

# Data Digest

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## Dodge Momentum Index, ISM services survey show mixed trends for construction in October

The Dodge Momentum Index increased 1% in October from September but slumped 8% year-over-year (y/y), Dodge Construction Network [reported](#) on Tuesday. 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 rose 2% for the month but declined 14% y/y; the institutional component slipped 1% for the month but rose 7% y/y.

“**Economic activity in the services sector** expanded in October for the 10th consecutive month,” the Institute for Supply Management [reported](#) on November 3. Construction is among the 13 sectors (out of 18) that reported an increase in business activity, employment (9 sectors), and order backlogs (8), but is one of the few sectors reporting a decrease in new orders (4 sectors) and prices paid for materials and services (4), as well as slower supplier deliveries (3 sectors). **Items** significant for construction reported **up in price** include diesel fuel (4 months in a row), “electric transformers,” and insulation. Copper-based products, lumber, and oriented strand board panels were listed as **down in price**. **Items listed in short supply** include construction labor (2 months), electrical components (7), and transformers (14).

**Construction industry pay** rose less in the third quarter (Q3) of 2023 than a year earlier and less than in the overall private sector. **Wages and salaries in the construction industry** rose 1.1%, seasonally adjusted, in Q3 and 4.5% y/y, down from 4.7% a year earlier, BLS [reported](#) on October 31. Wages for the total private sector increased 1.1% in Q3 and 4.5% y/y, down from 5.2% a year ago. Total **compensation** (wages, salaries, and benefits, including required employer payments) **in construction** rose 0.8% in Q3 and 4.1% y/y, down from 4.4% a year earlier. Total private industry compensation increased 1.0% in Q3 and 4.3% y/y, down from 5.2% the year before.

“Hard” building **construction cost increases** continued at the same 1.6% quarterly rate from April 1 to July 1 as in the previous quarter, consultancy Rider Levett Bucknall [reported](#) on October 23, based on its latest quarterly National Construction Cost Index. From July 1, 2022, to July 1, 2023, the index rose 6.5%, down from 8.2% in the previous 12 months. Among 12 U.S. cities, the latest 3-month change ranged from 2.8% in Seattle to 0.7% in San Francisco; the 12-month change ranged from 9.2% in Seattle to 4.8% in Honolulu.

“The immense amount of energy needed to power **generative artificial intelligence** models, like the one behind ChatGPT, is creating a new **market for data centers that run on alternative energy sources**,” the [Wall Street Journal](#) reported today. “Driven by energy demands and sustainability goals, [firms are looking at a] range of sources, including geothermal, nuclear and flared gas, a byproduct of oil production. [Crusoe, which began as a cryptocurrency mining operation,] has over 100 small, modular data centers built on-site at oil wells in states such as North Dakota, Colorado, and Wyoming, where the company said it buys gas at low cost and has immediate access to it.”

“Cities hoping to **convert emptying office buildings into apartments** are running into financing issues, stagnating rental markets and other challenges that are bottling up their efforts,” the [Journal](#) reported on Wednesday. “Developers last year created just 3,575 apartment units in the U.S. through office conversions, according to an analysis by rental listing site RentCafe. That amounts to less than 1% of all apartments built that year through new construction. The number of office conversions is poised to increase sharply this year, according to brokerage CBRE, as office vacancies keep rising and developers see conversions to other property types as an alternative....Even so, the process has always been fraught with difficulty and few office buildings are natural candidates. Conversions are easiest in older, lower-quality and mostly empty buildings with small floors. But less than 1% of office space in the biggest U.S. cities ticks those boxes, according to Avison Young. In significant ways, the conversion process is getting even harder now. Slowing rent growth might make apartment conversions less attractive to investors, if the trend persists into next year.”

AGC contractor members are invited to [fill out](#) the 2024 AGC/Sage Construction **Hiring and Business Outlook Survey** between now and December 7. Results will be posted in early January.

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

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