State of Construction Finance **2025**

Insights, data, and trends driving smarter construction finance. Real-world perspectives from developers, owners, lenders, capital partners, and service providers.

Rabbet

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Introduction

For the past eight years, Rabbet has surveyed real estate developers, owners, capital partners, lenders, and service providers to uncover the trends shaping construction finance. The State of Construction Finance report has become a key industry benchmark, showing what's working, what's broken, and where there's room for improvement. It tracks shifting priorities, exposes inefficiencies, and highlights areas for progress.

The 2025 edition continues this work at a time of heightened uncertainty. Inflation, interest rate volatility, evolving technology, and labor shortages are putting new pressure on how projects are financed and delivered.

> **This year's survey explores the state of construction finance through four interconnected lenses, each revealing how different stakeholders are navigating today's risks, pressures, and opportunities:**

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Snapshot of the Industry

A look at how construction finance stakeholders are responding to market shifts, exploring new asset types, and how early AI adoption is beginning to enter the conversation.

Efficiency

Examines where time and resources are being lost to manual processes, disconnected systems, and administrative burden.

Cost Overruns

Highlights the top drivers of budget overruns and where industry players see the greatest opportunities for prevention.

Communication and Collaboration

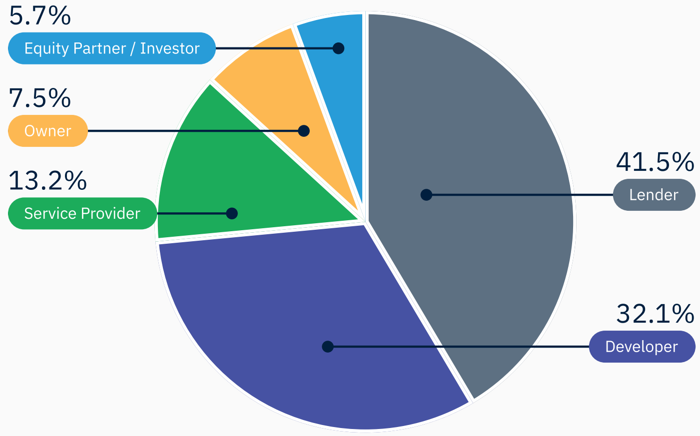
Explores how misalignment between stakeholders impacts cost, timelines, and overall project outcomes.

Data Overview

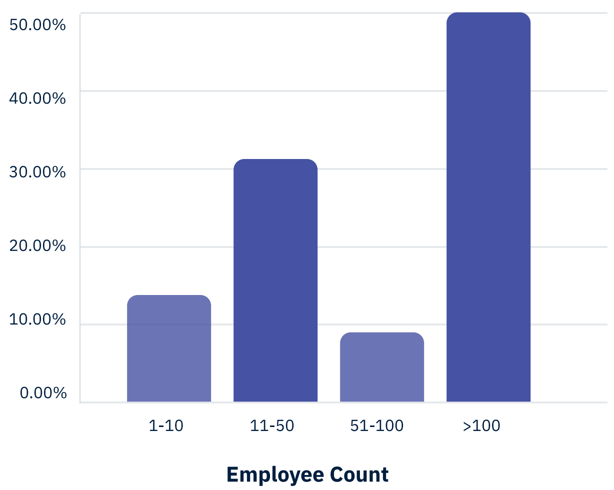
This year's survey includes qualified respondents from capital providers with loan volumes ranging from under $100 million to over $1 billion, as well as developers and owners managing anywhere from a few projects up to dozens. The survey gathered responses from 54 participants, sourced through Rabbet's extensive network of lenders and developers.

The survey reflects the full project lifecycle, with respondents involved in residential, multifamily, office, retail, healthcare, hospitality, and HUD-financed developments. Their diversity across roles, company size, and capital exposure provides a well-rounded view of the challenges and opportunities shaping construction finance today.

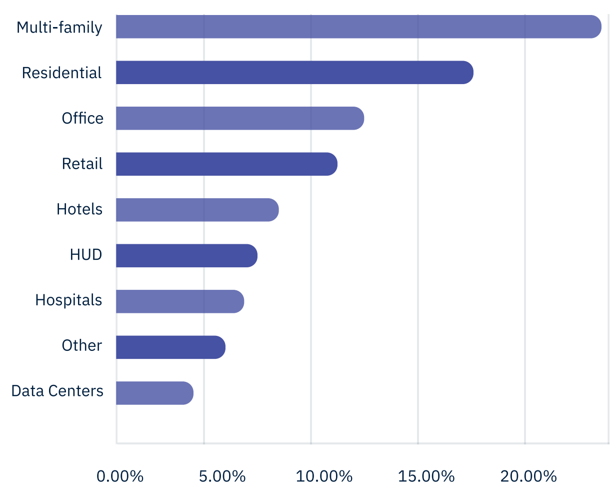
Organization's Primary Role



Company Size by Number of Employees



Project & Loan Type Distribution



Survey Snapshot

45%

of organizations are exploring new development types or loan products.

4 out of 10

respondents identified increasing capacity without growing headcount as their top operational priority.

24.7 hours per month

the average time teams spend on administrative activities.

94% of organizations are either actively evaluating or planning to adopt **AI tools.**

69%

of respondents reported improvements in how they package or manage draw requests.

