Construction Software During a Recession: What Can We Expect?

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Executive summary

Construction software includes software that supports constructing and maintaining the built infrastructure across residential, commercial and infrastructure segments and has experienced increased adoption due to its productivity benefits. But it has yet to be used during a "typical" recession. So how will it perform when the next recession hits?

Our approach helps systematically assess that question through three lenses: construction segment exposure, user intentions and software archetype. Whether a particular solution proves more or less resilient, construction software companies can better prepare for a downturn by optimizing how their features are packaged and priced.

Construction software is generally associated with productivity and efficiency gains. The key question in a recession is how different categories of software perform as construction activity slows. Construction software's recession performance will not be uniform, because demand is shaped as much by where activity persists across the construction life cycle as by overall construction volumes. Tools that directly support productivity and cost control can maintain momentum in a downturn, particularly as contractors look to offset labor constraints and protect margins.

Resilience, in other words, will depend on how deeply a solution is embedded in everyday workflows, giving providers greater control over outcomes through design, pricing and deployment choices.

How construction software supports the construction life cycle

Across the construction life cycle, construction activities can be organized into three components: plan, build and operate. The construction value chain follows a structured progression, from confirming client requirements and finalizing architectural design through project handover and ongoing asset management (see Figure 1).

Figure 1
Construction value chain

Construction project management					Asset management
Plan		**Build**			**Operate**
Confirmation of **client requirements** and creation of business case, which includes a review of the project brief and the project's risks	Client approval of the **architectural concept**, including the strategic engineering requirements of the project and the project budget	Development of the **architectural and engineering technical design**, including updating of the cost plan and submission of the regulation application	**Construction** of the building, monitoring progress, adjusting to changes and resolving any construction issues, and inspecting the quality of the build	Handover of the building by the **manufacturers to the owners or managers**	**Facility management and asset management** of the building, which facilitates efficient use, operation and maintenance

Source: L.E.K. research and analysis

Construction software, as defined, spans the entire construction life cycle — from plan to build to operate — and its adoption is accelerating as these tools lower long-standing barriers in what has traditionally been a low-tech industry. Each phase of the life cycle is supported by a set of construction software solutions that can be very specific in solution offerings and are summarized below (see Figure 2).

Figure 2
Construction life cycle

	Plan	Build			Operate
Core construction activities	**Site analysis and survey** Gathering site survey data (e.g., via GIS, terrain, aerial imagery) to assess conditions and inform planning	**Work planning and coordination** Assigning and coordinating fabrication, assembly and installation tasks	**Progress tracking** Recording completed work vs. plan via logs, photos, or other time and output inputs	**Crew scheduling** Planning crew assignments and monitoring on-site presence and availability	**Closeout management** Compiling documents (e.g., inspection checklists, operations and maintenance modules) for handover to the owner
	Design + BIM/CAD Developing and coordinating digital building models and drawings across project teams	**Equipment and material tracking** Tracking location and usage of equipment and materials on jobsite	**Site analytics** Analyzing jobsite trends (e.g., productivity, safety, delays) through dashboards	**Field service management** Dispatching and coordinating crews for task-based or ad hoc mobile field work	**Asset management** Managing asset records (e.g., location, warranties, condition) post-build
	Spec development and analysis Authoring and iteratively updating technical specs of the project	**Quality and safety** Conducting checks, logging incidents and generating quality reports	**Resource utilization** Measuring labor and equipment efficiency, and monitoring energy usage on-site	**Time tracking and productivity** Logging hours using time cards, verifying identity and location, and tracking output	**Facilities maintenance** Scheduling and completing recurring or reactive maintenance tasks
	Prequalification Assessing subcontractors' capabilities and compliance before contracting	**Inspection** Scheduling and completing inspections using digital checklists			**Monitoring** Tracking asset data (e.g., HVAC performance) to detect issues or optimize performance
	Estimate and bid management Preparing takeoff, developing estimates and coordinating bid solicitations and evaluations	**Change order management** Submitting and documenting changes to scope or contract terms			
	Procurement and delivery logistics Procuring materials and services and scheduling deliveries to site	**Field issue management** Logging issues (e.g., RFIs, delays, defects) and tracking resolution			

Supporting activities			
Financial management:	Budgeting and forecasting – Project financial planning and reporting	Invoice and AP management – Managing subcontractor payments	Cost tracking and control – Monitoring budget vs. spend
Risk management:	Identifying and addressing safety, operational, and project risks through structured logs		
Regulatory, legal and environmental compliance:	Tracking compliance with labor laws, safety regulations, and green building and sustainability reporting requirements		
Document management:	Storing, organizing, and collaborating on project files, forms and reports across stakeholders		

