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ABI slips in April; construction wages in 2022 outpaced other industries; data centers replace offices

The **Architecture Billings** Index (ABI) registered a score of 48.5, seasonally adjusted in April, down from 50.4 in March and the sixth reading in the past seven months below 50, the American Institute of Architects (AIA) reported on Wednesday. Any score below 50 means more firms reported decreased billings than increased billings. The ABI is derived from the share of responding architecture firms that report a gain in billings over the previous month less the share reporting a decline in billings, presented on a 0-to-100 scale. AIA calls the index "a leading economic indicator that leads nonresidential construction activity by approximately 9-12 months." Readings for practice specialties (based on three-month averages) varied: mixed practice, 52.1 (down from 53.5 in March); commercial/industrial, 51.8 (up from 49.7 and the first reading above 50 since July); institutional, 50.6 (first reading above 50 since October, up from 49.1); and residential (mainly multifamily), 41.5 (below 50 since July, down from 42.3). The **new design contracts** index rose to 49.8 from 48.9.

The **average weekly wage for** all **construction industry employees** in the U.S. was $1544 in the fourth quarter (Q4) of 2022, an increase of 1.2% from Q4 2021, the Bureau of Labor Statistics reported on Wednesday in its Quarterly Census of Employment and Wages report. Construction industry average wages in Q4 2022 were 11.4% higher than the private sector average of $1385 (which declined 2.6% from Q4 2021). The amount and direction of change for average weekly wages in construction varied widely. Among the 10 largest counties, the highest average in Q4 2022 was in New York County (Manhattan), $2566, up 2.4% from Q4 2021; followed by Cook County, Ill. (Chicago and nearby suburbs), $1916, up 3.5% year-over-year (y/y); and King County, Wash. (Seattle and nearby suburbs), $1810, down 1.6%. The largest y/y increase was in Los Angeles County, 3.6% (Q4 2022 average: $1658), followed by Cook County. The average wage declined 1.7% in King County and 1.6% in Dallas County (Dallas and nearby suburbs, Q4 2022 average: $1701).

Data centers are **replacing offices** and other structures in some markets. In Loudoun County, Va., Amazon World Services plans to demolish nine buildings and replace them with four purpose-built data centers, the Washington Business Journal reported on May 22. Data Center Frontier on Thursday cited other examples in Loudoun County. Digital Realty proposed replacing a "1960s parking garage [in downtown Los Angeles] with "a 13-story building which would include nearly 486,000 square feet of floor area, most of which would be dedicated to computer servers and supporting equipment," the e-newsletter Urbanize LA reported on May 23. "A former department store located to the north on 7th Street currently functions as a data center, as does the One Wilshire high-rise….Likewise, the former Post Office Annex near Union Station has been converted into a data center, and a newly built facility recently replaced a surface parking lot next door."

"A growing number of **retailers** in city office districts are **relocating** their businesses **to the suburbs**, where visits to shopping centers are on the rise as fewer people commute to downtown workplaces," the Wall Street Journal reported on May 9. "Suburban landlords say demand from retailers was strong during the first months of this year, even with high inflation and rising interest rates. Shopping-center owner Site Centers reported record-high leasing in the first quarter, while owner Phillips Edison reported a new high for occupancy. Retail Opportunity Investments Corp. said its portfolio is more than 98% leased. Even high-end enclosed malls, which were hard hit by the pandemic, are showing signs of improvement. Foot traffic at Simon Property Group's malls is higher this year compared with 2022 while overall occupancy was 94.4% in the first quarter, just shy of pre-pandemic levels, according to the company."

It "appears in domestic migration data that, years after lower-wage residents have been priced out of expensive coastal metros, higher-paid workers are now turning away from them, too," the "Upshot" column of the New York Times reported on May 12. "The **college-educated workers** who've turned away from them are increasingly **migrating** toward major metros that are still prosperous but not quite so expensive—places like Phoenix, Atlanta, Houston and Tampa. During the pandemic, smaller cities such as Portland, Maine, and Wilmington, N.C., also saw growing inflows of such workers…. Among the 12 most expensive metros, net college migration has generally declined or turned negative. The other 41 large metros have mostly continued to attract working-age college graduates." A chart shows net migration into or out of each metro's college-educated population in 2010-14, 2015-19, and 2020-21.