AGC's Data DIGest

BROUGHT TO YOU BY AON

www.agc.org/cs/industry_topics/construction_economics

Vol. 12, No. 46 • Nov. 27-Dec. 3, 2012

Construction spending hits 37-month high; Beige Book, recruiters report increases

Construction spending *rose to a 37-month high in October, totaling $872 billion at a seasonally adjusted annual rate, up 1.4% from September and 9.6% from October 2011, the Census Bureau reported today. Totals for September and August were each revised up roughly 1%. The October figure was the seventh consecutive monthly gain and 17% above the low in February 2011. Private residential spending in October jumped 3.0% from September and 21% from October 2011; private nonresidential spending increased 0.3% and 11%, respectively; and public construction spending, 0.8% and -1.0%. All* ***private residential categories*** *posted solid gains: new single-family, 3.6% for the month and 29% for 12 months; new multifamily, 6.2% and 53%, respectively; and improvements to existing single- and multifamily, 1.8% and 9%. Among* ***private nonresidential categories****, the largest—power construction, which includes oil, gas and other energy projects—rose 1.6% for the month and 19% over 12 months. Manufacturing construction fell 2.5% in October, but grew 3.6% year-over-year. Commercial construction (retail, warehouse and farm structures) rose 1.2% and 9.5%, respectively. Of the top two* ***public categories****, highway and street construction spending shrank 2.4% and 5.0%, while educational construction rose 0.9% for the month but fell 2.8% over 12 months. Census stated, in a web page (www.census.gov/constructionspending) of Frequently Asked Questions posted on Friday, that it did not believe Hurricane Sandy had affected the totals or the accuracy of its estimates significantly. The storm struck a relatively small region near the end of October. Recovery from the storm may lead to higher spending in November on residential improvements but slightly lower totals for other projects that were interrupted.*

"**Economic activity** expanded at a measured pace in recent weeks," the Federal Reserve reported on Wednesday in its latest "Beige Book," a summary of informal soundings completed before November 14 of businesses in the 12 Fed districts, which are referenced by their headquarters cities. *"The Cleveland district indicated that the number of single-family* ***housing starts*** *had increased since our last report and from a year ago; most sales contracts were in higher price-point categories. Similarly, Richmond noted more residential work in the high-end home category for the first time in three years, and builders cited significant pent-up demand in the first-time buyer segment….In Chicago, residential construction increased at a slow but steady pace in October and early November, and construction increased for single-family as well as multifamily homes. St. Louis reported that residential real estate market conditions continued to improve, and Minneapolis indicated that segments of construction and real estate were growing at a double-digit clip….San Francisco reported that home demand continued to strengthen and that home sales continued to grow on a sustained basis in most areas, spurring new home construction….* ***Construction and commercial real estate activity*** *generally improved across districts since the last report. Gains, albeit modest in most cases, were reported by Philadelphia, Richmond, Chicago and Minneapolis. The gains among Cleveland's contacts were tempered by reports in recent weeks of a slowdown in inquiries and a decline in public-sector projects…. Demand for office and industrial space continued to increase in Dallas, although contacts at some businesses said they were 'holding back on expansions due to uncertainty.'…San Francisco depicted market conditions as stable but with pockets of strength for large* ***infrastructure projects*** *such as roads and bridges….Cleveland, Chicago, Minneapolis, Kansas City and San Francisco all reported increasing* ***prices of construction-related materials****, and Chicago and Minneapolis also cited increases in metals prices. In addition, Kansas City remarked on rising prices in construction materials…"*

Construction hiring *"continues to firm up," according to two construction executive recruiters cited by EconoPlay on Thursday in its "November jobs outlook" (www.econoplay.com). "Dan Conroy of the Conexco Group in St. Louis [said,] 'We had a good November—up 27% in billings from last year and meaningful activity carrying over from a decent October….Construction companies in certain market segments are forging ahead. Electrical and mechanical construction activity is strengthening due mostly to service, renovation and upgrades to existing facilities. [Heavy-civil contractors] seem to be actively bidding work, but it still remains very competitively priced….Commercial activity, however, remains pretty flat.'…Bill Stynetski, president of HardHatJobs in Dallas, continues to see good orders for estimators and project managers for healthcare, multifamily residential, energy and industrial construction. 'November has been a very busy month. Job orders are up and the number of candidates interested in making changes is up,' he said. 'With thousands of people leaving the workforce each month, there are many opportunities.'"*

Construction costs *increased an average of 0.8% in 30 cities from July 1 to October 1 and 1.8% over 12 months, according to the latest RS Means Construction Cost Index (www.rsmeans.com). Materials costs rose 1.0% and 1.5%, respectively. Installation costs rose 0.5% and 2.2%.*

The *Data DIGest* is a weekly summary of economic news; *items most relevant to construction are in italics.* Sign up at www.agc.org/datadigest.