Note: GIS=geographic information system; BIM/CAD=building information modeling/computer-aided design; RFIs=requests for information; HVAC=heating, ventilation and air conditioning; AP=accounts payable
Source: L.E.K. research and analysis

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Construction software streamlines project management processes, enhances collaboration and communication among stakeholders, and increases efficiency and accuracy in project planning and execution. It facilitates real-time data access and sharing, both of which are crucial for timely decision-making. It improves resource allocation, budget management, and compliance with safety and quality standards. Construction software also supports sustainability efforts by enabling paperless operations and efficient resource utilization, contributing to eco-friendly construction practices, as noted in a prior L.E.K. Consulting report, "The Dynamic Evolution of Construction Management."[1]

The use of technology to enhance productivity is especially important to the construction industry in light of its labor shortages; in 2025 alone, that shortage was estimated at 439,000 workers.[2] Not only has construction consistently struggled to attract younger workers at the rate that older workers are retiring, but it has also been rocked by changes in immigration policy (immigrants account for approximately 28% of the construction labor force).[3]

But what happens in a recession, when construction activity slows? A host of things. New starts may be delayed or canceled, and backlogs can shrink. Meanwhile, financing may become harder to secure, and there is some shift away from discretionary projects toward essential maintenance and infrastructure.

One challenge is that construction software has not yet experienced a truly representative recession since reaching meaningful levels of adoption. The two most recent downturns were atypical: The COVID-19 pandemic constrained construction activity through external restrictions rather than a demand-led slowdown, while the 2008 financial crisis was both unusually severe and closely tied to the building and construction sector. It also occurred when digitization of the industry was still nascent.

As noted, construction software supports a wide range of processes across the value chain, so the impact of a recession is likely to vary by software category. In assessing recession resilience, we typically examine the market through three lenses:

1. **Construction segment exposure** — Examining how different construction segments are likely to perform in a recession
2. **User intentions** — Observing recession behavior based on what customers (i.e., contractors and builders) say they will do
3. **Software archetype** — Assessing each software category against a set of dimensions (e.g., degree of mission criticality) that are empirically associated with stickiness and recession performance

Construction segment exposure

Construction software's resilience in a recession is partly a function of the type of construction activity it supports, making it necessary to assess exposure across several dimensions.

End markets — Construction activity spans three major end markets — residential, commercial and infrastructure — each operating on its own economic cycle. Software platforms with exposure across all three end markets typically experience lower cyclicality, as downturns and recoveries rarely occur simultaneously.

Residential construction is generally the first to contract during recessionary periods, while commercial construction tends to follow with a lag of roughly two years. Infrastructure spending has historically been the least volatile and has, at times, exhibited countercyclical behavior, with federal and state governments increasing investment to offset gross domestic product (GDP) slowdowns.

Within commercial construction, performance varies meaningfully by segment. Manufacturing, retail, education, office, healthcare and lodging each exhibit distinct growth trajectories and sensitivity to economic conditions. For instance, construction put-in-place data shows that healthcare construction remains below its long-term trend and is positioned for sustained growth, while manufacturing construction has expanded rapidly but is likely to experience greater volatility as certain regions pull back.

Infrastructure construction spending tends to be the most stable and can operate at different cycles from GDP (e.g., governments may choose to invest in infrastructure independent of or in reaction to a downturn in GDP).

Given that software providers sometimes concentrate on specific end markets, understanding a company's end-market mix is essential for assessing both growth potential and exposure to cyclicality.

New vs. replacement — New construction is more cyclical than repair and remodel (R&R), although volatility is tempered by long-term structural demand. Currently, the U.S. housing market remains underbuilt, providing a "built-in floor" to activity levels even during a downturn. While affordability remains challenged and interest rates

are elevated, the residential R&R market is supported by record home equity levels. Commercial construction follows similar cyclical patterns, though volatility typically moderates relative to residential activity.

Understanding new versus replacement exposure helps software investors anticipate the timing and severity of cyclicality.

Discretionary vs. nondiscretionary — Some types of construction spending are immediately necessary, such as when a heating or cooling system fails. Remodeling projects, on the other hand, are less urgent, although in many cases they will need to be addressed at some point to account for wear and tear, obsolescence, and similar factors. Understanding exposure to discretionary versus nondiscretionary construction is key to understanding the timing of the impact of underlying construction demand.

