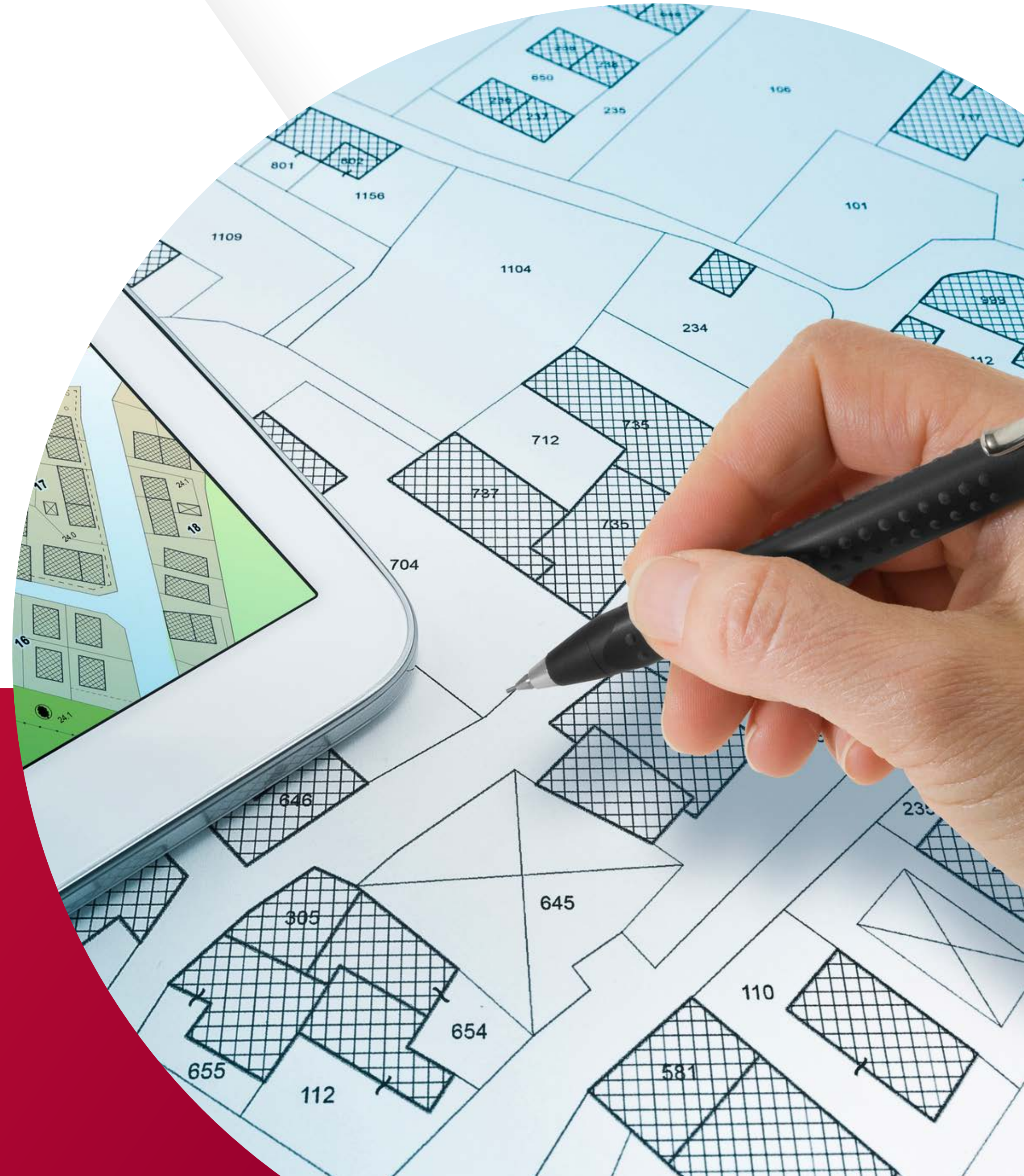
2026 Real Estate & Construction Industry Predictions

The real estate and construction industry has weathered years of disruption, from supply chain chaos and natural disasters to labor shortages and interest rate volatility. As companies look ahead, 2026 is shaping up to be another year of change and challenge.

Emerging trends in technology, artificial intelligence (AI), labor, and are cementing into permanent market forces that could fundamentally change how firms build and operate. We expect the companies that thrive in 2026 to be those that recognize these shifts early and invest in the capabilities required to capitalize on them. Transformation is no longer an exploratory project — it must become a core business discipline.