Rabbet users fund draws significantly faster than those not using the platform.

Rabbet helps developers get their draws funded **31.5% more quickly.**

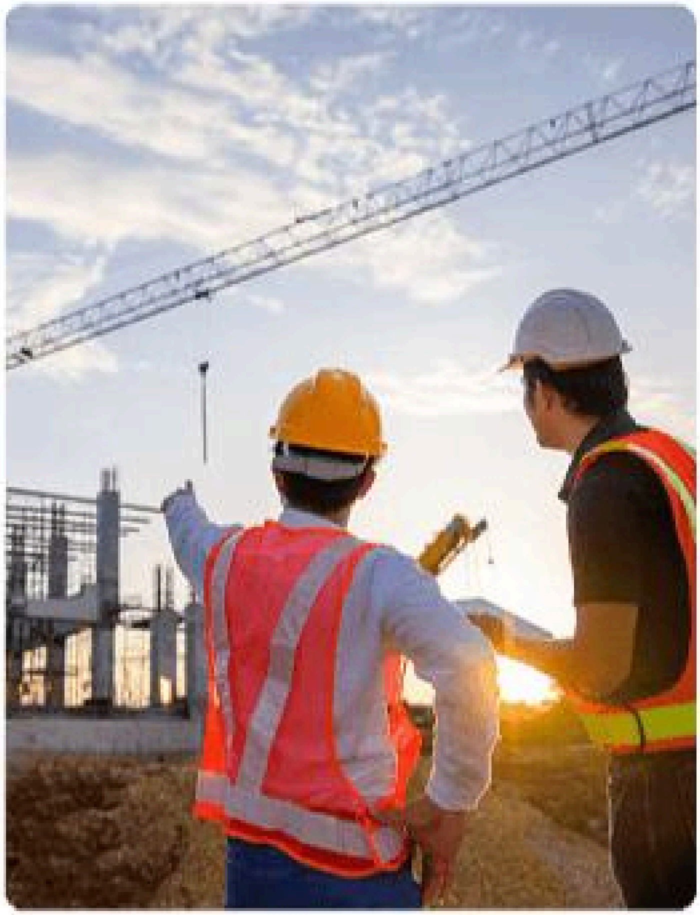
Rabbet enables lenders to fund draws **33% faster.**

Across the industry, respondents consistently pointed to a few critical breakdowns:

Draw requests are most often rejected due to **missing documentation and backup materials.**

Cost overruns are frequently driven by **inaccurate estimates and unexpected changes in project scope.**

Miscommunication typically stems from **poor documentation and inconsistent information-sharing.**