Large- vs. small-ticket R&R spending — Residential R&R spend differs across small- and large-project categories, creating meaningful exposure differences for software platforms serving this market. Historical data shows that small-ticket projects (i.e., under $10,000) saw significant growth in 2020 and 2021, followed by a step-down correction as pull-forward demand unwound. While the pandemic introduced unusual dynamics, a similar pattern of divergence was observed during the global financial crisis, when large projects contracted by 4% in 2009 while small projects declined by 13%.

In both 2024 and 2025, medium- and large-ticket projects declined, largely due to higher interest rates that suppressed discretionary, higher-cost projects. But despite near-term pressure, underlying structural trends — growth in housing stock and an aging home base — support real growth over the long term.

The magnitude of divergence between small and large project spend is ultimately limited. Deferred projects eventually require attention, and even during periods of accelerated activity (e.g., COVID pull-forward demand), natural constraints cap the number of additional projects homeowners undertake. Understanding a software platform's exposure to job size is therefore important. A key assessment factor is the share of projects above or below the $10,000 threshold. That said, for many trades, project size distribution is effectively binary; for example, most exterior work (e.g., siding) typically falls into the higher-cost category, creating clear cyclical exposure for software focused on those trades.

"Move" dynamics — Some types of construction spending (e.g., kitchen or basement remodeling, decking) are partially driven by homeowner moves, although these projects

are also pursued by homeowners who remain in place. A National Association of Home Builders analysis of Consumer Expenditure Survey data found that during the first year after closing, home buyers tend to spend considerably more on furnishings, appliances and remodeling than nonmoving owners do — often up to twice as much.[4]

Given that the number of moves in 2025 was relatively low, software exposed to move-related activity should see demand and related spend increase as the number of moves increases from current levels. That said, greater exposure to moves increases volatility, and existing home sales have ranged from an annualized high of 6.9 million units in October 2020 to a low of 3.7 million units in May 2025.

Insurance dynamics — A portion of construction spending is driven by insurance-funded activity resulting from incidents that generate unexpected, covered losses. These range from routine household incidents (e.g., water damage from a tap left running) to severe weather events (e.g., hail-damaged roofing).

Insurance-driven spending tied to routine accidents tends to remain stable over time, reflecting the steady occurrence of everyday losses, whereas spending related to extreme weather and natural disasters is significantly more volatile. But while estimates vary,[5] insurance-related construction activity has grown as a share of total construction spend over time.

A range of events fall into the extreme weather and natural disaster spend category. In 2023, for example, damage from hailstorms, snowstorms and windstorms accounted for 45% of homeowners' disaster repair spend, while hurricane- and tornado-related damage accounted for 31%, fires for 16% and flooding for 8%.

To be sure, these numbers vary significantly by year and by geography, and the level of disaster spend covered by insurance can also vary depending on the nature of the event and the category of spend. Still, exposure to insurance-driven spend is an important variable when assessing a construction software company's exposure to cycles, for two reasons: One, exposure to extreme weather — as opposed to business-as-usual insurance events — is volatile, and two, insurance-based work tends to have different protocols and needs (e.g., more document management).

The bottom line is that different software types follow different construction cycles, making it critical to understand exposure by project type (see Figure 3).

Figure 3
Construction segment exposure cyclicality

Construction exposure	Relative degree of cyclicality
End-market exposure	More = Commercial — Commercial office, retail, hospitality Less = Commercial — Education, healthcare
New vs. replacement	Less = Replacement More = New
Move	More
Insurance	Depends — Some insurance-driven demand is BAU, extreme events/ weather driven construction has more volatility

Note: R&R=repair and remodel; BAU=business as usual
Source: L.E.K. research and analysis

That said, alignment with a cyclical or lower-growth construction end market does not necessarily mean that a construction software solution will track category demand. Under the right conditions, productivity-enhancing solutions can defy demand gravity. BuilderTrend, for example, claims to have grown 80% in 2008,[6] during the height of the Great Recession; other new construction software solutions have also shown resilience in recessions.

Roofing provides a similar use case. Shingle volumes declined 12% from 2008 to 2012[7] following a drop in weather-related reroofing demand that began in 2005. At the same time, adoption of Earth observation reports gained traction, alongside indications that roofing software usage increased as well. For example, according to court records, aerial imagery company Eagleview's revenues rose from $1.4 million in 2008 to $48.5 million in 2012.[8]

User intentions

Overall, the data is encouraging: Construction software users view their software as important during a recession, and indicate they would continue using it if one were to occur.

