Data Digest

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Dodge, ConstructConnect differ on January starts but show similar 12-month trends; ABI points down

Reports last week from two firms that separately collect information about projects differ regarding the monthly change from December to January but show similar trends comparing the latest 12 months to January 2022-January 2023. The month-to-month divergence likely reflects a difference in when the firms consider a project to have started and whether they adjust for normal seasonal variation, while the trailing 12-month (TTM) similarity suggests they cover roughly the same set of projects. Both firms report the entire value of a project in the month the deem it to have started. In contrast, the Census Bureau reports spending on projects month by month, with and without seasonal adjustment. All three sources report spending in current dollars—that is, not adjusted for inflation.

Total **construction starts** edged up 1% in January from December at a seasonally adjusted annual rate but dipped 1% on a TTM basis, Dodge Construction Network reported on Tuesday. **Nonbuilding starts** rose 9% and 17%, respectively. **Nonresidential building starts** slipped 2% and 5%, respectively. **Residential building starts** were flat for the month and down 8% on a TTM basis, with multifamily starts up 6% for the month but down 7% on a TTM basis and single-family starts down 3% and 8%, respectively

The **value of construction starts** soared 42%, not seasonally adjusted, in January from December but declined 0.6% on a TTM basis, ConstructConnect reported on Friday. **Nonresidential building starts** climbed 33% for the month but declined 9.2% on a TTM basis. **Engineering (civil) starts**, which are heavily affected by the timing of very large project starts, doubled from December and rose 15% on a TTM basis. **Residential starts** rose 13% for the month but slipped 16% on a TTM basis. Multifamily starts were up 41% for the month but down 30% on a TTM basis; single-family starts rose 0.6% and fell 6.8%, respectively.

The **Architecture Billings** Index (ABI) in January registered a score of 46.2, seasonally adjusted, little changed from December's 46.5 and the 12th-straight reading below the breakeven 50 mark, the American Institute of Architects (AIA) reported on Wednesday. AIA calls the index "a leading economic indicator that leads nonresidential construction activity by approximately 9-12 months." The ABI is derived from the share of responding architecture firms that report a gain in billings compared to the previous month less the share reporting a decline in billings, presented on a 0-to-100 scale. Thus, any score below 50 means more firms reported decreased billings than increased billings, compared to the month before. Readings for practice specialties (based on three-month averages) were all below 50, with little change from December: institutional, 48.5 (vs. 47.9 in December); commercial/industrial, 47.2 (vs. 47.0); residential (mainly multifamily), 44.6 (vs. 45.1); and mixed practice, 42.9 (vs. 43.2). Similarly, an index for new design contracts was little changed at 49.7 (vs. 50.4). AIA noted that every January it updates the seasonal factors used to calculate the ABI, resulting in a revision of recent ABI values.

Mineral wool insulation maker Johns Manville notified customers on Thursday, "Each month we receive significantly more orders than we are able to produce. As a result, our **lead times** have extended significantly, and they continue to grow. In an effort to control the incoming orders and improve service levels, we are forced to implement managed supply on all mineral wool building insulation. Effective immediately Johns Manville will stop receiving MW orders and **limit the orders** we accept and confirm beginning with August and continuing monthly until further notice." This announcement follows a similar notice Rockwool sent on February 2.

"From 2021 to 2024, the number of **apartments scheduled for conversion from old office spaces** increased from 12,100 to 55,300," apartment data firm RentCafe reported on January 30. "Office conversions now represent 38% of the 147,000 apartments in future adaptive reuse projects." Hotels account for 24% of conversions; factories, 13%; healthcare buildings, 6%; and other types, 20%. The leading metros for conversions are "Washington, D.C.; New York; Chicago; Dallas; Los Angeles; and Seattle."

"Confidence in the market for new multifamily housing was in negative territory for the fourth quarter, according to results from the Multifamily Market Survey" that the National Association of Home Builders released on Thursday. "The Multifamily Production Index had a reading of 41—below the breakeven point of 50," but up from 38 the previous quarter.

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