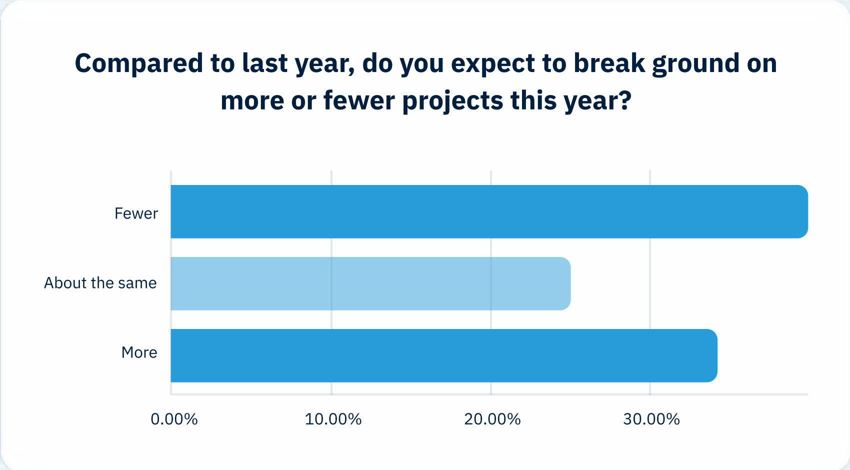


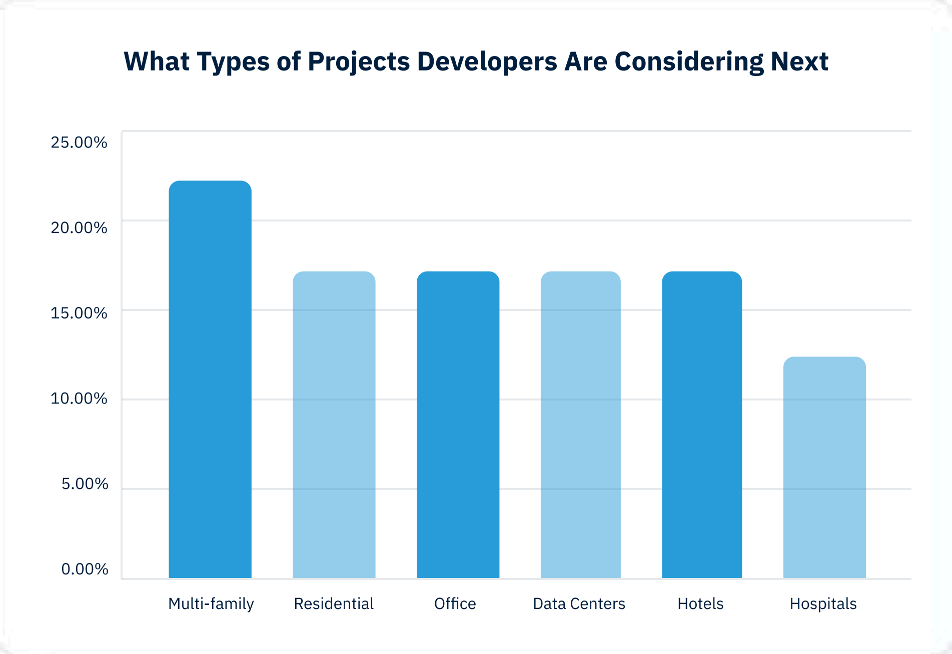
Industry Snapshot

Project Outlook

The 2025 survey reveals a mixed outlook on project volume. Respondents are split, with some expecting to break ground on more projects while others anticipate a slowdown. This reflects broader industry uncertainty, driven by high interest rates, tighter capital, and ongoing cost pressures.

> **The variation in expectations points to differing market conditions and strategies, with some firms scaling back while others continue to move forward.**





Projects on the Horizon for Developers

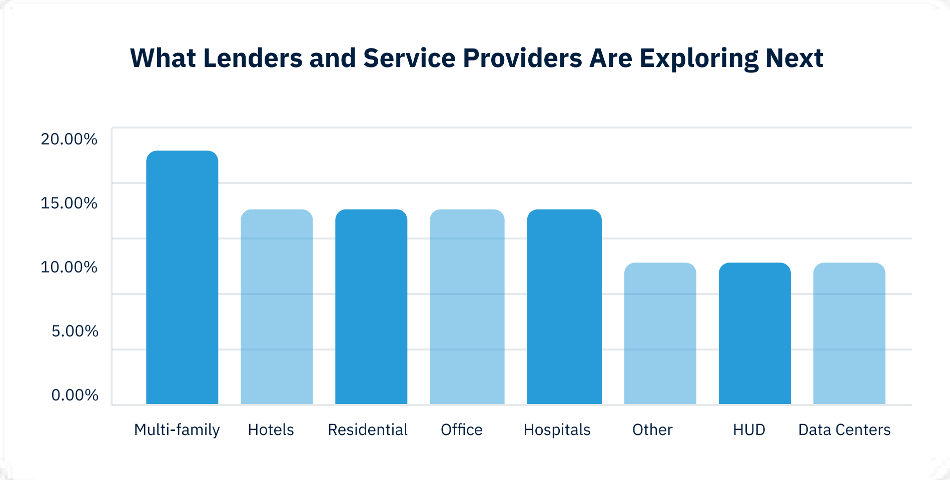
About 45% of developers indicated they are exploring new types of developments. Among these, multifamily projects emerged as the most frequently considered, signaling a continued focus on vertical density to address financial feasibility.

Interestingly, data centers matched more traditional asset types like office, residential, and hotels in popularity, suggesting growing interest in this emerging and rapidly expanding sector.

What Lenders and Service Providers Are Exploring Next

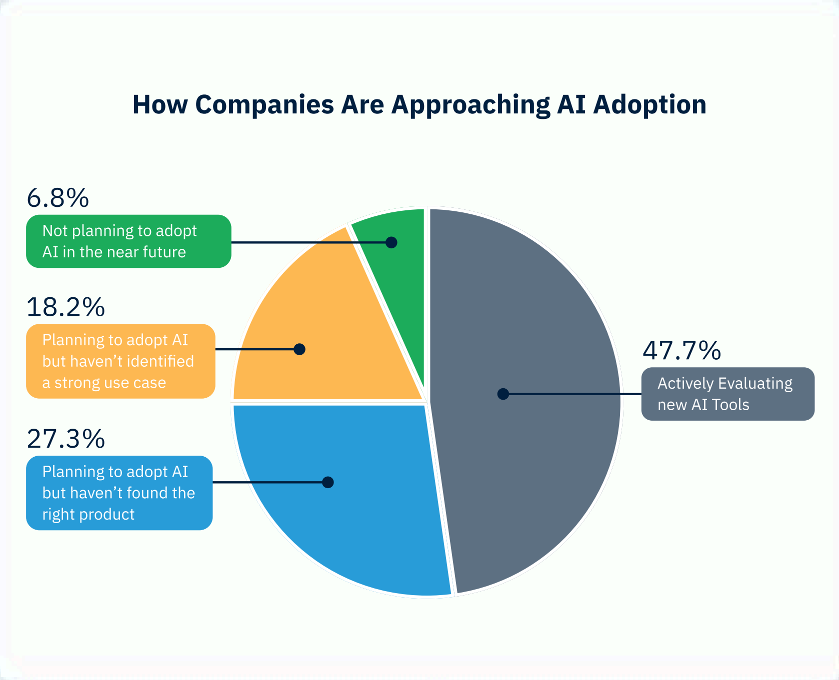
Lenders and service providers are expanding their offerings, with multifamily and hotel loans topping the list at nearly 19% each. Residential, office, and hospital projects follow, reflecting continued interest in core asset types.