A recent L.E.K. survey of a broad set of contractors and builders found that between 3% and 10% of commercial contractors would cancel or downgrade their construction software subscriptions, depending on the use case; they were least likely to cancel equipment-tracking tools, for example. For residential contractors, that figure expanded only slightly, to between 3% and 11%,[9] with digital payment/financing tools coming in as the last to be canceled.

These numbers are almost certainly overstated. Faced with the prospect of a recession, contractors may say they will consider canceling a specific piece of software, but ultimately decide that the tool is too valuable to eliminate. Two additional L.E.K. surveys focused on software serving construction trades illustrate this dynamic more clearly. In one, 87% of users of a business management software for contractors said that it increased their productivity, with roughly 40% saying it increased productivity by at least 20%.[10] In a separate survey, only 8% of users reported no productivity increase at all.

In light of these productivity benefits, research shows that many contractors indicated they would continue to use the software in a downturn. As one contractor put it, "Slow business doesn't have an impact on whether we use software or not. In years where there is less demand driven by storms, we have to significantly increase our efforts and spend on marketing and lead generation, which a software solution can help with."

Indeed, construction software is viewed not as a nice-to-have, but as a need-to-have. In an L.E.K. survey of field management software users, 92% rated it 5 or higher on a 1-7 scale, with 1 being "least critical" and 7 "very critical" in terms of its impact on operations. When asked about return on investment, 86% rated the software 5 or higher. Industry studies show similar findings: A 2025 survey by the Associated General Contractors of America found that 44% of contractors plan to increase spending on AI-based tools and 26% plan to increase spending on building information modeling technologies in order to remain competitive during a recession, citing cost savings and operational efficiency.

The data indicates that industry participants say they will continue to use construction software in a recession.

Software archetype

There are several attributes that can be used to assess relative recession resilience (see Figure 4).

Figure 4
Elements of enterprise software recession resilience

Attribute	Description	DIRECTIONAL
"Mission criticality"	How essential the software is to keeping the business running or compliant day-to-day	
Data and integrations	How much data and automated workflows live in the system, making removal disruptive	
Regulatory/contractual dependence	Whether turning it off would make following laws, safety rules or contractual obligations difficult	
Revenue/cash-flow linkage	Degree to which the tool directly accelerates billing and collections, or protects cash flow	
User frequency	Extent to which the tool is ingrained in daily workflows	
License elasticity to headcount cuts	Degree to which licensing costs scale down in response to staff/ project reductions	
Switching cost	Time, money and risk involved in replacing with a competitor solution	
Typical contract lock-in (years)	Extent to which standard contract terms (e.g., duration, exit penalties) limit switching flexibility and early exit	

Increasing criticality (vertical axis, arrow pointing up)

● User importance factors   ● Contractual factors

Source: L.E.K. research and analysis

These attributes can be classified into user importance factors and contractual factors. User importance factors reflect the degree to which the software supports critical business processes and how often it does so, making it more likely to be resilient in a recession. Contractual factors refer to how an individual software company structures its contracts and buying arrangements with customers.

Software can be evaluated against this framework, with illustrative examples provided below (see Figure 5).

Figure 5
Recession resilience for selected software types

DIRECTIONAL

Attribute	ERP/accounting	Broad construction suite
"Mission criticality"	Keeps books, pays vendors	Runs RFIs, budgets, cost tracking
Data and integrations	Deep master data, general ledger feeds, BI	Detailed drawings, budgets, schedules, ERP/BIM ties
Regulatory/contractual dependence	Statutory financial reporting	Contract, lien and audit trail
Revenue/cash-flow linkage	Direct (billing, collections)	Direct (billing and collections modules)
User frequency	Daily by finance	Daily by PMs, subcontractors, owners
License elasticity to headcount cuts	Low (named finance users)	Medium to high (project revenue based)
Switching cost	Very high (months)	Moderate to high (owner approval, data migration)
Typical contract lock-in (years)	3-5	1-3
Net effect in a recession	Highly resilient (postpone upgrades)	Moderately resilient (seats at risk but difficult to fully rip out mid-project)

● High resilience   ● Moderate resilience   ● Low resilience

Note: RFIs=requests for information; BI=business intelligence; ERP/BIM=enterprise resource planning/building information modeling; GDPR=General Data Protection Regulation; PMs=project managers; CRMs=customer relationship management systems
Source: L.E.K. research and analysis

