

Data Digest

WWW.AGC.ORG

Supported by:



Vol. 23, No. 21 June 6-9, 2023

Momentum index posts mixed signals; warehouse, hotel construction show signs of cooling

The Dodge Momentum Index fell 2.0% in May but rose 11% year-over-year (y/y), Dodge Construction Network [reported](#) on Wednesday. The index “is a monthly measure of the initial report for **nonresidential building projects in planning**, shown to lead construction spending for nonresidential buildings by a full year.” The commercial component tumbled 6.1% for the month but climbed 7% y/y. The institutional component increased 5.9% for the month and 18% y/y. A sign of the strength and geographic diversity of **data center construction**, the “largest commercial projects [entering planning in May] included Buildings 3 and 4 of the Blue Sky Data Center project in Omaha, Neb., each valued at \$466 million, and the \$400 million Prime Data Center building in Avondale, Ariz.”

“Retailers are shedding **warehouse space** and paring back their logistics networks now that the disruptions that slowed supply chains during the Covid-19 pandemic have largely receded and consumer spending patterns are shifting toward services,” the [Wall Street Journal](#) reported on Wednesday. “Discount retailer Big Lots and big-box chain Walmart are among companies that have closed warehouses or laid off distribution workers as part of a broader realignment of logistics operations. The cutbacks are helping cool down a market for warehousing demand that had grown red-hot during the pandemic...The industrial real-estate vacancy rate ticked up to 3.6% nationwide in [Q1] from 3.3% in [Q4] 2022, according to real-estate services firm Cushman & Wakefield. That was the third straight quarter vacancy increased after two years of declining availability, though still far below the 5% average vacancy rate in 2020.”

“Tighter lending standards from regional banks are making it harder for U.S. hotel developers to secure funding, slowing **construction of new hotels** at a time Americans' appetite for travel is ripe,” Reuters [reported](#) on Monday. “Hotel developers, private equity firms, and general contractors told Reuters the financial stress on regional banks—the largest lenders to hotels and other commercial real estate markets—has forced developers to postpone projects or find other creative ways to raise capital.”

An analysis the National Association Home Builders [posted](#) on Tuesday of **multifamily permits by location** type (counties within large or small metros or outside of metros) found “the multifamily construction market remains strong with all [market types] having positive growth rates in the first quarter [Q1] of 2023. Large Metro – Core Counties had the lowest multifamily growth rate at 3.2%, up from 1.5% from [Q4] 2022. For the eighth consecutive quarter, Large Metro – Outlying Counties had the highest growth rate at 24.5%. The multifamily market share for Large Metro – Core Counties increased [to 37.5% in Q1] 2023 after losing market share for all of 2022[. Since Q1] 2020, Small Metro – Core Counties market share has increased 3.0 percentage points from 20.6% to 23.6%. This was the largest increase between [Q1] 2020 and 2023 for any [market type, while] the largest decrease in [share was 4.7 points] in Large Metro – Core Counties.”

“**Current sentiment for [engineering] firms** and the industry remains extremely optimistic,” the ACEC Research Institute [reported](#) in releasing its 2023 Q2 Engineering Business Sentiment survey. On a scale from -100 to 100, the “Net Rating for firms’ overall finances and the engineering and design services industry are both +86, both increasing slightly compared to last quarter....Sentiment is strongest in Water/Wastewater (Net Rating +81) and Roads and Bridges (+80). Nearly half of the sectors increased relative to last quarter....Seventy-seven percent of firms are adding people to accommodate growth,...virtually unchanged from [Q3 2022]. In the past three months, over half of firms (56%) have turned down work due to workforce shortages, up from previous quarters.”

“**Economic activity in the services sector** expanded in May for the fifth consecutive month,” the Institute for Supply Management [reported](#) on Monday. **Construction** (including homebuilding) is among 13 sectors (out of 18) that reported increased business activity, along with paying higher prices for materials and services (12 sectors), growth in new orders (11), employment growth (9), faster supplier deliveries (9), and decreased order backlogs (9). **Items** significant for construction reported **up in price** included construction contractors, construction materials, and transformers (for the ninth-straight month). Steel products were listed as **down in price**. **Items listed in short supply** included construction labor (for the fourth month in a row), materials (2 months), and contractors; transformers (9 months) and appliances (6 months).

Data DIgest is a weekly summary of economic news. Sign up [here](#). Editor: Ken.Simonson@agc.org, Chief Economist, AGC. Go here for [Ken's PPT](#) or more [construction data](#).

© 2023 Associated General Contractors of America. License granted for limited use with attribution under Creative Commons Attribution-No Derivatives 4.0 International (CC BY-ND 4.0) license: <https://creativecommons.org/licenses/by-nd/4.0/>. Warranties disclaimed. Conditions apply.