> **While fewer respondents noted HUD and data centers, their inclusion points to emerging demand in public-backed and digital infrastructure sectors.**



AI Adoption

AI in Construction Finance: Interest Is High, Adoption Is Emerging



94% of organizations are either actively evaluating or planning to adopt AI tools, indicating growing interest in how emerging technologies can enhance operations. Only a small number report no plans to adopt AI, suggesting that most companies see potential value and are beginning to explore how it might fit into their workflows.

Among those not yet actively evaluating, the main challenge is finding the right solution. Some are still searching for the right product, while others are looking to identify use cases that justify implementation. This highlights both the variety of potential applications for AI in the industry and the need for tools that align with specific operational needs.

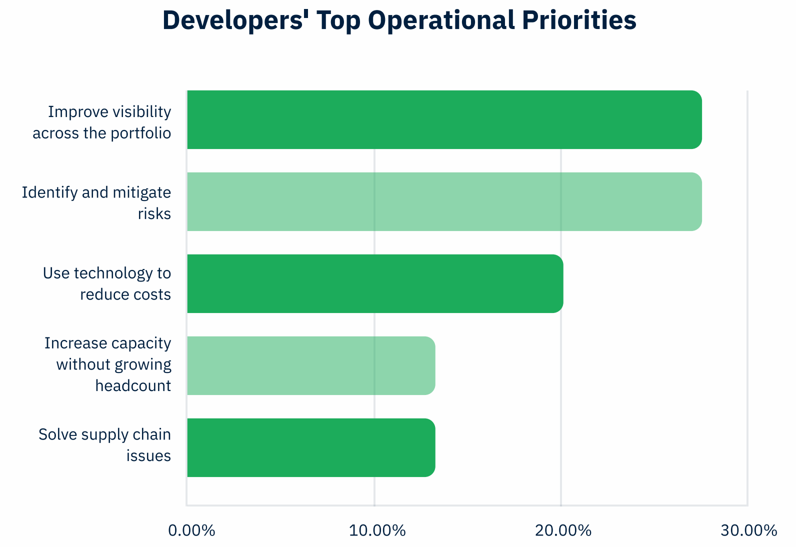
Efficiency

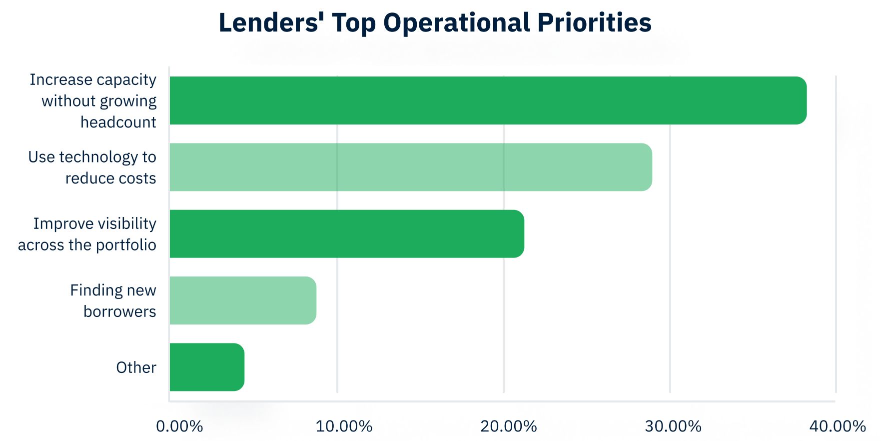
Top Operational Priorities

Developers Aim to Improve Visibility and Manage Risks

For developers, this year's operational focus centers on gaining better visibility across their portfolios and proactively managing risk. Many are also looking to technology as a way to control costs, while others are prioritizing ways to scale without increasing headcount.

> **Although supply chain issues persist, they appear to be a secondary concern compared to broader goals around transparency, efficiency, and risk mitigation.**





Lenders Focus on Scaling Without Team Growth

Lenders are focused on scaling their operations without adding headcount, making efficiency a top priority. Many are turning to technology as a cost-cutting tool, while others are working to improve visibility across their portfolios.

Finding new borrowers is less of a focus this year, as organizations prioritize doing more with existing resources and improving internal operations.

