Data Digest

WWW.AGC.ORG

Supported by: constructconnect

Vol. 23, No. 39 October 23-27, 2023

Hotel construction picks up; higher-ed enrollments are mixed; Beige Book finds 'sluggish' activity

The **hotel construction** market appears to be doing well. "The total U.S. construction pipeline stands at 5,704 projects/672,676 rooms, up 7% year-over-year (y/y) by projects and rooms," lodging information provider Lodging Econometrics reported on Wednesday. Project counts were "3% below and rooms 14% below the all-time high of 5,883 projects/785,547 rooms reached in Q2 2008….There are 1,063 projects/140,331 rooms under construction, up 8% by projects and 4% by rooms y/y. Projects scheduled to start construction in the next 12 months stand at 2,234 projects/257,729 rooms, up 8% y/y by projects and 9% y/y by rooms. Projects and rooms in the early planning stage each increased 7% y/y to stand at 2,407 projects/274,616 rooms, just 27 projects [1%] and 5,296 rooms [2%] shy of the all-time high."

In a report with mixed implications for demand for **higher-education construction**, the National Student Clearinghouse Research Center reported on Wednesday, "Undergraduate enrollment grew for the first time since the beginning of the pandemic this fall (+2.1%). Community colleges are starting to recover from the pandemic, showing a growth of 4.4% this fall (+4.3% since fall 2021)." However, "freshman enrollment declined by 3.6%, reversing fall 2022 gains (+4.6%), and now [are] just 0.8% above fall 2021 enrollment." In a positive sign for **construction labor supply**, the report noted, "Popular **trade-related majors** (mechanic and repair technologies, precision production, **construction trades**) continued to grow among students enrolled in undergraduate certificate programs, jumping by double-digits."

"Most districts indicated little to no change in **economic activity** since the September [6th] report," the Federal Reserve reported in the October 18 "Beige Book," which summarizes comments received by October 6 from contacts made by the Fed's 12 regional district banks. "Several Districts reported improvements in hiring and retention as candidate pools have expanded and those receiving offers have been less inclined to negotiate terms of employment. However, most Districts still reported ongoing **challenges in recruiting and hiring skilled tradespeople**….**Increases in fuel costs, wages, and insurance** contributed to growth in prices across Districts. **Construction-related comments** from the districts, which are identified by their headquarters cities, were largely negative. **Chicago**: "manufacturing, **construction**, and real estate **activity decreased modestly**." **New York**: "Overall, **construction contacts reported sluggish activity** since the end of the summer. Office construction was relatively flat across most of the District. Industrial activity grew, with high volumes under construction and new space set to come to market in [Q4] 2023. Multifamily construction continued apace in the New York City area and in northern New Jersey, but such activity remained fairly weak in upstate New York." **Philadelphia**: "According to contacts, **construction activity for commercial real estate held steady** as financing conditions for new projects remained difficult. Despite steady construction overall, contacts reported a slight slowdown in multifamily construction activity." **Kansas City**: "Most contacts noted **funding for renovation activity** was substantially less available than for new property development." **San Francisco**: "**challenges** persisted **in recruiting high-skilled workers in** several sectors including nonprofits, financial services, hospitality, **construction**, and retail."

Inflation-adjusted **gross domestic product** (real GDP) rose 4.9% at a seasonally adjusted annual rate in Q3, up from 2.1% in Q2 and the fastest pace since Q4 2021, the Bureau of Economic Analysis (BEA) reported on Thursday. Real **residential investment** in permanent-site structures jumped 17% (single-family structures, 22%; multifamily, 4.5%). Real gross private domestic **investment in nonresidential increased** by the smallest amount in four quarters: 1.6% (commercial and health care, 3.1%; manufacturing, 19%; power and communication, -4.0%; other non-mining structures, 3.4%; and wells and mining structures, -27%). Real **government gross investment in structures** rose 7.0%, including federal investment for defense structures, up 8.5%; nondefense structures, down 21%; and state and local structures, up 8.7%. The **GDP price index** increased 3.5% at a seasonally adjusted annual rate, with price indexes for nonresidential structures investment down 2.3%; residential investment, up 5.2%; and government investment in structures, up 0.9%.

Economists Ken Simonson (AGC), Kermit Baker (AIA), and Alex Carrick and Michael Guckes (ConstructConnect) will present their views on the **construction and design outlook** in a webinar on Wednesday, November 8, 2-3:30 pm ET.