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Construction employment rises in 61% of metros; Beige Book finds commercial real estate 'softened'

Construction employment, not seasonally adjusted, rose year-over-year (y/y) from April 2023 to April 2024 **in** 218 (61%) of the 358 **metro areas** (including divisions of larger metros) for which BLS posts construction employment data, fell in 100 (28%), and was unchanged in 40, according to an analysis AGC released on Wednesday. (For most metros, BLS reports only combined totals for mining, logging, and construction; AGC treats these totals as construction-only.) Baton Rouge, La. added the largest number of jobs (7,600 construction jobs, 13%), followed by Las Vegas-Henderson-Paradise (6,500 construction jobs, 8%); Atlanta-Sandy Springs-Roswell (5,700 construction jobs, 4%); and the Fort Worth-Arlington, Texas division (5,100 combined jobs, 6%). Fairbanks, Alaska again had the largest percentage gain (32%, 700 construction jobs), followed by three areas with 20% increases: the Detroit-Dearborn-Livonia division (4,900 combined jobs); Anchorage, Alaska (1,900 construction jobs); and Lawton, Okla. (300 combined jobs). The largest job loss occurred in Denver-Aurora-Lakewood (-5,700 combined jobs, -5%), followed by New York City (-5,400 combined jobs, -4%); the Chicago-Naperville-Arlington Heights division (-3,900 construction jobs, -3%); Minneapolis-St. Paul-Bloomington, Minn.-Wis. (-3,800 combined jobs, -5%); and Baltimore-Columbia-Towson, Md. (-3,800 combined jobs, -5%). The largest percentage decrease occurred in Augusta-Richmond County, Ga.-S.C. (-12%, -2,000 combined jobs), followed by Columbus, Ind. (-11%, -200 combined jobs); Bellingham, Wash. (-10%, -900 combined jobs); and Decatur, Ill. (-9%, -300 combined jobs).

"National **economic activity** continued to expand from early April to mid-May; however, conditions varied across industries and districts," the Federal Reserve reported on Wednesday in its latest Beige Book, which "characterizes regional economic conditions and prospects based on a variety of mostly qualitative information, gathered directly from each district's sources….Conditions in the **commercial real estate** sector softened amid supply concerns, tight credit conditions, and elevated borrowing costs….Many districts observed a continued increase in input costs, particularly insurance, while some noted **price declines in certain construction materials**." AGC posted construction excerpts from each district.

In contrast, a contractor in Texas forwarded letters from several **paving-materials** suppliers announcing **price increases**, effective July 1. Readers are invited to send price and supply available information to ken.simonson@agc.org.

Rents for five types of **income-producing property** rose on average across 54 metro areas in the first quarter (Q1) of 2024 relative to Q4 and Q1 2023 while **occupancy** was mixed, the Mueller Real Estate Market Cycle Monitor reported on Tuesday. Rents and occupancy are major determinants of construction demand for these categories. The national **office market** occupancy level fell 0.2% in Q1 and 1.3% y/y. "Declining demand continues as office-using job growth was below 1% and the tenants signing new leases are taking an average 15% less space than pre-pandemic. Sublease space is now four times more than during the Great Recession. We expect occupancy to continue its decline as 50% of leases signed pre-pandemic have yet to expire. Total U.S. negative net absorption is now over 200 million square feet. Asking [office] rental rates were up 0.2% in [Q1 and 0.8% y/y]—but growing concessions continue to depress net effective rents." **Industrial** occupancies fell 0.4% in Q1 and 2.7% y/y. "Demand growth was slow…Some distributors were also closing facilities that they had opened post-pandemic. Net absorption was…the lowest rate in a decade. A large amount of unleased space also came online. Asking rent growth was up 1.2%" in Q1 and 4.7% y/y. The national **apartment** occupancy average fell 0.4% in Q1 and 1.1% y/y. "Many Sunbelt markets saw rents decline due to large new supply." The national average apartment rent growth rose 0.2% in Q1 and 1.0% y/y. **Retail** occupancies were flat nationally in Q1 and rose 1.9% y/y, "maintaining the highest peak-occupancy in history. Only San Francisco had an occupancy decline. Half of new demand was driven by start-ups, discount/off-price, and food & beverage tenants..., with freestanding retail having the highest occupancy rates. Demand was up 42 million square feet [y/y] with 250 million square feet of total leasing. New supply was 40% below the long-term average and 155 million square feet of retail have been demolished since the start of COVID, further restricting supply. Most new supply was either single-tenant build-to-suit or ground floor space in a mixed-use project. National average retail asking rents were up 0.7% for the quarter and were up 2.8%" y/y. **Hotel** occupancies rose 0.4% and 1.6%, respectively. National average revenue per available room (RevPAR) was up 1.1% and 4.1%.