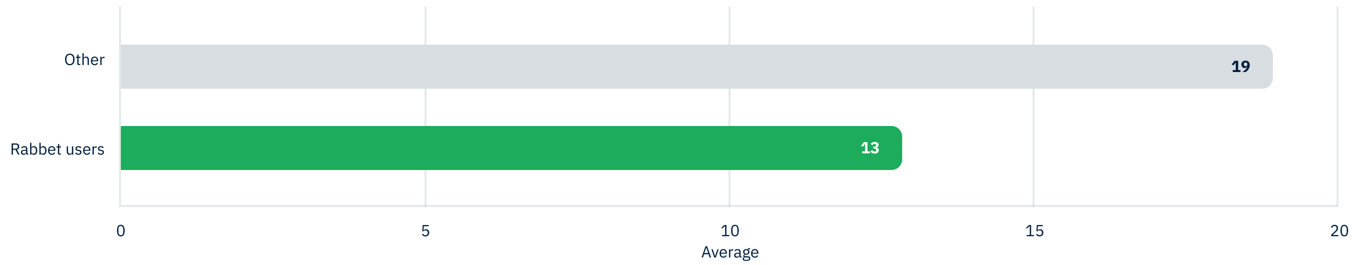
Days to Fund Draws

Software Speeds Up the Draw Process for Everyone

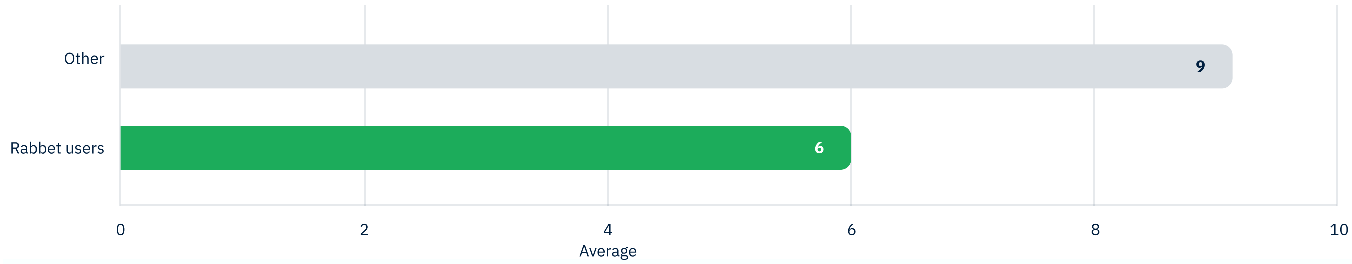
Purpose-built software like Rabbet is helping both developers and lenders accelerate the draw process. Developers using Rabbet reported receiving funds in just 13 days on average—a 31.5% improvement over those using other methods. Centralized platforms make it easier to compile, organize, and submit draw packages, reducing errors and streamlining communication.

For lenders, the impact is equally clear. Those using Rabbet fund draws 33% faster, averaging 6 days compared to 9. By improving visibility and consistency, software simplifies the review process, reduces friction, and shortens turnaround times—delivering faster access to capital.

Days to fund a draw, as reported by developers.



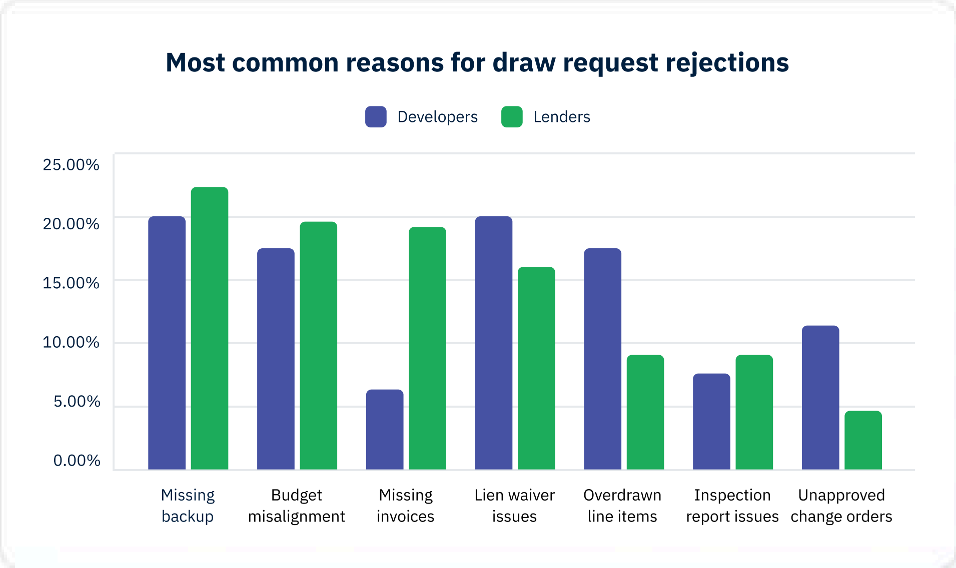
Days to fund a draw, as reported by lenders.



Draw Rejection Reasons

Developers and lenders report several common reasons for draw rejections, with missing backup documentation, lien waiver issues, and budget misalignment appearing most frequently across all groups.

However, some distinctions emerge. Lenders are more likely to cite missing invoices and supporting documentation, likely due to stricter compliance and audit requirements. In contrast, owners and developers more often point to overdrawn line items and unapproved change orders, issues that stem from project execution and coordination in the field.



Streamlined Processes Lead to Fewer Draw Issues

Developers that use Rabbet reported significantly fewer draw rejection issues across the board.
Compared to those using other methods,

Rabbet users experienced:

