AGC THE CONSTRUCTION ASSOCIATION Data Digest

WWW.AGC.ORG

Vol. 24, No. 23 June 10-14, 2024

Construction input and bid prices remain tame in May; nonresidential craftworkers pay rises steeply

Input and bid prices for construction showed mixed monthly and y/y patterns in May, according to data the Bureau of Labor Statistics (BLS) posted on Thursday. The **producer price index** (PPI) **for material and service inputs** to new nonresidential construction fell 0.6%, not seasonally adjusted, and increased 1.9% year-over-year (y/y). The PPI **for new nonresidential building construction**—a measure of prices that contractors say they would bid to erect a fixed set of buildings—was unchanged from April but slipped 1.0% y/y. AGC posted tables of construction PPIs.

Trends in **construction pay** for craft and other nonsupervisory workers have varied by subsector. Average hourly earnings (AHE) for all production and nonsupervisory employees in the construction industry increased 4.5% y/y in April, compered to 4.1% for the private sector, based on AGC's analysis of BLS data posted on June 7. AHE for production employees rose 6.5% at heavy and civil engineering construction firms, 6.4% at nonresidential building firms, 4.9% at residential building firms, and 3.7% at specialty trade contractors. (BLS does not break out residential and nonresidential trade contractors.) This variation is consistent with reports from general contractors that their labor costs are rising rapidly.

The **construction industry pay**s new hires age 16-22 the most (median base hourly pay of $18) among 10 sectors, according to a report posted by the ADP Research Institute on Wednesday. Median pay in construction increased 2.9% y/y and 39% since May 2019.

"In 2022, around 1.29 million women worked in construction in the United States, accounting for 11.0% of the industry, according to the 2022 American Community Survey," the National Association of Home Builders (NAHB) posted on Monday. Totals include self-employed workers as well as employees. "Within the construction industry, women are more likely to be found in such occupations as office and administrative support, management, business, and financial operations. Only 2.8% of women in construction work in actual trade roles." AGC posted an adapted version of NAHB's analysis, showing the number and percent of women in construction and construction trades in each state and highlighting the top and bottom five states by percentage of women.

Two reports this week on **retail properties**, as well as the latest Census data on **retail construction spending**, show how mixed the market is. The Census Bureau posts data on four broad categories of stores (automotive, food/beverage, multi-retail, and other commercial) and 11 subsegments. Of the 11 subsegments, y/y construction spending changes in April ranged from 49% for automotive sales facilities and 48% for shopping centers to -64% for drug stores. "For the first time in 20 years, demand for retail space outstrips supply," the New York Times reported on Tuesday. "That demand has soared recently and, after years of muted construction and a purge of weak-performing properties, met a retail market with less available space….**Shopping center** vacancy is the lowest it has been in two decades, at 5.4%, Cushman & Wakefield said in a recent report…Shopping center space, which had surged from 2006 through 2009, began to shrink—primarily in two waves, first from 2009 to 2016 and then again during the pandemic….The shopping centers that were still around shifted strategy to meet changing consumer taste, and landlords brought in high-traffic-driving tenants including restaurants and entertainment centers, fitness operators, boutique services, public gathering areas and medical facilities. In some cases, developers are adding apartments, grocery stores, hotels and offices, while still scaling back excess store space."

"Now, with Americans dining out more than ever, the **restaurant** business is emerging as the hottest corner of retail **real estate**," the Wall Street Journal reported on Tuesday. "Food services accounted for more than 19% of all retail leases last year, rising in recent years to the highest proportion for any category since data firm CoStar Group began tracking the statistic in 2007. The uptick reflects how Americans are spending more time and money at restaurants, from fine-dining hot spots to fast-casual chains. Low unemployment, rising wages, the ascent of 'foodie culture' and millennials' tendency to marry and have children later than previous generations have likely contributed to increased restaurant spending in recent years, analysts say. Single households are less likely to grocery shop than families. It is a far cry from the depths of the pandemic, when tens of thousands of restaurants permanently closed. Four years later, robust restaurant leasing has helped power the retail-real-estate sector to its strongest position in years….hybrid work gives suburban residents more flexibility to run errands and grab lunch during the workday." Spending on dining/drinking construction rose 23% y/y in April.

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.