Here are BDO's six real estate and construction industry predictions for the new year. ▶

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Data Center Demand Drives Infrastructure Innovation

AI proliferation and cryptocurrency mining continue to fuel explosive demand for computing power in 2026. But data center development faces critical constraints around power generation, transmission capacity, site selection requirements, labor availability, and cooling systems that traditional energy infrastructure cannot solve.

In response to these challenges, we expect to see accelerated adoption of alternative power sources in 2026, including small modular nuclear reactors (SMRs) for on-site generation, distributed renewable energy projects, fuel cells, and advanced cooling techniques like liquid and immersion cooling. Facilities may also deploy smart grid management systems that leverage AI to predict energy needs, balance loads, and reduce waste.

Developers need to take a holistic approach to **data center site selection**, balancing grid reliability, water access, physical security, community relations, and more. New regulations are likely to emerge as companies weigh these considerations, particularly relating to **environmental and safety standards**. Additional rules could provide much-needed clarity to a burgeoning market, and the potential introduction of new credits or incentives for these sites may bolster funding, but these factors could also introduce new compliance challenges that firms must track throughout 2026 and beyond.

In the near-term, real estate developers and construction firms should grow their experience in specialized power and cooling systems, and prioritize building relationships with general contractors serving data center projects. Because the market is largely dominated by big technology players, these relationships and demonstrable competencies, alongside helpful knowledge of local markets, will be key to claiming a competitive advantage in one of the fastest-growing segments of commercial real estate.

43%

AI data center energy use is **projected to grow** by an average of 43% annually until 2029, underscoring the urgent need for grid upgrades and the challenge of implementing them in a compressed timetable.

From Experiment to Standard Practice: AI Transforms Back-Office Operations

We expect gaps between AI leaders and followers to widen in 2026 as companies that launched AI pilots in previous years fully integrate the technology into their operations. This next stage of adoption is set to have the most pronounced effect on back-office functions, with self-contained tasks like financial forecasting, contract management, compliance checking, and project scheduling offering the most straightforward potential for AI applications.

However, companies will not stop there. We expect to see the rise of agentic AI — autonomous agents with the ability to make decisions independently — over the next year. Agents can partner with their human oversight to handle increasingly complex, non-deterministic workflows. This “human-in-the-loop” approach lets companies automate judgement-based tasks, like coordination with contractors on a worksite, while still enforcing output quality and responsibility standards.

But achieving AI maturity also comes with its own challenges. Many companies, in attempting to pursue deeper integrations, may discover that their data infrastructure is not yet ready to support AI at scale. Others may realize that they still lack the governance processes to review and verify outputs. Forging ahead without these foundational elements in place could lead to costly errors or compliance actions that harm firms’ profitability and reputation.

Companies that invest now in the data and governance structures necessary to support AI are likely to see measurable returns and more stable operations in 2026. Those who wait may fall behind, struggle to realize the operational efficiencies, and lose their competitive edge to more technologically advanced rivals.

To learn more about practical applications for agentic AI in real estate and construction, read our insight Agentic AI Use Cases for Today's Real Estate and Construction Firms. ▶

Labor Market Contracts as Competition for Skilled Workers Expands

The construction industry is no stranger to labor shortages, but these challenges are reaching new severity in 2026. As existing workers age out, **fewer young workers enter the trades**, and tech-enabled talent becomes a must-have, skilled labor could become a primary constraint for many firms. Approximately 41% of the current construction workforce is **expected to retire** before 2031, underscoring the scope of the problem and showing how the shortage will compound year over year. Labor costs, which already represent **20 – 40% of total construction costs**, could rise even higher as the problem grows more acute. Electricians, plumbers, HVAC specialists, and project managers will be in high demand. Double-digit wage increases for specialty trade contractors may become a new industry norm.

But firms can still mitigate these impacts. In 2026, we expect businesses to seek out new partnerships to build their own long-term talent pipelines. Many may collaborate directly with technical schools and expand recruitment to non-traditional talent pools like community colleges and apprenticeship programs.

499,000

Forecasts estimate that the construction industry will need to attract **499,000 new workers** to keep pace with growing demand in 2026 alone.

The Tokenization Boom: Expanded Access to Real Estate Investment

Real estate tokenization — converting property ownership to digital tokens on a blockchain — is ready to go from niche to mainstream in 2026, unlocking new investment avenues and opening real estate markets around the world. After years of regulatory uncertainty, new federal laws, like the GENIUS Act and the Digital Asset Market Clarity Act, are providing long-sought rules of the road and paving the way for a tokenization wave.