83%

fewer missing backup issues

60%

fewer lien waiver problems

66%

fewer rejections due to unapproved change orders

Cost Overruns

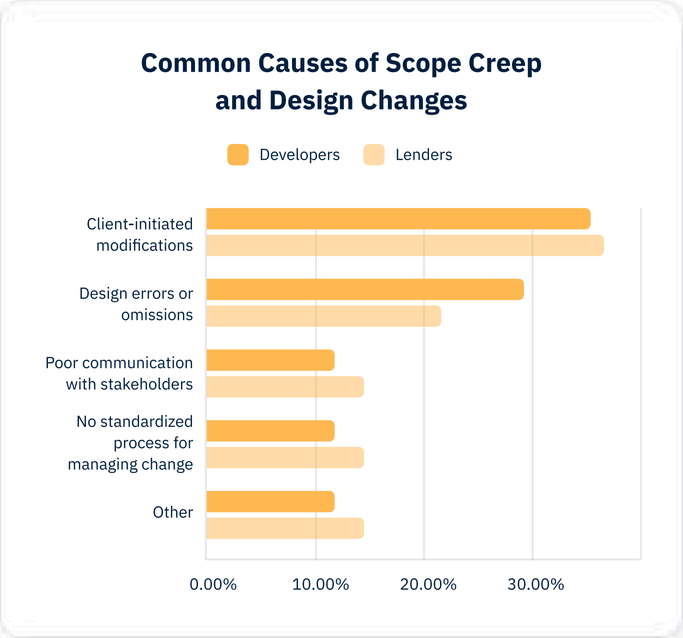
Common Cost Overrun Causes

What's Driving Cost Overruns Across the Industry

Cost overruns remain a persistent challenge across the industry, but the root causes vary significantly between developers and capital partners.

For developers, scope creep and design changes top the list, signaling ongoing friction between initial plans and evolving project realities. In contrast, lenders and capital partners cite inaccurate cost estimates as the most frequent culprit, highlighting a disconnect in how financial stakeholders assess project risk compared to those executing it.

This divergence suggests a need for better alignment early in the project lifecycle, particularly around budgeting, design scope, and risk allocation, to reduce costly surprises later on.



Scope Creep Causes

Scope Creep: A Symptom of Misalignment and Missed Details

When it comes to scope creep, the leading driver of cost overruns for developers, the underlying causes point to both human and process-driven gaps.

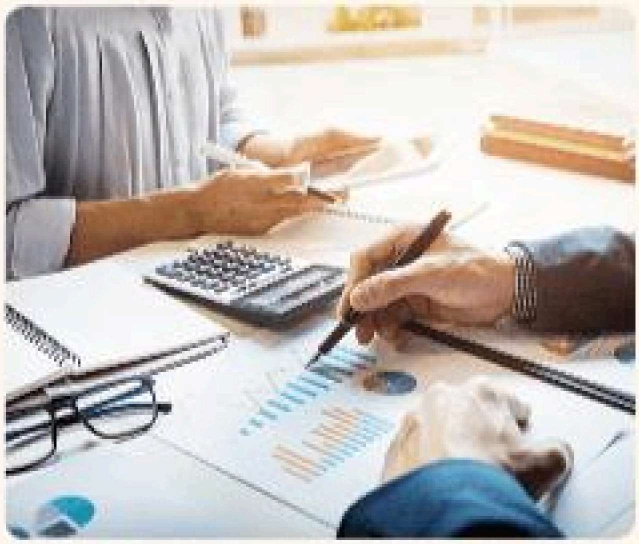
For both developers and lenders, the most common trigger is client-initiated changes, highlighting how shifting owner expectations can alter project parameters midstream. Design errors and omissions are also a significant factor, particularly from the developer's perspective, indicating weaknesses in early project documentation and planning.

In addition, communication breakdowns and the absence of a standardized change order process reveal further opportunities for stronger coordination and operational discipline. These findings underscore the need for clearer stakeholder alignment, improved front-end design processes, and more robust change management frameworks to reduce budget risks later in the project.

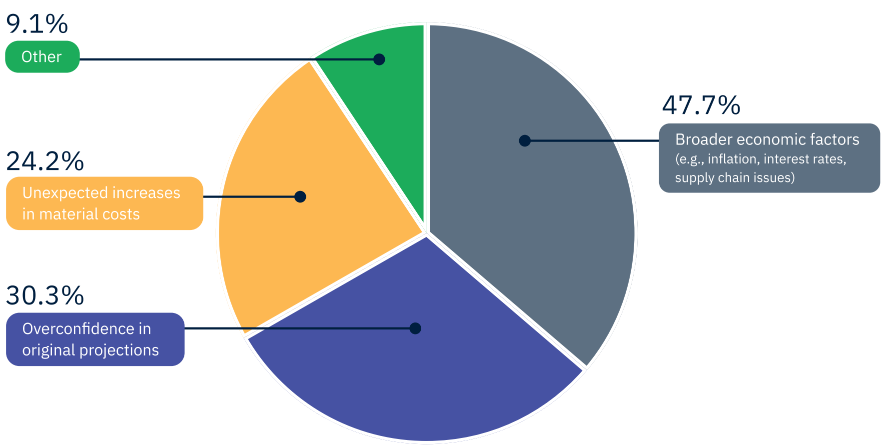
Contingencies

Insufficient Contingencies in a Volatile Market

Both developers and lenders point to the same root cause for insufficient contingencies: macroeconomic volatility. When asked about the primary reason for insufficient contingency funds in project budgets, respondents most commonly cited broader economic factors such as inflation, interest rates, and supply chain issues.



Common Causes of Insufficient Contingencies



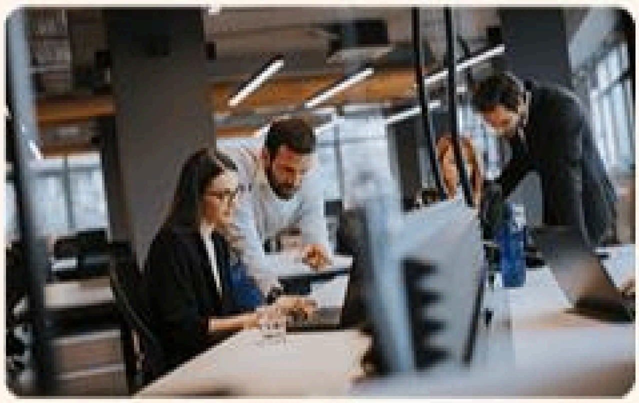
This was followed closely by overconfidence in original projections, highlighting a tendency to underestimate risk at the budgeting stage. Unexpected increases in material costs also ranked high, reinforcing how market volatility continues to outpace planning assumptions.