Construction software is not uniformly resilient, but most construction software types show a level of resiliency. Recession impact varies by software attributes, including mission criticality, depth of data integration, regulatory dependence and switching costs. ERP and payroll solutions tend to remain stable, while marketing automation and CRM solutions are more exposed, given their indirect link to cash flow and relative ease of replacement. We've seen this pattern play out in previous recessions:

- Enterprise software spend slowed in 2001 due to the global recession and 9/11, but unlike several other sectors, it did not shrink significantly and recovered quickly. Software solutions critical to business operations showed more resilience (e.g., ERP, supply chain management).
- During the 2008-09 recession, software-as-a-service (SaaS) companies experienced lower growth rates compared to the prerecession period; however, a sizable portion of publicly traded SaaS companies saw revenues increase (although at a slower rate). Notably, SaaS companies outperformed licensed software companies over the same period.

Taken together, these dynamics suggest that recession resilience in construction software is shaped less by category labels and more by specific product and commercial choices — raising the question of whether, and how, companies can actively strengthen resilience ahead of a downturn.

The path to recession resilience

Assessing how resilient a construction software company is in a recession is critical. But what tangible steps can construction software companies take to mitigate recession risk?

First and foremost, they can **diversify end markets** and try to find ways to increase the criticality of their solution. Getting subscribers to **use the software more frequently** is a big factor in driving appreciation of its outcomes. A Dodge Construction survey found that intensity of software use was a more important factor than longevity, so more encouragement, training, etc. can help build appreciation, loyalty and stickiness (see Figure 6).

Figure 6
Impact of time and intensity of use in construction software
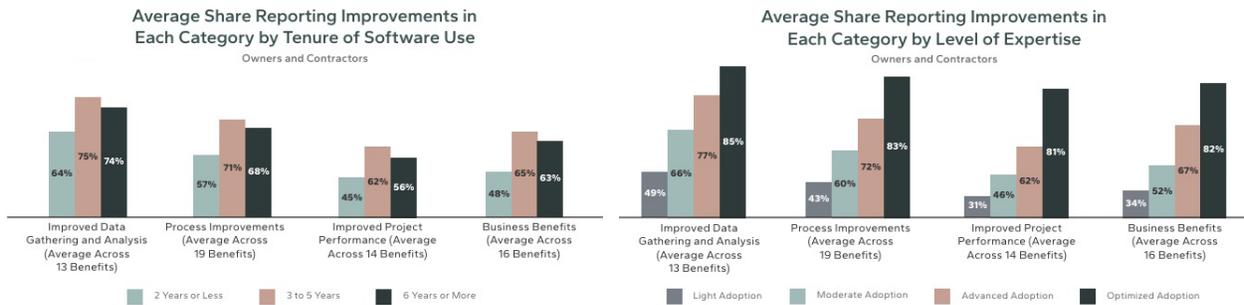
Source: Procore and Dodge Construction

But market diversification, increased criticality and more intensive usage may be hard to achieve or to translate into near-term impact.

Contractual factors — including elasticity in response to demand, switching costs and lock-in periods — are, on the other hand, ones that construction software companies can more quickly influence. Thus, **improving contractual terms** is a key action that companies can explore ahead of a recession, as is **improving their solutions' packaging** to mitigate the likelihood that their customers choose lower-cost alternatives.

Improved contractual terms

Companies can think about ways to increase switching costs, particularly when signing new accounts and defining exit terms, arrangements and timing.

They can look to increase lock-in and the overall length of contract terms — potentially in exchange for less favorable immediate pricing — if they see increased risk of defections. And they can reduce elasticity to headcount cuts by making their subscriptions less volume-dependent and more fixed-fee.

In pursuing these choices, companies need to consider the risk-reward trade-offs of different pricing metrics. For instance, more variable pricing tied to usage can drive higher net-revenue retention when demand is higher but is also easier to scale back when budgets are tight, leading to more volatile revenue and sharper reductions in a recession. In contrast, large platform fees may limit revenue upside in periods of strong demand but provide more stable revenue through downturns. As a recession approaches, companies can adjust these trade-offs and potentially get ahead by amending contractual arrangements.

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Improved packaging and a better understanding of churn drivers

While many types of construction software may be resilient in a recession, providers still need to mitigate the risk of trade-downs. In commercial construction, while only 3%-10% of users say they would cancel, as noted above, 8%-20% say they would explore lower-cost alternatives. In residential construction, that figure is 9%-19%.

