive tariff and trade policy slowed the execution of transportation infrastructure projects. Recent top line transportation appropriations have signaled a willingness from the federal government to advance a broad transportation agenda. However, the lingering question is whether there will be a full, multi-year surface transportation reauthorization not by the end of the fiscal year, but before Congress takes a break mid-year for the 2026 midterm elections. And per the figures below, a generous funding platform could bring much-anticipated development portfolios from DOTs, but it could also create a rush of investment and associated spike in prices.

The Grants and Funding Landscape: The policy that sets the level of federal funding determines how much of that funding will be distributed by formula to each State Department of Transportation (SDOT) and how much will be available as competitive grants. In addition to unprecedented increases in funding, the current transportation authorization, the Infrastructure Investment and Jobs Act (IIJA), substantially increased the number of competitive grant programs and the number of programs that allow non-SDOT entities (i.e., local governments such as cities, counties, etc.) to be direct recipients or to apply directly for the funding. While there seems to be bipartisan support for transportation funding, the new transportation authorization will determine whether the unprecedented number of grant programs will continue and who will be eligible to compete for them. Each of these factors

directly affects how quickly funding becomes available and is spent on projects. The amount and timing of funding are not only affected by construction costs; they can also influence those costs.

Cost Analysis and Forecasting: In recent years, the National Highway Construction Cost Index (NHCCI) has surged to record highs, driven by a confluence of factors ranging from spiking material prices to labor shortages. This rapid cost escalation is having tangible impacts on project budgets and policy planning, as rising costs erode the purchasing power of infrastructure funding and complicated bidding estimates for AEC firms.



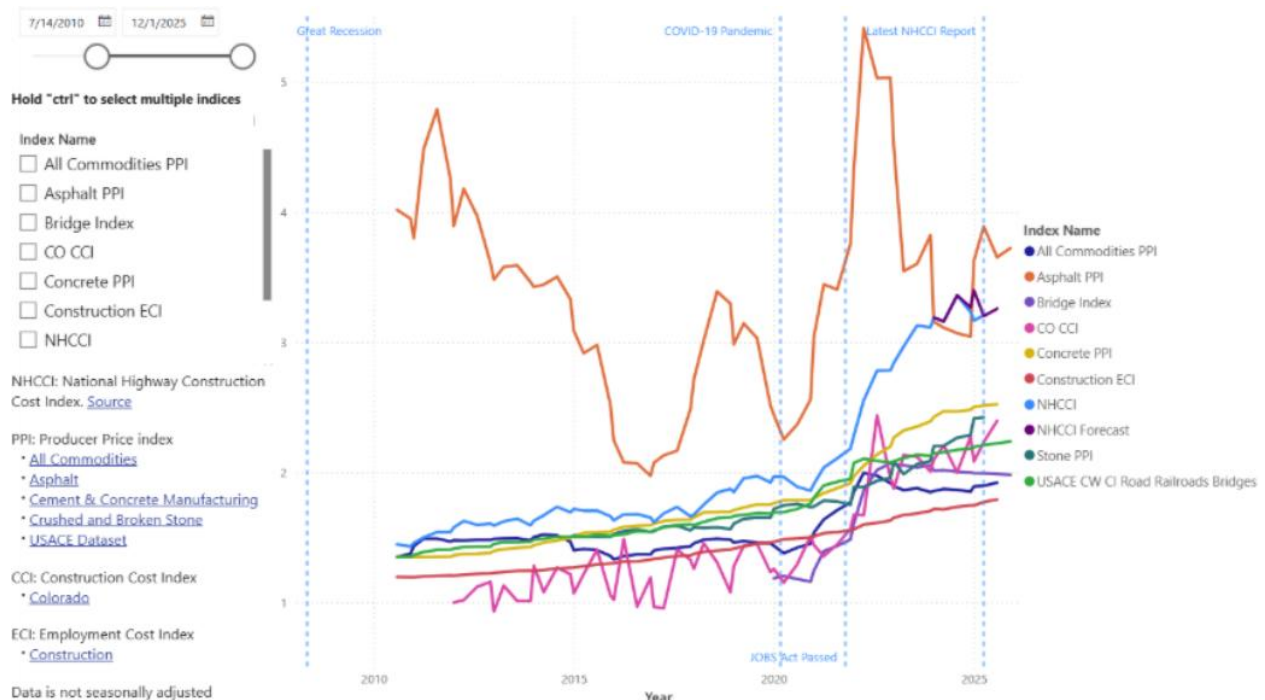
Source: *Ulteig's proprietary Transportation Construction Cost Forecasting Tool, 2026*

- **2003–2008:** NHCCI rose from 1.0 to ~1.78 amid strong construction demand and high oil prices.
- **2008–2010:** Financial crisis caused costs to fall to ~1.43 as project volume and commodity prices dropped.
- **2010s:** Gradual increases kept the index between 1.5 and 1.9, with steady 2–4% annual inflation.
- **2018:** Costs spiked to ~1.87 due to tariff-driven material price increases.
- **Late 2019–2020:** Index peaked at 1.96, then dipped slightly with early pandemic slowdowns. -pandemic slowdowns.

- **2020–2022:** Rapid climb to ~2.7–2.8 by Q3 2022 amid supply chain disruptions, labor shortages, and an unprecedented influx of Federal funding.
- **2024:** Reached a record ~3.2, then eased ~2% in Q2.

The themes that define this history? Recessions appear to decrease the NHCCI. Substantive influxes of Federal funding, like the IJA and JOBS acts, appear to drive up infrastructure-specific resource and labor demand in a supply-constrained market, resulting in increases.

Ulteig’s Intelligence Team has developed a custom dashboard that graphs the index from the FHWA against other indices that impact the industry.



Source: Ulteig’s proprietary Transportation Construction Cost Forecasting Tool, 2026

No single factor caused the cost explosion; rather, a combination of supply-side shocks (materials, labor, logistics), demand-side pressure, and policy changes converged to push the NHCCI to its recent highs. All these factors compound one another: for instance, high materials prices and limited contractor capacity together result in much higher bid prices than if only one of those issues existed.

The latest NHCCI figure is 1 quarter behind other market indices. Ulteig created a forecasted NHCCI value based on the statistical relationship between the NHCCI and other industry indices as well as variance of just the NHCCI.

Our predictions: the NHCCI will remain on an upward path through 2026 and, if recent 5-year trends persist, 2026 could see stronger growth, pushing NHCCI toward the mid 3's.

Thanks for reading ***Transportation Trends Quarterly***. Want more? Drop us a line.

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