Together, these findings point to a need for more flexible, data-informed budgeting approaches that can better absorb both external shocks and internal miscalculations.

Ranking What Matters: Preventing Cost Overruns

What Works Best to Prevent Cost Overruns? Stakeholders Weigh In

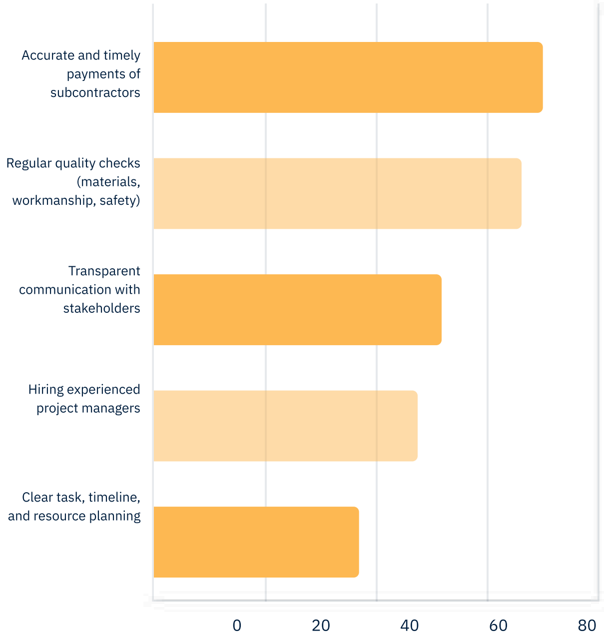
We asked developers and lenders to rank the most effective strategies for preventing cost overruns. While there's broad agreement on the importance of communication and quality control, each group emphasized different priorities based on their role in the project lifecycle.



Developers ranked timely subcontractor payments as the most effective way to avoid cost overruns, highlighting the importance of maintaining workflow and trust in the field. Regular quality checks followed closely, with communication, planning, and experienced project managers rounding out their top strategies.

Lenders prioritized regular quality checks and experienced project oversight as the most impactful tactics. They also placed notable emphasis on automation, viewing software for budgeting and invoice management as a key tool for controlling costs and reducing risk.

Developers' Rankings:
What Matters Most to Prevent Cost Overruns



Lenders' Rankings:
What Matters Most to Prevent Cost Overruns

Collaboration and Communication

Miscommunication Issues

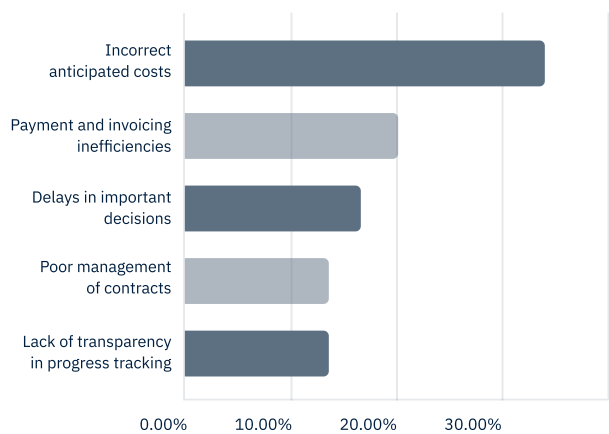
Miscommunication Isn't Just a Frustration—It's a Financial Risk

> **Across both developers and lenders, miscommunication has clear and costly consequences—most notably, inaccurate cost expectations and delayed decision-making.**

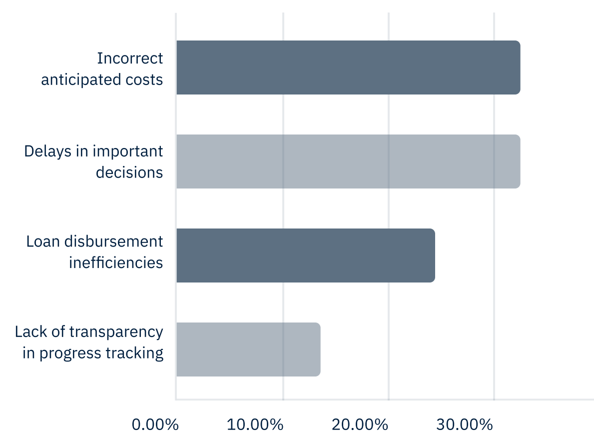
For developers, breakdowns in communication often lead to incorrect anticipated costs, inefficiencies in invoicing, and stalled decisions. Lenders report a similar pattern, with inaccurate budgeting and decision delays topping the list, followed closely by disruptions in loan disbursement.

These shared pain points highlight how even small misalignments can snowball into broader financial or scheduling issues. Stronger systems for communication, documentation, and transparency remain a critical opportunity area for improving outcomes across the project lifecycle.