Of course, this overstates actual trade-down behavior. Some users who say they will explore lower-cost alternatives don't, while others ultimately remain with their existing provider — in part because switching is often an expensive process from both cash and operational perspectives. These costs include data migration, integrations and customizations, and staff retraining.

That said, greater churn becomes a risk in a recession. But there are steps software companies can take to get ahead of it: One, **better understand churn drivers**, and two, **identify the most valuable features**.

Better understand churn drivers — Construction software companies can develop metrics around user login frequency, solution engagement and distribution of user activity across an organization to isolate potential churn drivers, and can then supplement this analysis with a qualitative understanding of customer pain points. They can segment customers by role, end market, size, and other attributes and then map these segments to churn patterns. Doing so enables companies to better identify early warning signals, anticipate churn risk, and address that risk through pricing adjustments, feature changes or targeted commercial interventions.

For example, one software company identified a set of predictive churn indicators through detailed analysis and translated them into a series of "warning signals." It established a dedicated unit and implemented system changes to enable real-time monitoring, then designed targeted interventions tied to each signal. **As a result, the company reduced churn.**

While discounts are a likely intervention to avoid churn during recessionary periods, it is important to frame these as short-term, time-limited special offers to help manage near-term spend — and avoid locking in lower prices that create issues down the road.

Identify the most valuable features — Construction software companies can also isolate which features different customer cohorts value most and are willing to pay to access. Many construction software companies have introductory features (those that get customers in the door), core features (those that customers associate with the company over time and see as its primary value proposition), necessary supplemental features (e.g., integration functionality) and more optional offerings. These vary by customer type.

By better understanding willingness to pay and the importance of features across segments, construction software companies can improve resilience to recessionary pressures. They can also develop more tailored packaging strategies that reflect the uneven impact of recessions across customers and end markets. It's also worth considering how value propositions evolve during downturns and adjusting messaging accordingly. Messaging centered on efficiency and cost savings is likely to resonate more in a recession, while growth-oriented messaging may be less effective.

For instance, one new construction software provider undertook a comprehensive pricing and packaging redesign, supported by a detailed market fact base that included customer segmentation and competitive analysis. The company found that while integration with third-party tools and material purchasing ranked highly in overall attribute performance, TURF[11] analysis showed that project scheduling was the most critical feature for inclusion, followed by job-cost tracking and online payments.

Using insights across different analytical approaches, the company developed a revised pricing model and launched with enhanced customer acquisition strategies, such as free trials and money-back guarantees, to limit churn and drive additional revenue.

How to prepare construction software businesses for a recession

Construction software's resilience in a downturn depends heavily on the specific types of construction activity that software serves. Exposure to residential, commercial and infrastructure markets shapes cyclicality, as each market follows its own economic rhythm. Residential activity typically contracts first, commercial construction follows with a lag and infrastructure spending can be countercyclical due to government stimulus. Within commercial construction, segments such as healthcare and manufacturing behave differently, adding further nuance.

Another major factor is whether software is tied to new construction — which is highly cyclical — or to R&R, which tends to be more stable and supported by long-term structural housing needs. Platforms focused on move-driven spending or on extreme weather-related, insurance-funded work also face higher volatility, as these drivers fluctuate with home-sale activity and disaster patterns.

To understand exposure to cyclicality and recessions, a construction software company can conduct an "exposure audit" that maps revenue and pipeline by end market (residential, commercial and infrastructure, as well as key verticals such as healthcare, data centers and manufacturing) and segments this further by project type (new build vs. R&R). The exposure audit should also assess how the company is positioned across different elements of the software archetype, such as degree of mission criticality and regularity of use.

To prepare for a recession, construction software businesses can adjust contractual terms and deepen their understanding of churn drivers and the elements of their value proposition that customers value most, allowing them to refine packaging and pricing to get ahead of potential trade-downs.

Calls to action: What construction software companies should do

- Understand end-market construction exposure to anticipate demand fluctuations and how they might impact software
- Adapt contracting models to better fit recession dynamics
- Refine packaging and pricing of feature bundles to improve retention and resilience

Companies that clearly see where volatility enters the business can distinguish durable demand from cyclical exposure and can respond before conditions tighten. Doing so will enable them to adjust to how value is delivered and monetized, reinforcing retention and cash flow while customers are still making deliberate choices rather than reactive cuts.

For more information, please contact us.

Endnotes

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[9]Internal/proprietary client data

[10]Ibid.

[11]TURF (Total Unduplicated Reach and Frequency) analysis is a method used in market research to find the best combination of products, features or messages that reaches the largest audience with the least overlap.

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