Tokenization, via fractional ownership, breaks down traditional barriers to real estate investment. Assets that previously would have sold for millions of dollars can be tokenized and distributed to scores of investors, with each paying a comparatively lower price. Property owners and developers could gain access to broader funding pools (including international buyers), while retail investors can access asset classes that were previously restricted to large institutions or high-net-worth (HNW) individuals.

Blockchain-based property titles could also eliminate costs and inefficiencies that were once viewed as unavoidable. Title insurance, for example, exists because paper-based ownership records are highly vulnerable to loss or manipulation. The blockchains' immutable ledger could reduce the need for such additional protection, while also accelerating the speed at which transactions take place.

International markets are currently leading the way in the push toward widespread tokenization, but we expect U.S.-based companies to catch up in 2026. Real estate developers, investors, and service providers should begin building the technical infrastructure and compliance capabilities to support tokenization now.

Those who start early can better position themselves to strike a winning balance between innovation and risk management, capturing new investments while also keeping abreast of evolving regulatory standards or tax requirements.

Private Equity Targets Specialty Construction — Not General Contracting

Private equity (PE) is expanding its presence within the construction industry, presenting new growth paths to firms that can demonstrate their value. We expect investment to accelerate in 2026, but with a strategic focus on specific industry segments that may offer better returns and less volatility than traditional general contracting.

PE investors will likely express the greatest desire to target specialty trade contractors — electrical, HVAC, and plumbing, for example — with recurring revenue models and higher margins that make for an attractive portfolio company (portco). Other areas of interest may include infrastructure and highway contractors positioned to benefit from government spending, modular construction firms with manufacturing-style operations and predictable margins, and construction technology companies.

This influx of PE capital could drive consolidation and professionalization within the industry. We expect specialty trade roll-ups to become commonplace as PE funds combine their portcos to form regional or even national players with improved operational capabilities. PE-backed firms are also likely to invest in enhanced financial management systems, technology platforms, and talent development, raising operational standards and heightening competitive pressures for independent contractors.

Funds are expected to seek firms with strong governance structures, modern technology platforms, and well-documented, repeatable processes. Making these improvements now can help firms on multiple fronts. Those pursuing PE investment can present a compelling business case, and those preferring to remain independent should be well-positioned to compete against better capitalized, PE-backed rivals.

PE leaders are constantly adjusting their investment strategies to capitalize on market disruptions. To learn more about how the industry is facilitating revenue growth even amid challenging investment conditions, read BDO's ***2025 Private Equity Survey***.

Read the full report to learn more. ▶

Natural Disaster Recovery Becomes a Permanent Construction Business Line

We expect disaster recovery to move from episodic to predictable work in 2026, as the frequency and severity of events like hurricanes, wildfires, floods, and other extreme weather events continue to rise.

This change is being driven in large part by growth in multi-phase revenue opportunities. The umbrella of "disaster work" is expanding, encompassing not only immediate restoration but also resilience retrofitting, infrastructure hardening, and even insurance claims processing. Immediate reconstruction of damaged residential and commercial properties requires rapid mobilization resource allocation. Resilience retrofitting demands specialized building knowledge to reinforce roofing systems, integrate flood- and fire-proof building materials, and construct wind-resistant building envelopes. Infrastructure hardening is increasingly crucial to protect power grids and telecommunications infrastructure — especially as data center projects expand and the cost of downtime, for business and consumers, is only growing.

Forward-thinking construction firms are likely to develop core proficiencies to meet these evolving needs, with formalized processes to deploy teams, equipment, and materiel to disaster zones within 24 – 48 hours of an event. They may also reassess their supplier relationships to ensure they can maintain uninterrupted access during inevitable post-disaster shortages.

We expect to see new credentials emerge to accompany these deepened offerings. Industry-recognized resilience construction standards could help firms differentiate themselves from competitors and build credibility with the regions and customers they serve. Firms that invest in these capabilities now could gain a head start over their peers, securing contracts and cultivating valuable trust in disaster-prone markets.

Interested in learning more about how BDO can help your business seize new opportunities in 2026?

Contact us to get started. ▶

Are You Ready for the Year Ahead?

Even the most diligent organizations can't predict every shift in industry and market trends. The key to success lies in building resilience and agility, enabling your business to adapt to unexpected changes with confidence. Explore our curated resources to learn how strategic resilience can position you for a successful year.

An Agile Framework for Navigating Economic Shifts

Read now. ▶

Activate Resilience in Your Organization

Read now. ▶

How AI Drives Strategic Resilience and Business ROI

Read now. ▶

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