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Dodge, ConstructConnect, Census, ABI signal multifamily decline; electrical-gear lead times lengthen

Four reports this week indicate a steep decline in multifamily starts, permits, or design work, with mixed signs for nonresidential projects.

Total construction starts in current dollars (i.e., not inflation-adjusted) increased 8%, seasonally adjusted, from April to May but slipped 6% year-to-date (January-May 2023 vs. 2022), Dodge Construction Network reported on Tuesday. Year-to-date **residential starts** plummeted 25%, with single-family down 31% and multifamily down 12%. **Nonresidential building starts** dipped 1% year-to-date, with institutional starts up 12%, manufacturing starts down 11%, and commercial starts down 7%. **Nonbuilding starts** increased 25% year-to-date, with utility/gas plants up 76%, miscellaneous nonbuilding starts up 27%, environmental public works up 11%, and highway and bridge starts up 16%.

The **value of construction starts** in current dollars rose 1.5% from April to May, not seasonally adjusted, but decreased 11% year-to-date, data firm ConstructConnect reported on June 16. **Residential starts** plunged 31%, with single-family down 32% and apartments down 29%. **Nonresidential building starts** subsided 7.3%, with the largest component—institutional starts—up 7.4%, industrial (manufacturing) starts down 18%, and commercial starts down 15%. **Engineering** (**civil**) starts rose 20%, with increases for most segments: roads, 19%; water/sewage, 17%; power and miscellaneous civil, 29%; bridges, -2.5%; dams/marine, 76%; and airports, 50%.

Housing starts (units) in May increased 22% at a seasonally adjusted annual rate from the April rate but remained 5.7% lower year-over-year (y/y), the Census Bureau reported on Tuesday. Single-family starts rose 19% for the month but fell 6.6% y/y. Multifamily (five or more units) starts soared 28% for the month and 40% y/y to an annual rate of 524,000 units. **Residential permits** rose 5.2% for the month but slid 13% y/y. Single-family permits increased for the fourth-straight month, by 4.8% from April to the highest annual rate since July, suggesting starts may soon recover. Multifamily permits rose 7.8% from April to an annual rate of 542,000 but were down 12% y/y. While an annual rate of 978,000 multifamily units were under construction, the far lower levels of starts and permits suggest spending may soon shrink.

The **Architecture Billings** Index (ABI) registered a score of 51.0, seasonally adjusted, in May, up from 48.5 in April, the American Institute of Architects (AIA) reported on Wednesday. Any score above 50 means more firms reported increased billings than decreased 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: institutional, 53.4 (up from 52.8 in April); mixed practice, 52.7 (up from 52.3); commercial/industrial, 47.5 (down from 49.6); and residential (mainly multifamily), 43.0 (down from 43.5). The **new design contracts** index rose to 52.3 from 49.8.

Electric-vehicle charging company "executives say delays getting everything from parts to permits are slowing down **construction** of the crucial infrastructure," the Wall Street Journal reported on Wednesday. "**Electrical equipment** manufacturers and startups that build charging networks say **shortages of equipment including transformers, switchgear and electrical steel** are adding months to the time it takes to build charging facilities to power electric fleets. Industry officials say the delays are being fueled by a boom in power-hungry renewable-energy projects, data centers and semiconductor factories, stretching the production capabilities of electrical equipment suppliers. Electrical equipment manufacturers said companies should expect delays to worsen for some time as the growth of new technologies flowering at once strains power-generation supply chains. Hundreds of billions of dollars in federal incentives are spurring the growth of semiconductor factories and renewable-energy projects while advances in artificial intelligence and the expanding role of smart devices in homes and businesses is fueling demand for more data centers. The demand is testing the limits of electrical utilities and startups that are effectively competing with one another for the materials to build power-generation equipment. Barry Powell, head of electrical products for Siemens in North America, said lead times for electrical switchgear, which helps manage power systems, stretch to 40 or 50 weeks, up from 12 to 16 weeks a few years ago. Powell said back orders are building even though Siemens has accelerated production of the equipment. 'The output is up 50% to 75%, but the demand is up 100% to 150%,' he said."

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