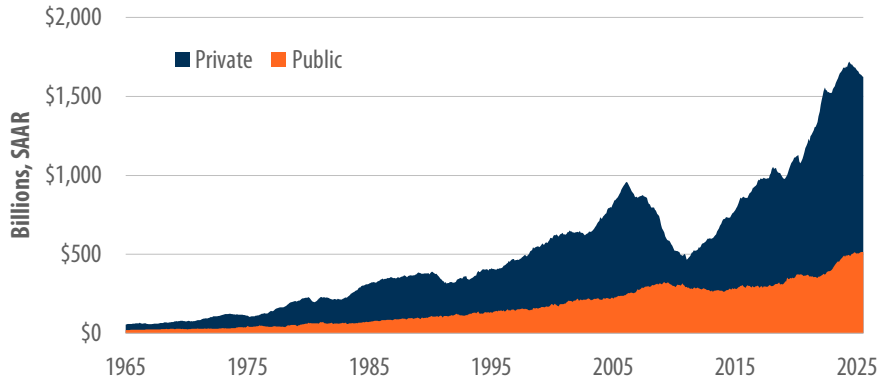


Construction Spending: A Hidden Window into the AI Investment Wave

In this week's "Three on Thursday," we take a closer look at construction spending in the United States. Each month, the U.S. Census Bureau releases its Construction Spending report, which tracks how much is being put in place across residential, nonresidential, and public projects. The data, reported in nominal dollars, covers everything from new homes and highways to factories, power plants, and data centers. While often overlooked, this report offers valuable insight into one of the most cyclical sectors of the economy. Construction is more than bricks and mortar—it's a leading indicator of broader investment trends, tied to everything from consumer housing demand to government infrastructure outlays to AI-driven expansion. View the three charts below to dive deeper into the current state of construction.

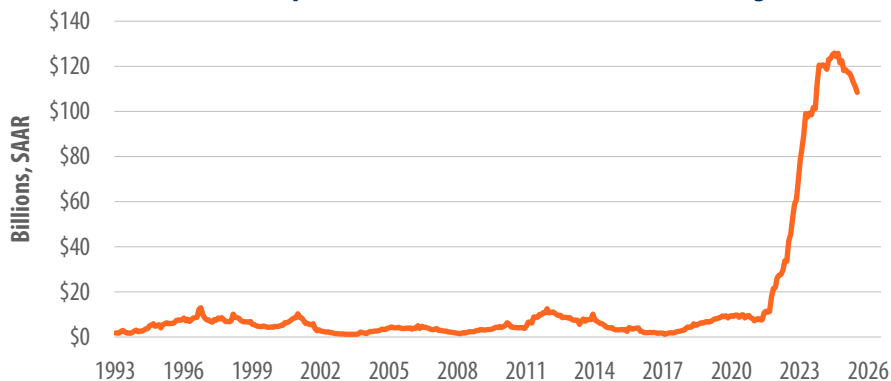
Total Value of Construction Put in Place



Source: Census Bureau, First Trust Advisors. Monthly data 1/1965-7/2025. SAAR: Seasonally Adjusted Annualized Rate.

Total construction spending falls into two main categories: public and private. Our focus today is on the private side, which not only accounts for the bulk of U.S. construction but has also been the primary driver of growth since the post-financial crisis bottom. Since the start of 2010, private construction outlays have surged 199.3%, compared to a more modest 71.8% gain in public construction. In just the past five years, some of the fastest-growing segments of private construction—semiconductor fabrication plants, data centers, and energy facilities—have moved to the forefront, fueled by the twin forces of the AI build-out and the broader reshoring push.

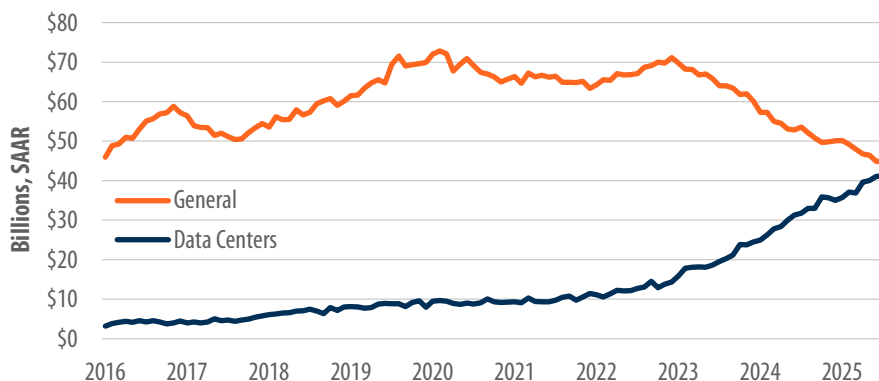
Private Construction: Computer/Electronic/Electrical Manufacturing



Source: Census Bureau, First Trust Advisors. Monthly data 1/1993-7/2025. SAAR: Seasonally Adjusted Annualized Rate.

Within private construction, spending splits into residential (new housing and improvements) and nonresidential (which covers everything else). Since the start of 2020, manufacturing construction has surged 175%, fueled by the CHIPS Act and other government incentives. The bulk of this growth is concentrated in computer, electronic, and electrical manufacturing, especially semiconductor fabrication plants and server/data-center hardware plants—directly tied to the AI build-out. While growth has moderated from its peak last Summer as most of the CHIPS money has been committed, the overall level of investment in this category remains significantly elevated relative to pre-boom years. As of July 2025, this sector accounted for 48.9% of all manufacturing construction, up from an average of just 12% between 1993 (earliest data) and 2019.

Private Office Construction



Source: Census Bureau, First Trust Advisors. Monthly data 1/2016-7/2025. SAAR: Seasonally Adjusted Annualized Rate.

AI's influence on construction doesn't stop there. A key nuance often overlooked is how the data are classified: the physical buildings that house data centers aren't counted as part of "computer, electronic, and electrical manufacturing." Only the servers and hardware inside them are. The structures themselves fall under "office construction." Since the start of 2020, private data center construction has surged 419%, while traditional "general" office construction has fallen 36% over the same period. If this trend continues, data centers will soon overtake the general category to become the largest component of office construction. Taken together, data centers and computer/electronic/electrical manufacturing now account for 20.3% of all nonresidential construction, a dramatic leap from just 1.6% a decade ago—a clear sign of how AI is reshaping the industrial landscape from the ground up.