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Dodge Index jumps in July but NAHB, Fed surveys show poor multifamily, commercial conditions

The Dodge Momentum Index increased 7.9% from June to July and 17% year-over-year (y/y) from July 2023, Dodge Construction Network reported on Wednesday. The index "is a monthly measure of the **value of nonresidential building projects going into planning**, shown to lead construction spending for nonresidential buildings by a full year." Commercial planning increased by 6.8% for the month and 35% y/y and institutional planning expanded by 11.1%" for the month but slumped 14% y/y. "Within the commercial portion of the index, growth was widespread across all segments. Data centers continued to play an important role in growth, and retail planning has been steadily accelerating over the past eight months. On the institutional side, healthcare was the primary driver of this month's expansion."

"**Confidence in the market for new multifamily housing** declined [y/y] in the second quarter [Q2] of 2024, according to results from the Multifamily Market Survey" that the National Association of Home Builders (NAHB) conducted and reported on Thursday. The survey's "Multifamily Production Index (MPI) had a reading of 44, a decrease of 12 points" y/y. "The survey asks multifamily builders to rate the current conditions as 'good,' 'fair,' or 'poor' for multifamily starts in markets where they are active. The index and all its components are scaled so that a number above 50 indicates that more respondents report conditions as good rather than poor….sentiment about production of garden/low-rise apartments and subsidized apartments remained in positive territory above 50. The component measuring garden/low-rise fell 11 points to 53, the component measuring subsidized units decreased four points to 51, the component measuring built-for-sale units posted a seven-point decline to 38, and the component measuring mid/high-rise units dropped 18 points to 29."

Respondents to the Federal Reserve Board's July 2024 Senior Loan Officer Opinion Survey reported "significantly tighter **lending conditions for** both multifamily as well as all commercial real estate (CRE) **construction & development loans** in Q2 2024," NAHB posted on Thursday. "However, both categories showed less net tightening than they did a quarter before, most noticeably multifamily falling 11.7 percentage points. Nevertheless, it has been 10 consecutive quarters of tighter lending conditions for construction & development and nine consecutive quarters for multifamily. For multifamily, 17.5% of banks reported net weakening of demand for loans, which is 16.4 percentage points lower compared to Q1 2024. As for construction & development loans, 15.9% of banks reported net weakening of demand for loans, which was little changed from the previous quarter. Weaker demand has persisted for roughly the last two years for construction & development (10 consecutive quarters) and multifamily (8 consecutive quarters)." Tight lending conditions, high land acquisition and development costs, and softening demand for space continue to depress rental-property construction. AGC's analysis of Census Bureau data on August 1 showed private construction spending declined 0.5% at a seasonally adjusted annual rate in June and 22% y/y for warehouses; -2.4% and -8.1%, respectively, for retail; 0.3% and -11% for lodging; 0.1% and -16% for offices (excluding data centers); and 0.1% and -7.4% for multifamily.

"Lettings (DOT contract awards)…federal and state-led **commitments for road, highway, and bridge infrastructure projects**" across 15 states inched down 0.4% y/y from fiscal year 2023 (FY23, covering July 2022-June 2023) to FY24, investment research firm Thompson Research Group reported on Monday. "Despite the flat y/y results, FY24 awards are up more than 25% from FY22 levels and more than 46% from FY20 levels….Florida posted a y/y increase of 25%. State contacts note only $700 million of the $4 billion approved from Moving Florida Forward 2023 has been awarded….Our contact also shared the balance of the $4 billion in funding must be let by [June 20026]. Tennessee's 24% increase is being driven by the state's Transportation Modernization Act 2023…Colorado's 44.2% drop was based on a difficult comp as the state posted a record letting month in June 2023 of nearly $800 million." A table shows lettings over the past five fiscal years for all 15 states.

Contractors are invited to fill out the 2024 **Arcoro/AGC Workforce Survey**. Results will be posted in late August.