Top Issues Developers Face Due to Miscommunication



Top Issues Lenders Face Due to Miscommunication

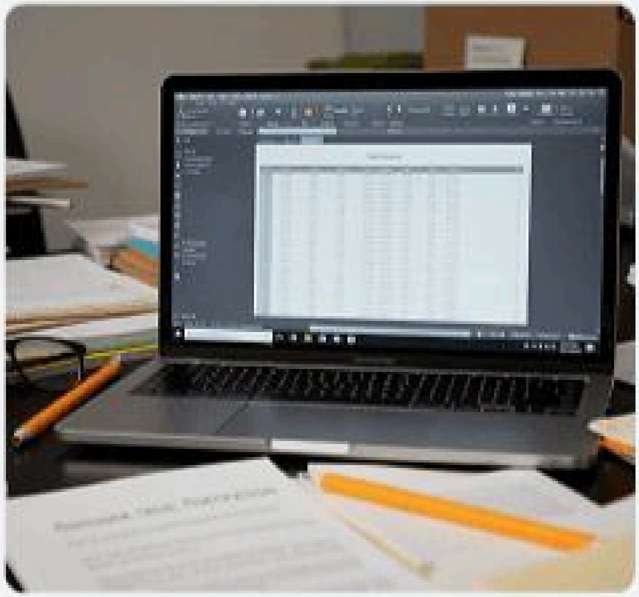


Miscommunication Causes

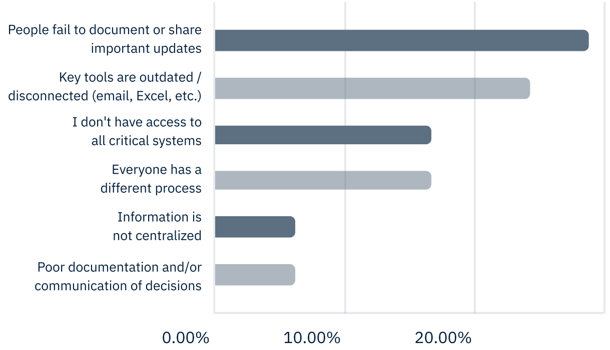
Miscommunication Starts with Disconnected Tools and Disjointed Processes

Miscommunication remains a key challenge for both developers and lenders, though the root causes differ slightly between groups. Developers most commonly point to a lack of documentation and shared updates, along with reliance on outdated or disconnected tools like email and Excel. Access issues and inconsistent processes also contribute, signaling gaps in visibility and workflow alignment.

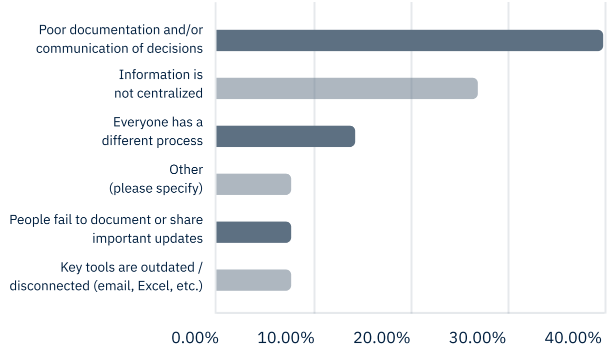
For lenders, poor documentation and unclear communication around decisions are the top culprits, followed by a lack of centralized information. While both groups acknowledge the impact of disjointed systems and inconsistent processes, lenders place greater emphasis on clarity in decision-making, whereas developers are more affected by fragmented tools and limited access to critical systems.



Top Drivers of Miscommunication for Developers



Top Drivers of Miscommunication for Lenders



Developers not using software most frequently cited outdated or disconnected tools—such as email and Excel—and a failure to document or share important updates as the leading causes of miscommunication on their projects.

After adopting new software, 90% of users saw improvements in internal communication across their organization.

Trends and Takeaways

The 2025 State of Construction Finance survey reveals an industry navigating uncertainty with a growing appetite for innovation. A few clear signals emerged:

AI is moving from concept to consideration.

Nearly every organization is evaluating or planning to adopt AI, but practical implementation is still taking shape.

Administrative burden is still too high.

Teams are spending nearly 25 hours a month on manual tasks, revealing opportunities for automation.

Efficiency is the new growth strategy.

Increasing output without growing headcount was the most cited operational goal.

Communication breakdowns are still a core challenge.

Issues with documentation, updates, and inconsistent processes remain at the heart of project slowdowns.

Cost control priorities are misaligned.

Developers and capital partners differ in what they see as most effective—suggesting a need for earlier and clearer alignment.

Construction finance is shifting from simply funding projects to coordinating people, systems, and expectations. The future belongs to teams that can integrate—not just execute.

About Rabbet

At Rabbet, we're on a mission to connect people, data, and systems to maximize real estate outcomes. We envision a world where human error is eliminated from real estate execution, where data, not delays or miscommunication, drives decisions.

Since 2017, Rabbet has been building an intuitive platform that empowers owners and capital partners with a strong data foundation. By delivering real-time, easily accessible insights, we help professionals make faster, more confident, and more informed decisions.

Trusted to manage more than $100B in real estate capital, Rabbet continues to lead the industry forward with the support of Y Combinator, QED Investors, Camber Creek, and Goldman Sachs.

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